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Boosting Competitiveness: 10 Actions for Deeper and Better Capital Markets in EU Member States

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PREFACE

Europe is in many ways still a leading economy, but we find ourselves in a situation where the European model is undergoing a geopolitical stress-test. And in a challenging global environment, an economically strong Europe is our best asset.

This is the time to act, but we need to act with all the facts on the table. At the Confederation of Swedish Enterprise, we believe that the significant investments required to enable Europe to transition – into a greener more digital future – need to be mainly driven by the private sector. Mobilising private capital will be critical, and that is why it should be the primary task of policy makers to ensure the right framework for private sector investments – with a business environment that supports the business case for private investment.

Swedish Enterprise recognises and supports the aims to develop and strengthen the capital markets within the EU. The focus on private capital and the Savings and Investment Union is promising. Initiatives should be designed to strengthen EU companies' access to capital by identifying and addressing their financing needs, areas of potential improvement and facilitating financial market innovation. And companies come in all sizes and in many different stages of development.

Also, when it comes to developing well-functioning markets such as capital markets, we are talking about national ecosystems, cultures and behaviours that develop over time. A persistent and consistent approach from policy makers is called for, respecting the diversity across European capital markets.

We believe that the added focus on reform at national level is particularly welcome and that applying a bottom-up approach to developing capital markets should be further explored and encouraged. The Swedish capital market is among the strongest in Europe and is the result of developments over several decades. The removal of inheritance and gift tax, the introduction of the premium pension system (the "PPM") and the investment savings account (the "ISK") have been important factors in developing the Swedish capital market. In addition, the Swedish model of self-regulation plays an important role. For the capital markets within the EU to improve, understanding and learning from the experience of peers is key, especially as member states have diverse capital markets at different levels of development.

It is for these reasons that Swedish Enterprise has commissioned this report. While many of our policy experts at the Confederation have provided input, the research, analysis and recommendations have been undertaken and drafted by, and should be attributed to, the staff at ECIPE. The report focuses on how the EU should promote national capital market development by leveraging the experience of high-performing European countries. It proposes 10 actions for deeper and better capital markets in the EU, which are all tailored to affect national improvements.

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SWEDISH ENTERPRISE

EXECUTIVE SUMMARY

- Deeper, richer, and more sophisticated capital markets are central for boosting Europe's competitiveness and prosperity. High-performing capital markets supply all types of firms – big and small – with multiple and varied opportunities to fund themselves and their growth at all stages of development. If Europe develops policies encouraging more savings to be invested in equities, bonds and securities there will be more funding available for EU companies. Importantly, such a development would also improve opportunities for companies to seek funding that is better tailored for their development and growth prospects. As pointed out in Mario Draghi's report on European competitiveness, better capital-market policies are a key priority for boosting European economic performance.

- A good capital market is an ecology based on many different investment institutions and that is supported by a general business environment that allows businesses to grow and thrive, making them attractive for investment. Consequently, improving European capital markets requires many different types of reforms that make it easier to save, invest, innovate and build businesses in Europe. While the EU can advance such an agenda, it is critically important that reform efforts focus on national governments. The heavy lifting to improve capital markets in Europe will have to be done by national governments. Many governments have already made reforms that have improved outcomes, and other EU countries can learn profoundly from these experiences.

- The European Union is now changing approach. It has recently launched a new strategy for a Savings and Investment Union (SIU) that will succeed the Capital Markets Union (CMU). New initiatives have already been tabled. This is an opportunity to reflect on past achievements and shortcomings, and to advance new policies and targets that forcefully can drive capital market development across the EU.

- The fault lines of capital markets in Europe are known. While European households have a high savings rate, large parts of these savings are invested in real estate or in low-yielding assets that are distant from corporate funding markets. Generally, the market is too dominated by banks, which limits the diversity and resilience of funding sources and leaves firms – especially SMEs – more vulnerable to credit cycles and banking sector stress. What is less known is that there is huge variability between EU Member States – both in capital market performance and policy. In fact, some EU countries like Sweden, Denmark, and the Netherlands have high-performing capital markets that are distinctly different from other EU markets. Obviously, high-performing countries have pursued national capital-market policies that are better suited to achieve the common objectives. While EU-level legislation has so far delivered limited results, national reforms hold considerable untapped potential. If all Member States were able to converge towards the standards and effectiveness of the most dynamic markets, the cumulative effect could transform the EU's financial landscape – broadening access to capital, increasing cross-border investment, and strengthening the overall resilience and competitiveness of the European economy.

- In the new SIU, the EU should promote national capital-market development and leverage the experience of high-performing European countries. While there are remaining cases for removal of barriers within the EU and a move towards a single market for capital, the reality is that many past harmonisation efforts have failed to move policy or performance much. New strategies are needed – and there are big payoffs if national governments start to progress capital-market reforms that are necessary and that have proven remarkably successful in other EU Member States.

- In this report, we are proposing 10 actions for deeper and better capital markets in the EU. They are all tailored to affect national improvements. We propose a new SIU Scoreboard of seven specific action targets – some are outcome-oriented but most of them reflect policy areas that should be reformed. They include new policies on pensions, investment funds, and public markets – and combine ambitions to raise the volume of capital invested in capital markets with targets for improving access to niche funding, not least for small and high-growth companies.

- Three actions are about EU institutions and the process going forward. We propose a functional role for the SIU – and complement it with a distinct role for the European Semester in national capital-market development, including annual country-specific recommendations. We also propose conditioning access to certain EU funds on capital-market reform.

1. INTRODUCTION

There is a paradox right at the heart of the European Union's efforts to improve capital market performance. Everyone seems to agree a better capital market is critical for the European economy to grow faster. In two seminal reports last year by Mario Draghi and Enrico Letta, it was underlined that weak capital market performance has weighed down economic opportunity and deprived companies of necessary funds. Big and sophisticated capital markets do not just fund corporate growth, but also provide the financial impulses for breakthrough innovation and new businesses that are driving technological change.[1] Looking enviously at the US corporate performance, many would credit the country's rich, deep, and sophisticated capital market for its modern business success.

And yet, many past EU projects to improve capital markets do not seem to have moved the needle much. For a few years, the EU has developed indicators to measure progress under the Capital Markets Union (CMU) – to little avail. The launch of Europe-wide financial retail products has largely failed to deliver expected outcomes.[2] Europe's capital markets remain fragmented along national lines and, more importantly, many of them remain underdeveloped. While EU initiatives have been laudable, they have not grasped the attention of Member States and global markets.

Fortunately, there is now an opportunity for Europe to chart a new course. EU institutions and national governments are developing new thinking about capital market reform under the recently launched strategy for a Savings and Investments Union (SIU) – an initiative that will succeed the Capital Markets Union. Like its predecessor, the underlying objectives of the SIU are firmly rooted in real economic needs. The question is: how can progress be achieved? Unlike its predecessor, the SIU commendably broadens the attention to include more focus on improving savings and investment in Member States. The process leading up to the SIU has included a greater degree of realism, especially the admission that national capital markets in Europe vary a lot and face different constraints. Many key factors for capital market improvements in Europe can only be developed nationally. Encouragingly, the EU has already taken important steps, such as including capital market performance in the European Semester and reinforcing best-practice sharing.

Building on current EU development, this report develops actionable ideas for how Europe can improve national capital markets. Ultimately, the report presents 10 actions (recommendations and indicators) that can help national governments and European Union institutions to pursue reforms in effective and pragmatic ways. While national capital market development is the focus, the report proposes a central role for the EU to monitor and, hopefully, incite reforms across many different political workstreams. The CMU already includes various indicators.[3] They are useful but also far too many and, unfortunately, could sometimes be conflicting: progress on some

[1] Levine, R. (2005). Finance and growth: Theory and evidence. In P. Aghion and S. N. Durlauf (Eds.), Handbook of economic growth (Vol. 1A, pp. 865–934). Elsevier; Hsu, P.-H., Tian, X. and Xu, Y. (2014). Financial development and innovation: Cross-country evidence. Journal of Financial Economics, 112(1), pp. 116–135. https://doi.org/10.1016/S1574-0684(05)01012-9

[2] See, for instance, the European Court of Auditors (2025), Special Report: Developing Supplementary Pensions in the EU. https://www.eca.europa.eu/ECAPublications/SR-2025-14/SR-2025-14_EN.pdf

[3] European Commission. (2025, September 3). Overview of CMU Indicators – 2025 Update. https://finance.ec.europa.eu/document/download/1ea4a733-cc31-4096-9953-10a1823b4afc_en?filename=250903-capital-markets-union-indicators_en.pdf

indicators could entail backtracking on others.[4] The CMU indicators are also much more focused on outcome metrics rather than clearly defined reforms.

This report starts with an analysis of capital markets. In Chapter 2, we compare capital market performance in the EU with comparable economies. Importantly, we also compare EU countries with each other – and observe that there are some significant differences in performance. Chapter 3 provides an analysis of selective capital market policies. Building on observations in Chapter 2, we focus on a few policy domains that are important for better development of national capital markets. We provide a traffic-light benchmark of eight selected EU economies in five policy domains. In Chapter 4, we provide 10 actions (including progress indicators) to help national governments and EU institutions to improve capital markets. We propose seven themes of capital market reforms, reflected in the same number of indicators: burden of regulation; the role of capital markets for corporate funding; the share of pensions that is funded; market depth for main and growth stock markets; private and occupational pension saving tax incentives; investment fund tax incentives; and administration of capital gains for households. These reform indicators are combined with three workstream proposals: establishing a SIU national scoreboard; deepening the European Semester; and the use of performance-based budget support. This chapter concludes the report.

2. DEVELOPING EUROPE'S CAPITAL MARKETS: THE CHALLENGE

It is essential to begin with a realistic view of what economic outcomes better capital markets can prompt. Many policymakers are frustrated that few European companies grow big and compare with corporate giants in the US and China. For instance, only four of the world's 50 most valuable tech companies originated in Europe: none has grown to have a USD 1 trillion valuation. If by the end of 2024 you compared the STOXX Europe 600 index with the market capitalisation of the US "Magnificent Seven", the latter was three times bigger.

Unfortunately, capital market reforms alone will not change this pattern. There are barriers that reforms can reduce – particularly in improving access to finance for firms. However, the size of capital markets in many ways reflects actual and expected investment returns. Highly profitable companies in Europe rarely struggle to access capital for their growth. In this sense, the causality runs both ways: while capital markets can support firm growth, more profitable firms also contribute to expanding the market. Likewise, capital markets are not static. The objective should be to channel significantly larger pools of savings into productive investment across the economy. Achieving that requires a careful approach to both the supply of savings and the demand for investment, as well as the intermediary role of capital market institutions. Crucially, this also calls for a realistic understanding of the cost-benefit profile of capital market reform.

[4] A good capital market is an ecology of many different capital markets and products. Too much focus on one capital market indicator (say, bond issuance) can have consequences for other capital market indicators (e.g., private equity funding ratios or equity holding of insurers). Similarly, while one capital market indicator tracks sustainable finance growth another indicator measures costs of retail investors in funds – and these two indicators sometimes move in opposite directions.

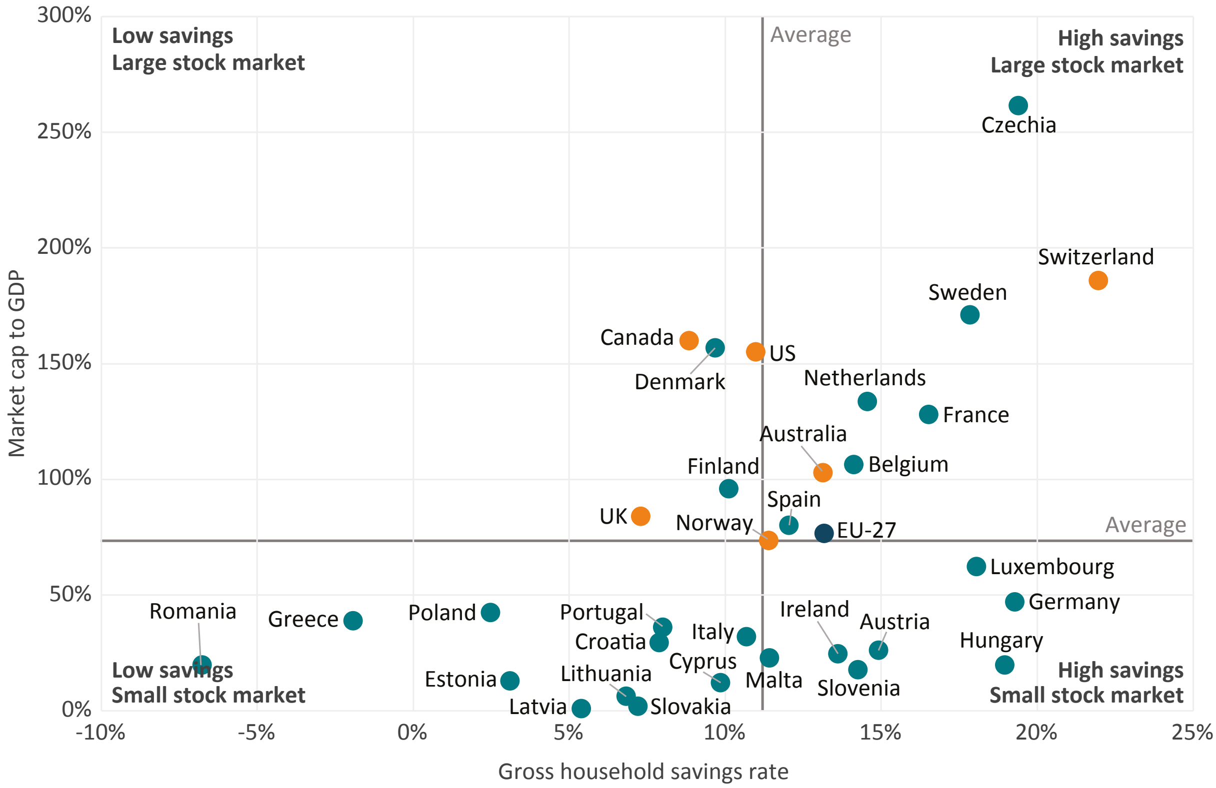
2.1 "Savings Problems" in EU Capital Markets

The EU appears to be caught in what can only be described as a "savings paradox": despite private saving rates in many Member States ranking among the highest in the developed world, their equity markets remain underdeveloped. Figure 1 illustrates this disconnect by juxtaposing gross household saving rates with domestic market capitalisation as a share of GDP for EU Member States, the EU aggregate, and comparable advanced economies. The latter measure refers to the total value of domestic publicly traded equity on a country's stock exchange relative to its GDP, and serves as an indicator of the size of its public equity market.

A first observation is that the EU as an aggregate enjoys one of the highest private saving rates – second only to Switzerland. Most developed countries such as the US, Canada and the UK have notably lower levels of household savings. However, the EU bloc also has the lowest level of market capitalisation relative to GDP among these same countries. This suggests that the challenge is not in the availability of savings, but in their allocation. Savings are abundant, but they tend to flow elsewhere rather than into domestic equity markets.

A second observation concerns the substantial variation across Member States. For example, countries such as Germany and Austria exhibit high household saving rates but comparatively small stock markets. Others – including the Czech Republic, France, and the Netherlands – combine high saving rates with well-developed equity markets. Meanwhile, among Member States with lower saving rates, countries such as Finland and Denmark still maintain equity markets significantly larger than the EU average, whereas Italy, Portugal, and many Eastern European countries have both low saving rates and weak stock markets.

FIGURE 1: GROSS HOUSEHOLD SAVING RATE AND DOMESTIC MARKET CAPITALISATION AS A SHARE OF GDP (GREEN = EU MEMBER STATES, BLUE = EU AGGREGATE, ORANGE = PEER ECONOMIES), 2024 OR LATEST AVAILABLE YEAR



Source: ECIPE based on OECD,[5] Eurostat,[6] and CEIC data.[7] Note: The gross household saving rate is calculated as the ratio of gross household savings to gross disposable income, adjusted for the net change in pension entitlements. Data for Bulgaria is not available. The saving rate figure for Norway refers to 2022 rather than 2023.

These observations raise an obvious question: if European private savings are not being directed into domestic equity markets, where are they going? The answer is, to a large extent, real estate. EU households allocate nearly 70 per cent of their wealth to real estate, while financial assets account for just over a quarter. In contrast, households in the US hold nearly 60 per cent of their wealth in financial assets and under 40 per cent in real estate – an almost inverted distribution. Other English-speaking countries and Japan and South Korea display household asset compositions that are closer to the EU pattern. However, in both groups, the share of financial assets is notably higher than in the EU, by approximately 7 and 9 percentage points respectively. The EU remains the region where the highest proportion of household wealth is held in real estate and the lowest in financial assets. The widespread use of amortising mortgages in the EU plays a role, as they steadily reduce debt and build up net housing wealth. However, the explanation why so much gross wealth is tied up in property lies in structural factors – above

[5] OECD. (2023). Gross savings rate of households and NPISH.

[6] Eurostat. (2024, November). Households - statistics on income, saving and investment. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Households_-_statistics_on_income,_saving_and_investment&oldid=635342

[7] CEIC. (2024). Market capitalization: % of GDP. https://www.ceicdata.com/en/indicator/market-capitalization--nominal-gdp

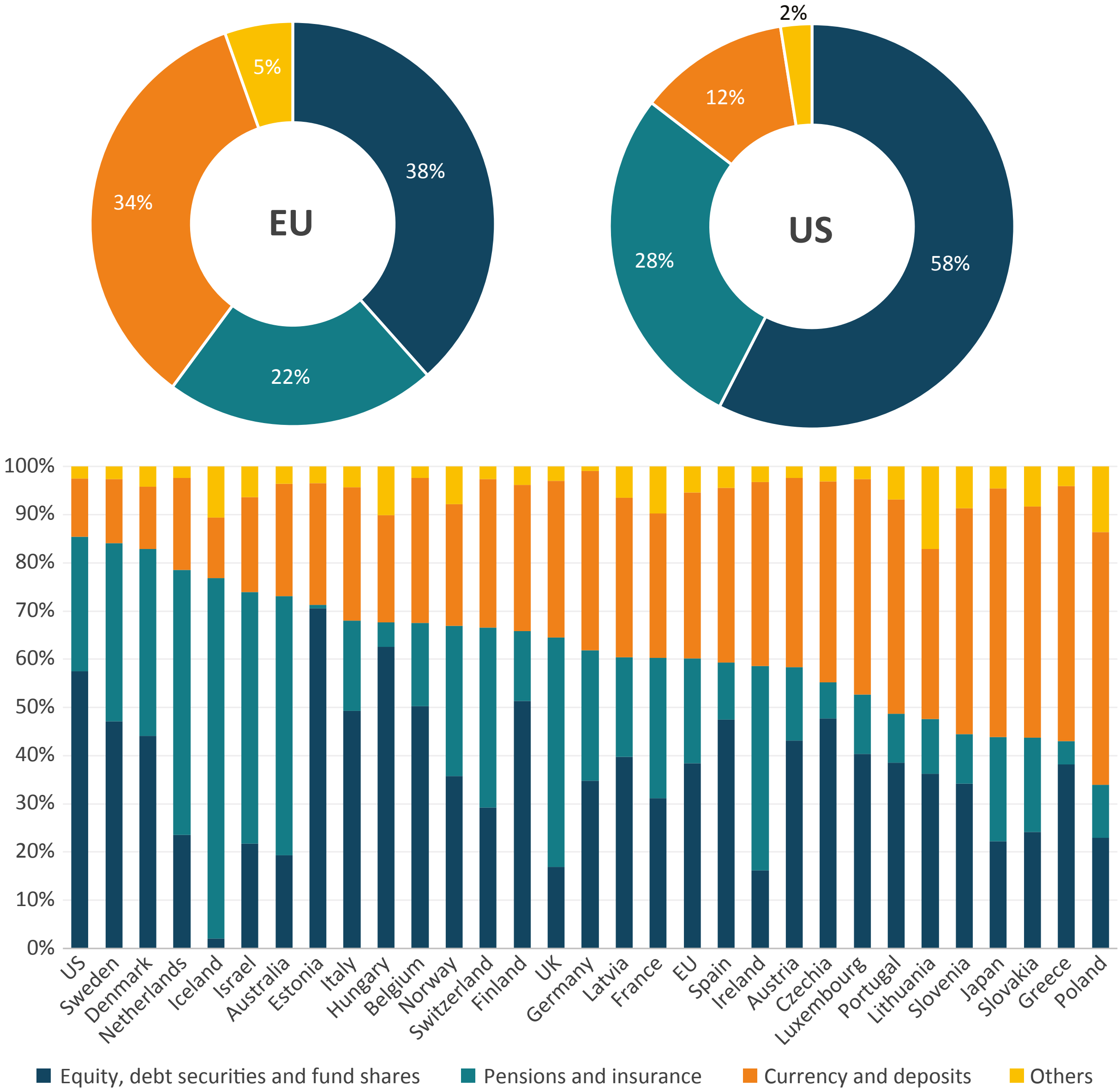
all the favourable tax treatment of housing – which systematically steers household portfolios towards real estate rather than financial assets.

Many Europeans save significantly, but only a small portion is directed towards financial assets. Even within the category of financial assets, EU households tend to have a far more conservative investment profile compared to the US and other countries. Figure 2a compares the average household financial asset portfolio in the EU and the US. In the EU, the combined share of two components – equity, debt securities and investment fund shares as well as pensions and insurance – barely accounts for 60 per cent of household financial assets. In the US, the equivalent figure is 86 per cent. The first category reflects direct exposure to capital market instruments, while the second – although not always tradable – often consists of equity-rich pension funds. Taken together, these figures highlight a clear observation: US households are far more reliant on capital markets than their European counterparts.

But focusing solely on the aggregate EU picture obscures the substantial variation across Member States. Figure 2b illustrates this by showing household financial asset portfolios both at EU level and by country, alongside selected peer economies, ranked by the combined share of capital market instruments and pension entitlements. While all EU Member States fall below the US and most other peers, the differences within the EU are striking.

Households in Sweden, for instance, have a capital market exposure of 84 per cent – only slightly below that of their American counterparts – whereas Polish households hold 52 per cent of their financial assets in currency and deposits. Notably, households in Sweden, Denmark and the Netherlands distinguish themselves within the EU for their well-diversified portfolios, characterised by high holdings of both capital market instruments and pension fund assets. In contrast, households in many Eastern European countries continue to rely more heavily on non-capital market instruments.

FIGURES 2A AND 2B: HOUSEHOLD FINANCIAL ASSET PORTFOLIO COMPOSITION FOR EU MEMBER STATES, THE EU AGGREGATE, AND SELECTED PEER ECONOMIES, 2023 (PERCENTAGE OF TOTAL)



Source: ECIPE calculation based on OECD[8] data. Note: EU Member States and the EU aggregate do not include Bulgaria, Croatia, Cyprus, Malta, and Romania due to data unavailability. The EU figure represents a weighted average of the available Member States. Data for Israel is from 2023.

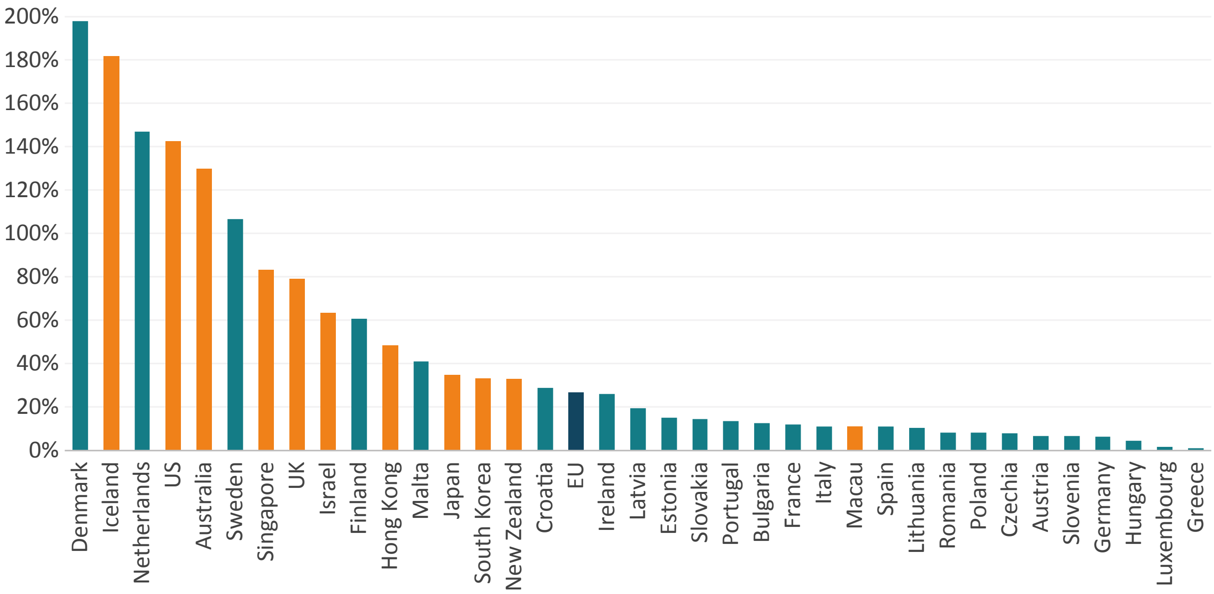
Pension funds play a central role for capital markets. In fact, it is difficult to find any example of a highly developed capital market that do not have substantial presence of pension funds. Figure 3 shows pension fund assets as a share of domestic GDP for EU Member States, the EU aggregate, and selected comparable advanced economies. The country with the highest volume of pension fund assets relative to economic output is Denmark, with pension assets just shy of 200 per cent

[8] OECD. (2023). Share of households and NPISHs' currency and deposits, debt securities, equity, investment fund shares, life insurance and annuity entitlements and pension entitlements as a percentage of their total financial assets.

of its GDP. This is a remarkable level, exceeding the US by about 60 percentage points. Other standout performers in the EU include the Netherlands, with pension assets equivalent to nearly 150 per cent of GDP, and Sweden, at 107 per cent.

However, these three countries are the exception rather than the rule. The vast majority of EU Member States have pension fund assets below 30 per cent of GDP. In absolute terms, Denmark, the Netherlands, and Sweden together hold over USD 3.2 trillion in pension assets – more than 65 per cent of the EU total. The EU-wide average stands at 27 per cent of GDP, trailing other major and advanced economies. Notably, major EU economies such as France and Italy sit around 12 per cent. Germany is even lower, at just 6.5 per cent.

FIGURE 3: PENSION FUND ASSETS AS A SHARE OF NATIONAL GDP (GREEN = EU MEMBER STATES, BLUE = EU AGGREGATE, ORANGE = PEER ECONOMIES), 2023



Source: ECIPE elaboration based on OECD data.[9] Note: EU Member States and the EU aggregate do not include Belgium and Cyprus due to data unavailability. The EU figure represents a weighted average of the available Member States.

Pension funds allocation sheds further light on Europe's capital market challenge. Notably, the three countries with the highest allocation of pension fund assets to capital market instruments – Austria, Malta, and Lithuania – are all EU members. Their exposure to equity and other capital market instruments ranges from 81 to 92 per cent, surpassing Australia and the US. While several EU countries rank below their global peers, even Germany shows a distribution relatively skewed towards capital markets, with 60 per cent of pension fund assets allocated to equity and similar instruments – just below the US.

However, allocation must be considered alongside the total size of pension fund assets in each country. Austria, Lithuania, and Germany may allocate a large share of pension fund assets to capital markets, but from a small pool of total assets. In Germany, for instance, total pension

[9] OECD. (2023). Asset-backed pensions – US dollar, Millions and Percentage of GDP.

fund assets represent only 6.5 per cent of GDP. This means that the value of pension savings invested in equity in Germany is less than 4 per cent of GDP – around USD 180 billion. In the US, where pension funds represent 143 per cent of GDP and 66 per cent of these assets are in capital markets, pension savings invested in equity amount to 95 per cent of GDP – roughly USD 26 trillion, or 144 times the German total.

Importantly, the EU's problem is thus clear. European households save more than their international counterparts yet allocate a greater share of these savings to real estate rather than to financial assets. Even when savings are directed towards financial assets, relative to households in comparable economies, European savings are disproportionately:

- placed in **currency and deposits,**
- and only to a much smaller extent in **equity-based products.**

Some scenario calculations illustrate what a different savings behaviour would entail for the EU. US households channel nearly four times more savings into equity market instruments each year than in the EU – USD 1,140 billion compared to USD 310 billion. While part of this disparity stems from higher income per capita in the US – roughly double that of the EU – the majority of the gap is attributable to differences in saving behaviour. A "US-like" scenario for the EU (i.e., the EU maintains its current levels of disposable income and gross saving rates but has the same portfolio allocation pattern as the US) would grow household savings flowing into equity markets to USD 979 billion – more than three times the current level. If the EU were to follow the Dutch example, equity volumes would still climb to USD 548 billion – a 77 per cent increase.

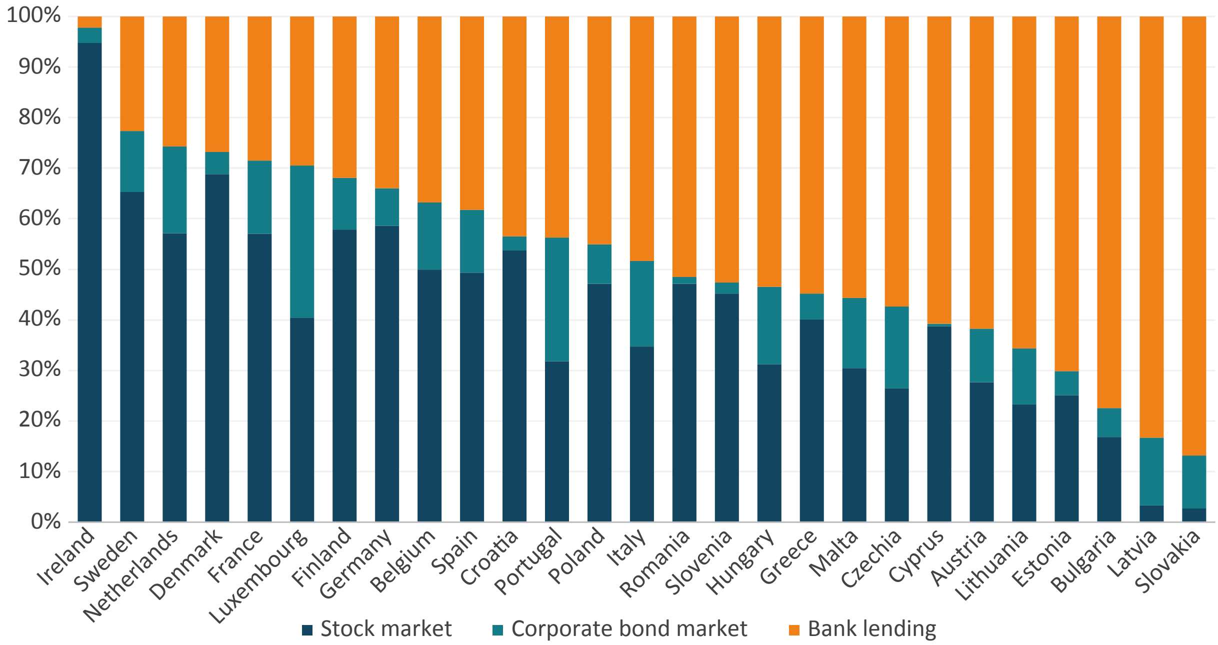
2.2 "Investment Problems" in EU Capital Markets

Europe also faces a structural investment-side problem. In many countries, underdeveloped capital markets leave firms reliant on banks rather than bonds and equity as their primary source of financing. Figure 4 ranks EU Member States by the share of corporate funding sourced from capital markets – both equity and bond issuance – versus bank loans. While a handful of countries rely heavily on capital markets, with stock and bond markets comprising over 70 per cent of corporate financing, many EU countries remain bank-dominated. In the market-oriented economies, deep equity markets and active corporate bond issuance provide firms with diversified funding sources. In countries like Slovakia and Latvia – and mature economies such as Austria and Italy – bank lending accounts for the majority of total corporate finance, indicating underdeveloped capital markets.

In the US, only around 20 per cent of corporate financing is derived from bank loans, followed by roughly 30 per cent in other English-speaking countries. Asian economies such as Japan and South Korea report figures ranging between 35 and 40 per cent.[10,11] In the EU, bank lending on average accounts for around 48 per cent of all corporate borrowing. Despite considerable variation across EU countries, the overall trend is clear: EU firms are significantly more dependent on bank lending than their global peers.

[10] Bank for International Settlements (2023). Credit to the non-financial sector. https://data.bis.org/topics/TOTAL_CREDIT/data
[11] Bank for International Settlements (2023). Debt securities statistics. https://data.bis.org/topics/DSS/data

FIGURE 4: CORPORATE FUNDING BY SOURCE OF FINANCING FOR EU MEMBER STATES, 2025 (PERCENTAGE OF TOTAL)



Source: ECIPE elaboration based on ECB data. Note: The values refer to the volumes of listed shares, corporate bonds and bank loans by non-financial corporations only.

Excessive reliance on bank lending is particularly detrimental to innovation, as banks are generally badly placed to provide risk capital. Capital markets are better suited to support innovative and fast-growing firms as well as more established companies engaging in high-risk research and development. Interestingly, Sweden offers an instructive counterpoint. Although bank lending plays an important role, the country shows how banks can find profitable roles within a more capital market-oriented framework. Rather than resisting this shift, Swedish banks have actively contributed to it – by distributing investment products and playing foundational roles in the development of equity investment. For instance, SEB was a key early backer of EQT – now the third largest private equity firm worldwide.[12] This connection between banks and non-bank finance shows how aligned strategies and openness to financial innovation improve corporate funding.[13]

Obviously, private equity (PE) and venture capital (VC) are critical institutions in financing innovation and high-growth firms. Strong public markets are essential to these investment channels, as they provide viable and attractive exit routes – most notably through initial public offerings (IPOs). Deep, liquid public markets enable early investors to realise returns and signal a mature financial ecosystem that can support the full corporate growth cycle. Institutional investors are more likely to participate in VC and PE when public exit opportunities are credible and well-priced.

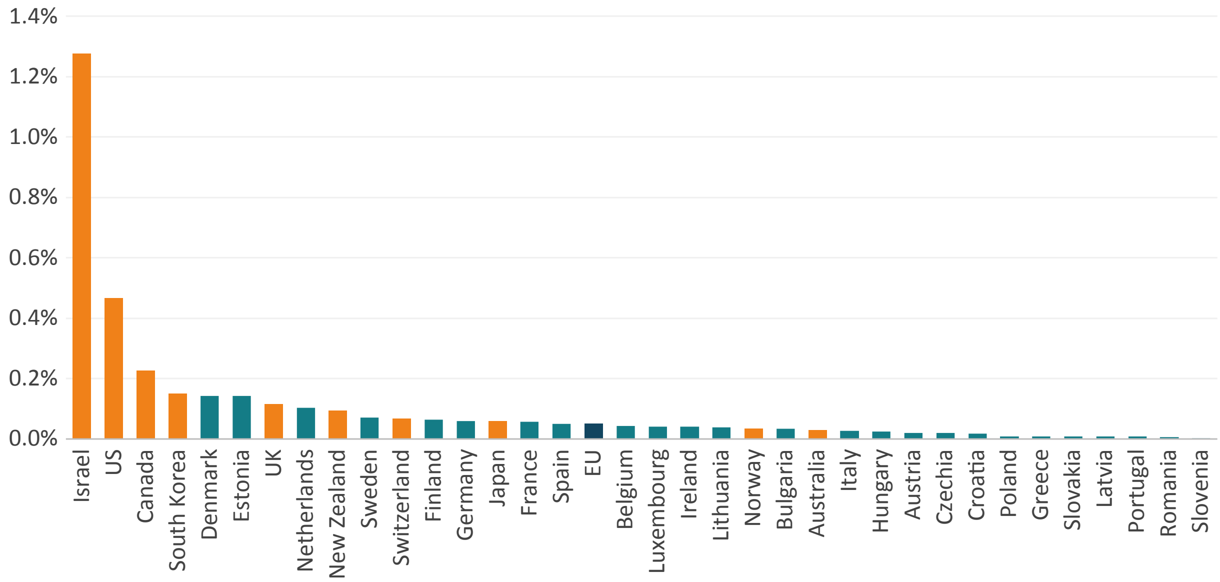
[12] OECD. (2025), The Swedish Equity Market: Institutional Framework and Trends, p. 32. OECD Publishing, Paris, https://doi.org/10.1787/0640a75c-en

[13] Ibid.

Once again, Sweden illustrates the interconnection between private and public capital markets. Unlike most other EU countries – where private equity firms typically exit through sales to other PE firms – Sweden has seen IPOs account for 29 per cent of private equity divestments by value over the 2019-23 period, by far the highest share in the EU.[14] This reflects a well-functioning and integrated financial ecosystem, where public markets offer credible and attractive exit routes for private investors.

Figure 6 presents VC investment as a share of GDP. The data paints a stark picture: among the top five countries for VC investment relative to GDP, four are non-EU, with only Denmark making the list in fifth place. While the Nordics, Estonia, and the Netherlands feature in the top ten, their VC activity still falls far short of levels seen in North America. There is considerable variation within the EU, but the overall performance is weak. On average, the EU's VC investment relative to GDP is more than nine times lower than in the US; in absolute terms, the gap widens to fourteen times. While formal capital markets are underdeveloped in much of the EU, the state of the venture capital market is even more concerning.

FIGURE 5: VENTURE CAPITAL INVESTMENT (GREEN = EU MEMBER STATES, BLUE = EU AGGREGATE, ORANGE = PEER ECONOMIES), 2023 OR LATEST AVAILABLE YEAR (PERCENTAGE OF NATIONAL GDP)



Source: ECIPE calculation based on OECD[15] and World Bank data.[16] Note: The EU aggregate does not include Cyprus and Malta due to data unavailability. The EU figure represents a weighted average of the available Member States.

[14] OECD. (2025), The Swedish Equity Market: Institutional Framework and Trends, p. 34. OECD Publishing, Paris, https://doi.org/10.1787/0640a75c-en

[15] OECD. (2023). Venture capital investments (market statistics) – US dollars, exchange rate converted, Millions.

[16] World Bank. (2023). GDP (current US$). https://data.worldbank.org/indicator/NY.GDP.MKTP.CD

2.3 EU Capital Markets Intermediation

EU initiatives have made some attempts to improve capital market sophistication. Recognising that wider access to market-based sources of finance at every stage of firm development is essential, the EU has aimed to encourage stock exchange listings for small and medium-sized enterprises (SMEs).[17] However, the evidence suggests that EU initiatives have not succeeded either in significantly reducing listing costs or in increasing the number of IPOs by such firms.[18] While reforms aimed at streamlining procedures and reducing regulatory overreach are welcome, the limited impact of initiatives suggests there is only so much that EU-level capital market regulation can achieve in isolation.

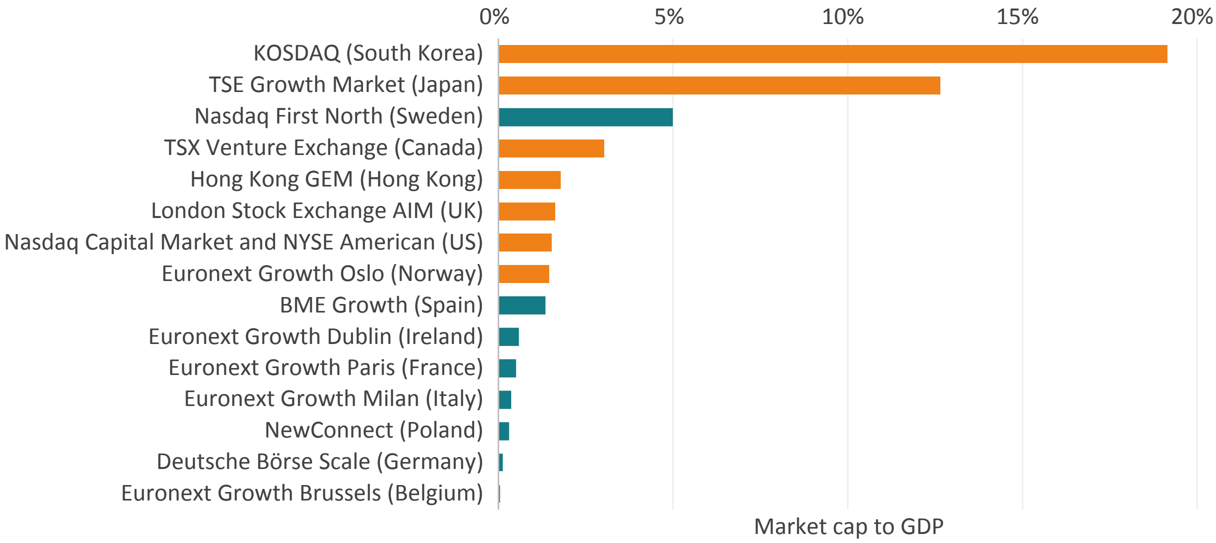
Figure 7 provides a broad overview of the challenge ahead. The chart presents the leading "junior", small-firm or growth stock markets in the EU and comparable economies. These markets are a distinct category, designed specifically for companies do not yet meet the requirements for listing on a primary stock market. They offer a simplified listing process and tailored disclosure standards compared to main markets. In the chart, growth markets are ranked in descending order based on their market capitalisation relative to the national GDP. Although the analysis includes eight EU stock exchanges with dedicated SME markets, in nearly all cases their market capitalisation remains inconsequential. The notable exception is Sweden, where Stockholm's Nasdaq First North ranks third globally. It is understandable that Sweden's capital market has been called the "envy of Europe."[19] Nasdaq First North, along with other institutions, has fostered an ecosystem that offers SMEs greater access to a big and diverse investor network. This ecosystem has enabled Sweden to produce more tech start-ups valued at over USD 1 billion per capita than almost any other country.

[17] European Commission. (2025). SME listing on public markets. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/securities-markets/sme-listing-public-markets_en

[18] Kaserer, C. and Treßel, V. (2024). The EU prospectus regulation and its impact on SME listings. Journal of International Financial Markets, Institutions and Money, 93, 101983. https://doi.org/10.1016/j.intfin.2024.101983

[19] Asgari, N. (2024). How Sweden's stock market became the envy of Europe. Financial Times. https://www.ft.com/content/edc1bba0-25ca-4148-96f6-d67e30f11a2e

FIGURE 6: GROWTH STOCK MARKETS BY MARKET CAPITALISATION TO NATIONAL GDP (GREEN = EU MEMBER STATES, ORANGE = PEER ECONOMIES), 2025 OR LAST AVAILABLE YEAR



Source: ECIPE research. Note: Some data reflects market capitalisation levels as of April or May 2025, while other figures are based on the most recent available sources from 2024.

3. BENCHMARKING CAPITAL MARKETS POLICIES

3.1 Introduction

Chapter 2 presents a daunting view. But the outlook for European capital markets may not be as bleak as feared. It is important to underline that capital markets are not static. In the first place, the "culture" of capital markets can change radically over time, as has happened in the Nordics. Countries that provide good policy frameworks for savings and investments and take tailored actions experience impressive capital market growth. Additionally, if the general business policy environment supports economic dynamism and high investment returns, a greater part of savings will be invested in capital markets.

Moreover, there are substantial variations across Europe. Often, these variations are more notable than the differences between the EU and other economies, indicating that certain national policies are evidently effective. Clearly, the most advanced countries are the Nordics and the Netherlands. Yet when examining specific metrics, other EU countries demonstrate strengths. Countries such as France and Belgium have little to envy in Sweden and Denmark in terms of the size of their stock and corporate bond markets. Italy's household financial asset portfolio composition is not far behind international peers such as Australia and Israel. Hence, a continent-wide view risks obscuring meaningful national differences: proof that alternative approaches are possible.

Therefore, we will now shift focus and consider capital market policies in eight selected EU Member States: Denmark, France, Germany, the Netherlands, Italy, Poland, Spain, and Sweden. This group includes the largest economies and those with the most developed capital markets – both in terms of scale and sophistication. The selected sample represents a diverse set of national contexts, encompassing variations in household savings patterns, capital market maturity, and industrial structure. This diversity provides a robust foundation for generating an understanding where capital market policies in Europe fall short.

3.2 A Traffic Light Benchmark of Eight Countries

Using a traffic light-style framework, we can review how EU countries perform on key capital market policy metrics. A central objective is to highlight the significant cross-country variation in the regulation of capital markets across the EU. Obviously, all countries have their own historical experience of capital market policies, often reflecting specific economic conditions such as industry profile. Importantly, however, the growth and performance of a country's capital market is impacted heavily by capital market policies – and by some policies more than others. Having a framework of good and stable laws and market-supporting institutions for savings and investment is crucial. But specific policies tailored to the emergence and performance of many and varied capital market institutions – and measures for people to use them for savings and investment – have proven to have distinct impacts on performance.

For some years, a similar type of comparison has been done by the European Commission. Launched in 2021, the Commission has regularly updated a "List of indicators to monitor progress towards the CMU objectives".[20] It has covered 30-35 different indicators, most of which have been focused on various outcome metrics such as the value of IPOs and household investments. This work has been useful and helped to clarify Europe's capital market challenges. However, it has lacked the focus on various types of policies that help to shape the size and maturity of capital markets.

Importantly, a good capital market is an ecology with various types of capital market institutions: Certain policies are central for capital markets to perform well. The size of funded retirement savings is one of them – and, as a result, how these savings are allocated across different asset classes. Boosting savings in investment-like funds (for long as well as medium-term savings) remains a task for most EU countries, also for improving the scale of PE and VC markets.[21] Such frameworks include predictable policy conditions but also possibilities to allocate savings in equity-based instruments. In many countries, the tax structure is tailored to channelling more investment into real estate. Clearly, a more enabling environment to the use of equity-based instruments would improve the size of capital markets.

Table 2 presents a traffic light benchmark of 16 indicators of capital markets policy and key quantitative indicators. They are structured under five themes – all chosen because they are important for the performance of a national capital market, show significant variability across countries, and reflect key ambitions for the EU's new Savings and Investment Union. The five themes are presented in Box 1 below.

[20] The last update was published in July 2024. All lists of CMU indicators are accessible on the website: https://finance.ec.europa.eu/publications/list-indicators-monitor-progress-towards-cmu-objectives_en

[21] Notably, the national PE and VC markets are crucially linked to volume savings markets like pensions.

BOX 1: KEY THEMES FOR ASSESSING CAPITAL MARKET POLICIES

- **Overall regulatory burden:** Are key regulations balanced or excessive?
- **Corporate funding:** Is there a rich and balanced capital market that combines a variety of different funding options for firms?
- **Growth stock markets:** Is there a stock market that expands opportunities for corporate funding for young and fast-growing firms?
- **Pension fund savings framework:** Is there a conducive regulatory framework acting as an enabler for savings in pension?
- **Investment fund framework:** Is there a supportive regulatory environment that facilitates savings through investment funds?

Notably, some of these themes use an outcome metric. It is impossible to avoid such variables, but they are mostly used to review whether there is a balanced market with multiple opportunities. For instance, some countries have sizeable stock exchanges or bond markets, or a culture of significant bank lending to companies. All such sources of funding are important. However, it is well-established that there is an overreliance on bank funding in some countries, and hence we use one metric that measures capital markets against bank funding – similar (but not identical) to a CMU indicator. Likewise, we have one metric that measures the size of funded pensions. Obviously, this issue reflects political choices over the design of pension systems, and we are not offering an opinion on the optimal balance between funded and pay-as-you-go systems. But for capital markets to acquire necessary size and depth, a funded component of a pension system is important.

The design of policy frameworks to save and invest matters crucially for the development of capital markets, and we approach such issues by focusing on investment fund-like savings (including retirement savings). The variables used here are mostly yes/no/in-between variables that are not intended to measure the size of how much a policy framework encourage certain savings and investment. Nor do we offer an opinion about what the level of capital gains tax should be. It is the availability of an incentive that we are covering.

TABLE 1: BENCHMARKING CAPITAL MARKET POLICIES IN EIGHT EU COUNTRIES

Traffic light benchmark	Scoring rules	Sweden	Denmark	Nether-lands	France	Germany	Italy	Spain	Poland
Theme 1: Overall regulatory burden									
Perceived burden of regulation	🟢 Easy 🟡 Semi-complex 🔴 Complex	🟢	🟡	🟢	🟡	🟡	🟡	🔴	🔴
Efficiency of insolvency laws	🟢 High 🟡 Moderate 🔴 Low	🟡	🟢	🟢	🔴	🟢	🔴	🟡	🔴
Impact of regulation on investment decisions	🟢 Low 🟡 Moderate 🔴 High	🟢	🟢	🟢	🟡	🔴	🟡	🔴	🔴
Theme 2: Corporate funding									
Stock market size (% GDP)	🟢 ≥ 100% 🟡 50–99% 🔴 < 50%	🟢	🟢	🟡	🟡	🔴	🔴	🔴	🔴
Bond market size (% GDP)	🟢 ≥ 20% 🟡 10–19% 🔴 < 10%	🟢	🔴	🟡	🟢	🔴	🟡	🔴	🔴
Capital markets to bank credit ratio	🟢 ≥ 2 🟡 1.5–1.9 🔴 < 1.5	🟢	🟢	🟢	🟢	🟡	🔴	🟡	🔴
Theme 3: “Junior” stock markets									
Existence and relevance of junior stock market	🟢 Yes 🟡 Limited 🔴 No/Irrelevant	🟢	🔴	🔴	🟡	🔴	🟡	🟢	🟡
Ease of listing	🟢 High 🟡 Moderate 🔴 Low	🟢	🟢	🔴	🟡	🔴	🟡	🟡	🟡
Listing cost: level and predictability	🟢 Low 🟡 Moderate 🔴 High/Unpredictable	🟡	🟡	🔴	🔴	🟡	🔴	🟢	🔴
Foreign SMEs (% of total)	🟢 ≥ 5% 🟡 1–4.9% 🔴 < 1%	🟡	🔴	🔴	🟢	🟢	🟡	🔴	🔴
Theme 4: Pension fund savings framework									
Pension fund assets (% GDP)	🟢 ≥ 50% 🟡 15–50% 🔴 < 15%	🟢	🟢	🟢	🔴	🔴	🔴	🔴	🔴
Existence of occupational pension system	🟢 Yes 🟡 Yes but limited 🔴 No/Irrelevant	🟢	🟢	🟢	🟡	🟡	🟡	🟡	🔴
Private/ occupational pension saving tax incentives	🟢 Yes 🟡 Yes but weak 🔴 No	🟢	🟢	🟢	🟡	🟡	🟡	🟡	🟡
Theme 5: Investment fund framework									
Investment fund tax incentives	🟢 Yes 🟡 Yes but weak 🔴 No	🟢	🔴	🔴	🟢	🟡	🟢	🔴	🟡
Limits on fund allocation to stocks and non-listed assets	🟢 No 🟡 Some 🔴 Many	🟢	🟡	🟡	🟡	🟡	🔴	🟡	🔴
Automatic capital gains and losses reporting by institutions	🟢 Yes 🟡 Partially 🔴 No	🟢	🟡	🟢	🟢	🟢	🟢	🔴	🔴
Losses deductible against gains	🟢 Yes 🟡 Partially 🔴 No	🟡	🟢	🟢	🟢	🟢	🟢	🟢	🔴
Final assessment (average of averages)	🟢 ≥ 1.5 🟡 0.75–1.49 🔴 < 0.75	🟢	🟡	🟡	🟡	🟡	🟡	🔴	🔴

3.2.1 Theme 1: Overall Regulatory Burden

A good capital market relies on a sound, proportionate, and well-enforced regulatory framework. Excessive complexity or inefficiency in regulation can deter participation, limit innovation, and raise the cost of capital – especially for smaller firms and new issuers. To assess the regulatory landscape, Theme 1 draws on three composite indicators that capture the overall burden and institutional quality of capital market regulation among EU countries: Perceived burden of regulation; Efficiency of insolvency laws; and Impact of regulation on investment decisions. Each indicator is standardised across countries using z-score scale and colour-coded to reflect relative performance, between -1 and 1.[22] The best-performing country receives a higher score. The standardisation allows to re-scale individual indicators, and the overall regulatory landscape is then the average between the three indicators. Colour categories for the overall indicator are then assigned as follows.

- **Green:** Top performers (high efficiency/low burden)
- **Yellow:** Middle (moderate efficiency or burden)
- **Red:** Bottom (low efficiency/high burden)

Perceived burden of regulation

This indicator reflects how burdensome businesses consider regulatory procedures and compliance obligations. It is based on the World Economic Forum Executive Opinion Surveys and captures how easy it is for companies to comply with government regulation and administrative requirements. The survey responses are recorded from 1 (overly complex and highly burdensome) to 7 (extremely easy):

- **Green:** Netherlands and Sweden have the least complex compliance with government regulation, scoring 4.43 and 4.78 out of 7 respectively.
- **Yellow:** France (3.64), Germany (3.91), Denmark (4.11), and Italy (4.07) are mid-ranked.
- **Red:** Poland and Spain have the most complex perceived compliance systems, scoring 2.69 and 3.16 respectively.

Efficiency of insolvency laws

The second indicator assesses the effectiveness of insolvency regimes in reallocating capital and resolving firm distress. Strong insolvency laws reduce uncertainty around recovery values in the event of default or liquidation. This in turn reduces the risk premium required by investors, increases willingness to hold corporate debt or equity, and improves firm access to long-term and risk capital. Retrieved from the World Bank Doing Business Indicators, it covers time, cost, and recovery rate, and the strength of the insolvency framework. The raw data is scaled between

[22] More formally, the standardisation procedure transforms the original data into z-scores, between -1 and 1. Z-scores measure the number of standard deviations by which the value of a raw data point is above or below the mean. The ranking of the 8 EU countries and the resulting traffic light evaluation does not change when the countries are evaluated against the other 19 Member States. In other words, calculating z-scores for the three regulatory burden indicators for all 27 Member States yields the same traffic light evaluation as the one outlined in this section, highlighting the external validity of the method to the wider EU context.

0 and 100, where a higher score means a legal framework that better supports restructuring or liquidation.

- **Green:** Germany (89.8), Denmark (85.1), and the Netherlands (84.4).
- **Yellow:** Sweden and Spain rank in the middle, with 79.5 and 79.2 out of 100.
- **Red:** France (74.6), Poland (76.5), and Italy (77.5) score the lowest.

Impact of regulation on investment decisions

This indicator measures whether businesses view regulation as an obstacle to long-term investment. It is retrieved from the EIB Investment Survey, a comprehensive annual survey of firms across EU countries. This indicator captures the percentage of firms in each country that find regulation (e.g., permitting, compliance requirements) to be a major obstacle to their investment activities. Thus, a higher percentage indicates that more firms perceive regulation as a significant barrier to investment.

- **Green:** Denmark (9.68 per cent), Sweden (9.09 per cent), and the Netherlands (5.49 per cent).
- **Yellow:** Italy (16.77 per cent), France (19.71 per cent) and Poland (30.76 per cent).
- **Red:** Germany (51.57 per cent) and Spain (60.4 per cent).

3.2.2 Theme 2: Corporate Funding

One of the main dimensions for assessing capital market development is the source of corporate funding. Broadly, there are three primary channels: issuing shares, raising debt through corporate bond issuance, and borrowing from banks or similar financial institutions. Understanding the balance between these sources is essential to evaluating the maturity and structure of national capital markets. Theme 2 comprises three indicators: the size of the stock market as a share of national GDP, the size of the corporate bond market – also as a share of GDP – and the capital markets to bank credit ratio. The latter is calculated by dividing the combined volume of the stock and corporate bond markets by the volume of bank loans to firms. Using data from the ECB, the focus is exclusively on non-financial corporations: the volumes of listed shares, corporate debt, and bank loans refer only to companies primarily engaged in the production of goods and non-financial services.

Stock market size

The first indicator measures the outstanding amount of listed shares issued by non-financial corporations expressed as a share of national GDP. Each country is then classified into one of three colour-coded categories:

- **Green** for well-developed stock markets of 100 per cent of GDP or above.
- **Yellow** for moderately developed stock markets ranging from 50 to 99 per cent of GDP.
- **Red** for underdeveloped stock markets with capitalisation below 50 per cent of GDP.

These thresholds are intended to offer a relative sense of development based on international comparisons. A ratio around or above 100 per cent is broadly indicative of a deep and liquid equity market, where firms have strong access to public equity funding and markets play a significant role in corporate finance. The thresholds also reflect common benchmarks used in global financial assessments, and are designed to help distinguish between countries where capital markets are a primary financing channel and those where they remain underutilised.

Denmark (136 per cent) and Sweden (132 per cent) are the only countries falling into the green category. They are followed by France (91 per cent) and the Netherlands (61 per cent). The remaining countries – Germany (47 per cent), Spain (36 per cent), Italy (20 per cent), and Poland (12 per cent) – are all categorised as red, reflecting relatively underdeveloped stock markets.

Bond market size

The second indicator measures the outstanding amount of debt securities issued by non-financial corporations expressed as a share of national GDP. The eight countries are categorised using the following colour-coded scheme:

- **Green** for well-developed corporate bond markets of 20 per cent of GDP or above.
- **Yellow** for moderately developed markets ranging from 10 to 19 per cent of GDP.
- **Red** for underdeveloped markets with less than 10 per cent of GDP.

The green category includes Sweden (24 per cent) and France (23 per cent). The Netherlands (18 per cent) and Italy (10 per cent) fall into the yellow category. The remaining countries – Denmark (9 per cent), Spain (9 per cent), Germany (6 per cent), and Poland (2 per cent) – are classified as red. Interestingly, Denmark, which scored highly on the stock market indicator, performs considerably lower on this measure.

Capital markets to bank credit ratio

Finally, the third indicator is the capital markets to bank credit ratio, which measures the combined size of the stock and corporate bond markets relative to the volume of bank loans issued to non-financial firms.

- **Green** for capital market-led economies, with a ratio equal to or greater than 2 – indicating that firms rely significantly more on capital markets than on bank lending.
- **Yellow** for more balanced economies, with a ratio between 1.5 and 1.9 – reflecting a more even reliance on capital markets and bank credit.
- **Red** for bank-led economies, with a ratio below 1.5 – signalling a stronger dependence on bank lending.

Four countries fall into the green category: Sweden (3.5), the Netherlands (2.9), Denmark (2.6), and France (2.5). Germany and Spain are placed in the yellow category, with ratios of 1.9 and 1.6, respectively. Poland and Italy are classified as red, with ratios just above 1.

Taken together, this theme reveals significant variation across countries. Sweden is the only country to score green on all three corporate funding indicators. France and Denmark each score green on two. The Netherlands records one green and two yellow scores, while Germany, Spain, and Italy each receive one yellow and two red ratings. Poland stands out as the only country to score red across all three indicators.

3.2.3 Theme 3: Growth Stock Markets

A third crucial aspect for the development of capital markets is "junior" or growth stock markets. These markets refer to specialised segments of stock exchanges designed to cater to smaller, typically high-growth firms that do not yet fulfil the criteria required for listing on a country's main market. These markets are characterised by lighter regulatory requirements and streamlined listing procedures, making them more accessible to small and medium-sized enterprises (SMEs). By providing an avenue for raising capital and increasing public visibility, growth markets function as an entry point to the broader financial market ecosystem. They can also serve as a launchpad for future listings on senior exchanges. Theme 3 examines growth markets established specifically to support the growth of SMEs, using four key indicators.

Existence and relevance of growth stock market

The first indicator assesses the existence and relative importance of a growth stock market.

- **Green:** A junior market is present, with a market capitalisation equal to or exceeding 1 per cent of national GDP.
- **Yellow:** A junior market exists, but its market capitalisation lies between 0.2 and 0.9 per cent of GDP.
- **Red:** Either no junior market is present, or its market capitalisation is below 0.2 per cent of GDP.

Only two countries qualify for the green category: Sweden, where the junior stock market capitalisation stands at 3.7 per cent of GDP, and Spain, with 1.3 per cent. In the yellow category are France (0.6 per cent), Italy, and Poland (both around 0.3 per cent). Falling into the red group are Germany and Denmark, each with approximately 0.1 per cent of GDP in junior market capitalisation, and the Netherlands (with no junior market).

Ease of listing

The second indicator focuses on how easy it is for a company to be listed on a given junior market. This indicator is derived from a qualitative assessment across 12 categories of listing criteria, including legal setup, free float, accounting standards, disclosure and reporting obligations, and more. Based on this evaluation, countries are classified as follows:

- **Green:** Junior markets with the most accessible listing requirements.
- **Yellow:** Junior markets with moderately demanding requirements.
- **Red:** Junior markets with the most stringent and demanding requirements.

The most accessible junior markets are found in Sweden and Denmark, both part of the Nasdaq First North exchange. These platforms offer SMEs comparatively easy access across most listing dimensions. In the yellow category are France (Euronext Growth Paris), Italy (Euronext Growth Milan), Spain (BME Growth), and Poland (NewConnect). These markets generally feature no formal market capitalisation thresholds, basic legal requirements, moderate disclosure rules, and simplified or tiered prospectus obligations. In the red group are Germany and the Netherlands. The Netherlands receives a red rating due to the absence of a junior market. Germany, while having a junior platform, is characterised by a high formal market cap threshold, a requirement for two years of audited financial history, strict reporting obligations, complex settlement mechanisms, and mandatory adviser involvement – making it a demanding environment for SME listings.

Listing cost: level and predictability

The third indicator assesses listing expenses – both in terms of their overall level and the predictability of those costs – thereby evaluating the financial accessibility of a given junior market. Listing costs include the minimum application fee, the annual maintenance fee, and the delisting fee, which becomes relevant should a company decide to exit the market.

- **Green** for low listing expenses below €25,000.
- **Yellow** for moderate listing costs between €25,000 and €50,000.
- **Red** for high listing expenses above €50,000 or where costs are not predictable in advance.

The only country in the green category is Spain, where listing on BME Growth entails fixed costs of just €19,000. Falling into the yellow category are Germany (Deutsche Börse Scale, at €33,000, although the delisting fee is unspecified), and both Sweden and Denmark, where Nasdaq First North Stockholm and Copenhagen each charge approximately €49,600 in total fixed fees. The red group includes France and Italy, where listing on Euronext Growth Paris and Milan incurs fixed costs of €55,000. Poland is also coded red, as listing fees on NewConnect are not made publicly available and vary significantly. The Netherlands remains in the red category due to the absence of a dedicated junior market.

Foreign SMEs

Lastly, the fourth indicator evaluates the foreign exposure of junior markets by calculating the proportion of listed companies that originate from abroad.

- **Green:** Foreign exposure equal to or greater than 5 per cent.
- **Yellow:** Foreign exposure between 1 and 5 per cent.
- **Red:** Foreign exposure below 1 per cent.

This indicator captures the openness and international relevance of a country's junior market. A higher share of foreign listings typically signals that the market is attractive and accessible to a broad range of firms — not just domestically but internationally – who have ambitions to grow and want to access other capital markets (e.g., the main exchange list). This openness can be a sign of market competitiveness, investor confidence, and global integration. The thresholds are relative and serve as practical benchmarks for distinguishing between markets with international orientation for small and high-growth firms.

Two countries fall within the green category – France and Germany – with foreign SMEs representing 7.6 and 7.3 per cent of their junior market listings, respectively. While both have high relative foreign exposure, Euronext Growth Paris hosts a far larger total number of companies, making its count of foreign firms (19) significantly higher than Germany's (3). In the yellow category are Sweden (2.2 per cent) and Italy (2 per cent). The red group comprises Poland (0.8 per cent). Denmark and Spain have no foreign companies listed on their junior markets. The Netherlands falls into the red category due to the absence of a junior market.

When assessing Theme 3, no country achieves green across all indicators. Sweden performs strongest overall, scoring two greens and two yellows. Spain follows closely, with two greens, one yellow, and one red. Denmark, France, and Germany register one green, while Italy and Poland do not achieve green on any of the indicators. The Netherlands is the only country that scores red across the board due to the non-existence of a junior market.

3.2.4 Theme 4: Pension Fund Savings Framework

Retirement savings are very important for the development of good capital markets. In fact, all countries with a highly developed capital market feature comparatively big volumes of retirement savings allocated in equities, bonds, and other securities. Using capital markets, households can benefit from higher long-term returns on their retirement savings.[23]

Obviously, robust policy frameworks that enable structured solutions for high-volume retirement savings to be invested in capital markets are critically important for this market to develop in the first place. Many countries that have achieved strong and positive results have also provided incentives for people to save and invest, most commonly through tax benefits to private and occupational pension schemes.

[23] Developing European Capitals Market to Finance the Future. (2024). Available at: https://www.ebf.eu/wp-content/uploads/2024/05/EN-Report-Developing-European-capital-markets.pdf

Using policy-oriented data specific to each country, the eight countries are classified into one of three colour-coded categories.

Pension fund assets

The first indicator measures pension fund assets as a share of GDP:[24]

- **Green:** countries with assets exceeding 50 per cent of GDP.
- **Yellow:** countries between 15 per cent and 50 per cent.
- **Red:** countries below 15 per cent are marked red.

Currently, only Denmark, Sweden, and the Netherlands fall into the green category, reflecting their well-established, funded occupational pension systems that enjoy broad legitimacy. These countries employ multi-tier pension systems that combine funded and pay-as-you-go elements, where the funded occupational pensions play a significant and effective role. By contrast, all remaining countries are categorised as red.

Existence of occupational pension system

The second indicator assesses whether an occupational pension system exists and to what extent it plays a meaningful role:

- **Green:** countries with a broadly established occupational pension system covering the majority of the workforce.
- **Yellow:** countries where such systems exist but are limited in scope, coverage, or impact.
- **Red:** countries with little or no occupational pension system.

Mirroring pension fund assets, Sweden, Denmark, and the Netherlands are rated green, reflecting their well-developed occupational schemes negotiated through collective agreements that reach most employees. France, Germany, Spain, and Italy are placed in the yellow category: while occupational pensions exist, they remain fragmented and/or are limited in coverage. Poland falls into the red category, with occupational schemes only recently introduced and still playing a negligible role.

[24] Pension systems in Europe: challenges and best practices. (2024). Available at: https://group.vig/media/54ch0140/report_ecoaustria_pension-systems-in-europe.pdf

Private/occupational pension saving tax incentives

The third and final indicator focuses on favourable tax benefits for saving in private and occupational pension funds.[25]

- **Green:** countries offering incentives.
- **Yellow:** countries with weak incentives.
- **Red:** countries without any incentives.

Governments typically use two types of incentives to promote retirement savings: tax and non-tax-based. Under the standard tax treatment of savings, known as the "Taxed-Taxed-Exempt" regime, contributions are made from after-tax income, investment earnings are taxed, and withdrawals are tax-exempt. Non-tax incentives are direct transfers from the government into an individual's pension account. Many countries adopt a variation of the "Exempt-Exempt-Taxed" (EET) regime, where contributions and investment returns are tax-exempt, and only withdrawals are taxed as income.

Denmark, Sweden, and the Netherlands have well-developed occupational pension schemes but also offer tax incentives for both private and occupational savings. Their widespread adoption of the EET regime helps maximise tax-deferred growth during accumulation, reinforcing savings incentives. By contrast, countries such as France, Germany, Spain, Italy, and Poland provide retirement savings incentives, but these are often limited by design or constrained in their impact.[26]

3.2.5 Theme 5: Investment Fund Framework

The final theme is the investment fund framework, measured by the extent to which a country's regulatory and institutional environment enables and encourages long-term savings through investment funds. This is an important issue for every country who aspires to increase household savings in investment funds and spur greater investment participation. In some countries, policies that provide tax benefits to savings in investment funds have proven effective to encourage household capital-market participation. In most countries, households already enjoy advantages when saving through the real estate market. By contrast, while tailored tax benefits for investment funds can help rebalance portfolios, the CMU indicators already reveal large differences in fund management costs across the EU. High and uneven costs act as a further deterrent to retail investors and help explain why households remain disproportionately invested in property rather than in financial instruments.

Another policy of importance is the regulatory environment of investments fund to allocate capital without intervening, non-prudential allocation restrictions. If funds are mandated to invest in certain assets or restricted from some category of investment, the risk is that returns are reduced and that fewer people will save in investment funds. Countries with well-designed policy

[25] OECD. (2021). Financial incentives for funded private pension plans. Available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/Financial-incentives-retirement-savings-2021.pdf
[26] Etudes Eco. (2025). Households' long-term savings and stock market participation in Europe. Available at: https://www.afg.asso.fr/app/uploads/2025/02/Etude-AFG-OEE-2025.pdf

frameworks often feature low management fees, flexible liquidity options, and diverse investment choices, including asset allocation. In contrast, less successful systems are characterised by complex regulations that create entry barriers, emphasise low-risk guaranteed returns, and offer limited benefits, leading to higher costs, constrained risk-taking, and capped returns.

Moreover, while the level of taxes is an important but separate area of discussion, it significantly eases the investment process for an individual if reporting, tax calculation and registration is automatically done for them by the investment institution. Where it becomes too difficult a process to file and report taxes for investment gains, there is often an unobserved discouragement to invest in investment funds or directly in equity and securities.

Investment fund tax incentives

The first indicator assesses whether a country provides tax incentives for savings in investment funds,[27] following the same colour-coded classification. Obviously, this is a complex issue – just like all detailed issues of tax. Countries tax investments and offer tax concessions for investments in different ways. There are also tax policies in most countries that make it attractive to save through investments in real estate. The actual design of an incentive also matters. If we take the oft-cited example of the Swedish investment savings account (ISK), the size of the actual incentive can be discussed, at least prior to the introduction of a tax-free base amount for these accounts.[28] Rather, the simplicity of the ISK system was a crucial part of its success, leading many households to use an ISK to access the equity market. Still, evidence clearly shows that tax incentives for investment funds has an impact on the household savings profile.

- **Green:** countries with broad, accessible, clearly incentivised structures.
- **Yellow:** countries with targeted, conditional, or partial relief.
- **Red:** countries offering no meaningful incentive, standard or punitive treatment.

France, Italy, and Sweden are categorised as green, offering broad and accessible tax advantages for individual investment in general-purpose funds. France's Plan d'Épargne en Actions (PEA) provides full exemption on capital gains and dividends after five years for investments in eligible EU/EEA securities. Italy's Piani Individuali di Risparmio (PIRs) offer full exemption from the 26 per cent capital gains tax, subject to long-term holding and diversification rules. Sweden's Investment Savings Account (ISK) regime allows individuals to invest without paying capital gains or dividend tax, instead applying a flat tax on the account's value – simplifying and encouraging long-term investment. It also provides a tax-free base amount, which is due to be doubled in 2026.

Germany and Poland fall under yellow, reflecting more limited or conditional incentives. Germany offers partial tax exemptions for equity-heavy investment funds, but the standard flat tax rate (25 per cent plus solidarity surcharge) still applies to most savings income. Poland provides targeted incentives for venture capital and start-up investments, as well as tax-advantaged retirement-linked savings accounts (e.g., IKE/IKZE), but no broad relief for mutual fund investing.

[27] EFMA. (2025). Outline of a Strategy to Boost Retail Participation in Capital Markets and Promote Investments in EU Assets. Available at: https://www.efama.org/sites/default/files/task-force-position-paper-published-version.pdf

[28] The rate of the standard "ISK tax" has been raised since the introduction of the ISK in 2012. In 2025, a tax-free base amount was introduced and this base will double in 2026.

Denmark, the Netherlands, and Spain are classified as red, offering little to no meaningful tax incentives for general investment fund participation. In Denmark, investors in certain foreign or accumulating funds face annual taxation on unrealised gains, and no deferral or exemption mechanisms exist. The Netherlands taxes all financial assets, including mutual funds, under the Box 3 system, applying a deemed return tax regardless of actual performance, with only narrow exemptions for "green" funds. Spain applies standard savings income tax rates to fund investments, with no deductions, exemptions, or credits available – even for long-term holdings – and only a limited, technical deferral mechanism within Spanish UCITS, which does not constitute an actual tax incentive.

Limits on fund allocation to stocks and non-listed assets

The second indicator examines whether countries impose non-prudential regulatory limits on the allocation of investment funds—restrictions on equity investments or caps on non-listed assets.

- **Green:** countries with no such restrictions.
- **Yellow:** countries with limited restrictions.
- **Red:** countries with restrictive policies.

Sweden falls into the green category, as it imposes no significant quantitative constraints on investment allocations. Funds operate under the Solvency II Prudent Person Principle, allowing for broad investment flexibility. Denmark, France, Germany, the Netherlands, and Spain are all classified as yellow. While these countries also follow the Prudent Person Principle, they introduce some regulatory constraints, such as diversification requirements, eligibility limits for specific tax-advantaged products, or restrictions tied to pension or retail fund structures. In contrast, Italy and Poland are categorised as red due to the presence of many and sometimes strict allocation constraints. In Italy, investment vehicles like PIRs and non-reserved AIFs must comply with detailed rules on exposure to certain asset classes, particularly non-listed assets. Similarly, in Poland, closed-end funds and those investing in non-public assets face heavy regulation, including concentration limits and supervisory approvals, which significantly restrict allocation flexibility.

Automatic capital gains and losses reporting by institutions

The third indicator assesses whether or not a retail investor can have their capital gains/losses reported by the institution through which they invest. It covers one strong barrier to investment: the effort and financial education required to understand how and what to report in a tax declaration. We classify each country as follows:

- **Green:** automatic and condition-less reporting of capital gains and/or losses by the institution (platform, brokerage, etc.) invested with.
- **Yellow:** conditional or partial reporting of capital gains and/or losses by the institution invested with.
- **Red:** all capital gains must be reported by the individuals themselves.

The scores here are generally mixed, with five green countries (Sweden, France, Italy, the Netherlands, and Germany), where all capital gains are automatically reported to the tax services by the investment institution. One country, Denmark, operates a conditional system and is coded yellow. In Denmark it depends on whether securities are held in a Danish “custody account” (with a Danish institution), in which case full details are reported to the tax authorities. Otherwise, an individual must file all taxes themselves. Lastly, two red countries (Spain and Poland) in which no automatic reporting is conducted and all information pertaining capital gains must be declared by the investing individual.

Losses deductible against gains

The fourth and final indicator highlights whether or not losses can be deducted against gains in the same year, with taxes applied when there is a net gain. This is considered a primary standard in our analysis. Whilst all of our eight countries duly allow for capital-loss offsetting, there are a couple of cases where conditionality applies.

- **Green:** 100 per cent of losses can be deducted.
- **Yellow:** 50 per cent < x <100 per cent of losses can be deducted.
- **Red:** < 50 per cent of losses can be deducted and/or stringent conditions apply.

Most of the sample scores green with the Danish, French, Dutch, German, Spanish, and Italian governments all permitting full capital loss offsetting in the same calendar year. Sweden is the solitary yellow, as only 70 per cent of losses may be deducted against capital gains. Lastly, Poland, whilst allowing for loss offsetting, does so under restrictive conditions: full offsetting is only legally possible over the proceeding 5 years in instalments, with no more than 50 per cent of the total loss deducted each year.

3.2.6 General Observations

The traffic-light benchmark ends with a final summary and unweighted score. As can be observed, only one of the eight analysed countries receives a green light: Sweden. Spain and Poland are categorised with a red traffic light, meaning that they have a significant way to go on capital market policy. All other countries receive a yellow traffic light. Notably, no country is getting a green or red light on every indicator used, and even a country like Sweden can improve on these metrics through changes to policies.

Obviously, there are more metrics that could be used for benchmarking the level of development of capital markets – for generating greater volumes of savings and investment as well as improving the sophistication of a capital market. There are also non-policy factors that are important. We have previously discussed how the expected return on investment is a factor determining the volumes of savings and investment. Moreover, improving the volume and specialisation of venture capital and private equity is important for providing more alternative funding structures, especially for young and growing firms. Public policy can improve the conditions for such capital markets, but these policies are less specific to capital markets policies. For instance, there are no specific capital market policies that are reducing the size and variability of private equity and venture markets in many EU countries: these markets tend to grow alongside general business and capital markets growth.

The final assessment score is also important: good capital market performance should generally be understood as a whole just as the capital market is an ecology with a wide selection of different types of investment institutions. Variability of corporate funding and investment opportunities are component parts of a capital market with necessary depth and sophistication. They create better and tailored solutions responding to specific needs of different types of companies and investors, generating at the end of the day more invested capital as well as faster firm and economic growth. For Europe, this observation is imperative in light of the continent's "savings paradox": for a greater part of the comparatively high savings in Europe to be invested in equities, bonds, and other securities, capital markets need a greater selection of flora and fauna.

Lastly, the final assessment score also correlates with indicators of capital market performance. Sweden's capital market is the best in Europe because Swedish policy is better designed for such an outcome. While some specific indicators in the traffic-light benchmark may not correlate strongly with specific outcome metrics (they nearly all do, though), the summary result is intimate with the general capital market performance.

Importantly, capital market performance does not depend on a single factor or policy. It is the product of an entire ecosystem that must function well together. This includes:

- **private investors**, whose participation brings liquidity and depth to the market;
- **institutional investors** such as pension funds and insurance companies, which provide long-term capital and professionalised investment strategies;
- **banks and financial institutions**, which help channel funds and offer complementary financial services;
- **stock exchanges**, including regulated and junior markets, which provide the infrastructure for public listings and trading;
- a clear and coherent **legislative framework** that underpins investor protections and corporate governance; and
- effective and independent **regulators**, who ensure market integrity and fair play.

When these components are aligned and mutually reinforcing, they create a stable and trustworthy environment – and trust is fundamental for a well-functioning capital market. Without it, investors hesitate, firms stay private, and capital formation suffers. The best-performing capital markets are those where this full ecosystem is healthy, dynamic, and geared towards long-term value creation.

4. GOING FORWARD: TEN PROGRESS ACTIONS OF BETTER NATIONAL CAPITAL MARKET PERFORMANCE

Clearly, there is a great need across the EU to improve capital market performance. The good news is that, on the whole, the EU has a comparatively high savings rate. While the categories of savings should be shifted towards capital markets, there is a good foundation to use policy reforms to get a greater amount of these savings to be channelled into capital markets. The final chapter now turns to the development of concrete policy indicators and reform processes that can drive progress in EU Member States.

There is good momentum to build on. The process to establish an SIU has already highlighted important priorities for encouraging national reforms to expand and deepen national capital markets. Going forward, the European Semester will include capital market reviews. There is already more interest for best-practice sharing, and the Commission is developing ideas for a "European blueprint for savings and investment accounts". For some years, the Eurogroup has developed political guidelines for a better architecture of European capital markets, including streamlining regulatory and supervision systems.

Obviously, there is a fertile ground for Union measures that reduces the burden of regulation and reform policies that lead to capital-market fragmentation. As this report focuses on national-level reforms, which are crucial for better capital-market performance, the action points we advance are primarily focused on what national governments can do. We outline seven indicators of prioritised reform and three important workstreams. For instance, a central aim for the SIU should be to promote a learning process that enables the EU Member States to draw on the experience of countries with high-performing capital markets, both within the EU, and in economies outside the EU. The countries with high-performing capital markets have already used various public policies to develop full and mature capital markets with strong capacity to fund corporate growth for different types of firms. It is clearly a possible task for other EU countries to seek inspiration and learn from these countries. In fact, it is an opportunity to provide new impulses to much-needed economic growth around Europe.

4.1 Progress Indicators for the SIU

We have identified seven key indicators that EU institutions and the Member States could use as benchmarks for progress and for catalysing change in national capital markets. As noted, the established set of 30-plus CMU indicators is too broad, and many lack precision or relevance to the practical operations of reform. As the EU moves towards a Savings and Investment Union, a more targeted approach is needed to prioritise the really important reforms and outcomes.

The seven indicators reflect the traffic-light benchmark in the previous chapter and, for most indicators, use the same methodology. They capture important types of savings as well as practical barriers, such as tax disincentives and regulatory constraints, that hinder both the volume and sophistication of capital markets. Importantly, the selection of indicators targets specific challenges that confront many EU Member States but also opportunities for improvement that come from current foundations of European capital markets.

Two observations stand out. First, no capital market of significance develops without having access to a strong basis of long-term retirement savings. Therefore, it is necessary for many Member States to grow the share of funded pensions structures. Long-term retirement savings boost different types of investment institutions and, generally, help economies to achieve a balance between bank and non-bank institutions for both corporate and government funding. Second, given that Europeans already have a high savings rate, the opportunity now is to combine a good and stable policy framework for capital markets with specific measures that help savings to be invested in capital markets. In most countries, regulatory design and legacy behaviour encourage savings to be allocated to real estate, and more targeted measures for retirement and investment funds can substantially reallocate capital between different assets.

TABLE 2: SEVEN SIU PROGRESS INDICATORS

Theme	Why it matters?	Indicator	Comments
1. The burden of regulation	High regulatory burdens deter participation by both issuers and investors, raising costs and limiting entry. Europe's disproportionate allocation of savings in real estate is partly a result of high burdens on capital market institutions.	Perceived burden of regulation.	Policy/index metric.
2. The role of capital markets for corporate funding	Indicates whether firms rely more on capital markets or bank loans. It is a proxy for the depth and diversification of capital markets, and targets Europe's skewed corporate funding (relying too much on banks).	Capital markets to bank credit ratio.	Outcome metric.
3. The share of pensions that is funded	Funded retirement savings are key for scale of investment and growth of niche investment actors (e.g., VC and PE), target >50 per cent of GDP.	Funded pension assets as share of GDP.	Outcome/policy metric.
4. Market depth (main and growth stock markets)	Captures both scale and variety of listing opportunities; a dual-market structure supports company lifecycle financing. Total size should exceed 100 per cent of GDP.	Mature and junior stock markets size of GDP.	Outcome/policy metric. Requires the establishment of junior markets in several EU countries or ease of listing in neighbouring country.
5. Private/occupational pension saving tax incentives	Encourages long-term savings that can be channelled into capital markets, increasing domestic investment flows. Helps to reallocate current savings.	Good tax incentive.	Policy metric.
6. Investment fund tax incentives	Incentivises retail and institutional participation in diversified investment products, broadening the investor base. Helps to reallocate current savings. Improves financial literacy.	Good tax incentive.	Policy metric.
7. Administration of capital gains for households	Capture both reporting burdens and filing of tax, reducing complexity for retail investors.	Full reporting and tax filings by investment institution.	Policy metric.

The seven indicators proposed in Table 3 broadly reflect the five main themes in the previous chapter. They also align with many of the actions set out under the CMU 2.0 and various initiatives that are already underway, including regulatory simplification, more focus on capital market performance in the European Semester and in Country Specific Recommendations. For instance, capital markets are planned to feature more prominently in the next European Semester and the indicators in Table 3 are a good basis for developing recommendations that can improve outcomes. Most indicators have a direct policy component: they require policy changes, either specific and targeted actions or a general approach that welcomes much more variety in capital markets institutions. One indicator is purely outcome oriented: growing the role of capital markets over bank credit in corporate funding. It is not about disadvantaging banks, but a growing and dynamic economy requires much stronger capital markets and less reliance on bank credit to fund corporate growth.

The first indicator, *the burden of regulation,* is the most indicative of the overall regulatory environment shaping capital market development. A high regulatory burden deters participation by both issuers and investors, increasing costs and limiting market entry. Available metrics are based on surveys and the perceived burden of regulation in the community of investors and financial market institutions, and these metrics seem generally to reflect actual costs and burdens of regulation.

The second indicator, *the role of capital markets for corporate funding,* is a useful proxy of firms and the balance between capital markets and bank lending in their funding. It acts as an indicator for market depth and funding diversification by capturing the relative significance of equity and bond markets over traditional banking finance. Obviously, the challenge for many EU countries is to boost the share of capital markets funding.

The third indicator, *the share of pensions that is funded,* is pivotal for capital market depth. Pensions systems are a complex matter and there is substantial variety in the EU. Exactly how the funded share of pensions should be achieved is beyond the scope of this report: countries usually have a mix of funded elements that are private, occupational or public. For instance, Sweden's pension system includes funded parts in all these three categories. Principally, retirement savings are very important for the development of a rich and varied capital market.

The fourth indicator, *market depth (main and growth stock markets),* assesses the effective functioning of both senior and junior stock markets. It captures both the scale and the diversity of listing opportunities available. A functioning dual-market structure is essential to support company lifecycle financing, from early-stage firms to large corporates. Countries that perform well on this indicator offer both volume and variety in their equity markets.

The fifth and sixth indicators – *private/occupational pension saving tax incentives and investment fund tax incentives* – are correlated with high levels of pension fund assets. A policy framework that encourages households and others to increase retirement savings and allocate a larger portion of these savings in capital market products is a feature in all countries with good capital markets. Tax incentives to promote such outcomes are also of particular interest given Europe's conundrum that we outlined in Chapter 1: the region's savings rate is comparatively high but a low share of savings is invested in capital markets.

The seventh, and final indicator, *the administration of capital gains for households,* relate to tax and administration simplicity: they hang together. Countries that offer automated reporting and tax deduction through investment institutions reduce friction for investors, lower behavioural barriers to entry, and make investment outcomes more transparent and predictable. This is important for developing financial literacy for households. Again, since households in Europe already saves a lot, ease of administrative burdens can help to make capital markets are more attractive destination for savings.

Taken together, the seven SIU indicators reflect several broad policy observations:

- **Regulatory simplification is key:** Costs and burdens or regulation should be addressed, particularly in lagging Member States, to remove disincentives for issuers and investors alike.
- **A complete market architecture is essential:** A good capital market consists of many markets, which serve different types of investors and issuers. They are interconnected, but distinctly different in size and purpose. This applies also to equity markets. Growth markets are not a niche feature; they are a critical step in enabling SME financing and upward mobility within capital markets.
- **Targeted tax incentives matter:** Tax incentives for saving in pensions and investment funds are vital to building long-term capital and mobilising domestic savings. All countries in the EU with deep and sophisticated capital markets have built scale through incentivising various forms of savings (including retirement savings) in equities, bonds, funds, and securities.
- **Streamlined reporting infrastructure supports participation:** Automatic, institution-side reporting and effective system of withholding tax for major retail products reduce complexity and increase compliance and retail participation by households.

4.2 Policy Process for Capital Markets Reform

The seven indicators should be complemented by renewed institutional focus in the EU to inspire and catalyse actual reforms in EU Member States. This is partially already under way with several new initiatives in the EU. We propose that the EU and Member States collaborate in three new "workstreams" for better capital market performance. These three workstreams, which are the last three points in the 10 progress actions, are interconnected and are not the only public policy processes that can help to deliver capital market reforms in the EU. Obviously, the European Central Bank already has comprehensive programmes of work related to the EU capital markets and takes part in the general supervision of large banks. It has already fused its analytical work with the European Commission under the umbrella of the Capital Markets Union. However, there are limits to the role of an independent central bank for capital market policy reform – especially as the EU also includes seven countries who have not adopted the euro. International bodies like the OECD and IMF are also important. For instance, the OECD's Capital Market Reviews are an important series of in-depth analyses of national capital markets and, at the least, help to inform about reforms that have worked well. In addition, it has also been a useful exercise in identifying national policy deficiencies with clarity and precision. As we propose more distinct roles for EU institutions in various workstreams, external impulses will become more important.

The three internal and integrated EU workstreams will be central for driving national capital market reforms. The **first workstream** is the Savings and Investment Union. The process leading up to the SIU identified achievements and deficiencies in the CMU process, and the general thrust is to establish a new format that supports a single market for capital while working more closely with capital market developments in EU Member States.

The **second workstream**, building on the first, is the European Semester, which is an instrument that is targeted to a "full economy" analysis of each EU Member States and that includes mandates to develop specific recommendations to achieve important economic reforms and outcomes. It is an important intermediary process in EU economic policymaking – and also connects with the **third workstream**. This workstream, building on the first and second workstreams, include various forms of budget support from EU institutions to EU Member States.

TABLE 3: ADVANCING CAPITAL MARKETS REFORM: THE ROLE OF THE EU

Function	SIU National Scoreboard	European Semester	EU Budget support
Peer review			
Sharing best practice			
Setting national reform targets			
Monitoring development and national progress			
Annual country-specific recommendations			
Evaluation of CSR progress			
Performance-based support			

There is a phased and step-based structure to these three actions. The SIU is set to be the backbone of the EU's future work on capital market reforms. As such, the SIU format should operate all central functions that will be important for the EU to achieve improvements in national capital markets. These functions include peer reviews and best-practice sharing among EU Member States. Obviously, the European Commission has a central role in this work, including incorporating important analytical and policy work by the ECB and international bodies like the OECD. Importantly, the SIU should establish national reform targets and benchmark how countries progress in a scoreboard. One lesson learnt from the CMU is to tie as much as possible the overall objectives to the national context: abstract exercises carry little influence while direct reform targets help to clarify tasks and give transparency.

The European Semester can be made to play a much stronger role for national capital markets reform. The principal role of the European Semester is to evaluate broad economic performance and provide Country Specific Recommendations to national governments over how policies better can address observed economic problems. Henceforth, capital markets are to feature thematically in the European Semester process. Sometimes, past recommendations have concerned specific capital markets issues raised in this report, but in the broader context of a dynamic economy that can fund all types of companies while improving financial-sector stability. The importance of the Capital Markets Union has rightly been acknowledged in past analytical and policy documents under the European Semester, but national capital market reforms are rarely given the importance they deserve.

The new focus on capital markets in the European Semester is an opportunity to make capital-market recommendations specific and more tied to specific policies in Member States. It has been observed in several studies that, over time, the implementation rate of Country Specific Recommendations has gone down. While Member States need to do the heavy lifting, many recommendations could also be made more specific and be better developed to assist national governments. Fortunately, capital-market reforms are not about inventing or re-inventing new policies: there is already a body of reform policies and experience in Europe that recommendations substantially can draw on.

There are already instruments that can be deepened and improved for the purpose of using the European Semester to harness national capital market reforms. One is the Annual Sustainable Growth Strategy (ASGS). Since 2020 it has been an important document informing the European Semester, and it has been based on core pillars such as environmental sustainability, fairness, productivity, and macroeconomic stability. Alongside the ASGS, the Commission has published a Joint Employment Report and an Alert Mechanism Report. Going forward, there is a strong case to feature national capital market performance and development prominently in the ASGS and its associated "autumn package" with national recommendations. Now that capital markets performance has become a strong priority for the EU, it should be made clear that any strategy for sustainable growth requires policy actions.

This includes EU institutions adding stronger pressure on Member States. In the European Semester, Member States have to submit reports detailing how they plan to reach established targets. Capital market performance and development should take a much stronger role in these reports and Member States should be required to detail their plans for improved capital markets. Capital market performance is already identified in the European Semester process, albeit without necessary depth. It is increasingly reflected in the Economic Governance Framework and the Commission's Competitiveness Compass also highlighted the importance of better capital markets. The Compass argued that "the EU must integrate and have deeper and more liquid capital markets as a necessary step to mobilise private sector resources and direct them towards future-oriented growth sectors."[29] These are promising developments, but they now need to be matched by a stronger role for national capital market reforms in the European Semester.

Given the centrality of capital market reforms, it is necessary to have detailed and dedicated work that connects capital market reforms with the EU's full economic advice. Capital market reforms are not an "optional extra" or a "nice-to-have": they sit right at the centre of Draghi's view that the EU needs to fuel its economy with an additional 750 billion euro a year to boost competitiveness and match the stated objectives of a twin transition (digital and green) and a defence industry that can compete at the technological frontier. True, one can discuss Draghi's sums but it is undisputable that deeper and more sophisticated capital markets are central the EU's fundamental challenges.

Therefore, operational changes in the European Semester matter. The role of completing the CMU has been highlighted in past ASGS's but national capital market performance and development have rarely been a focus area. Now there is an opportunity to improve by adding add more analysis and authority to national capital markets and how they can be reformed to achieve the common goal of "deeper and more liquid capital markets".

Moreover, capital market reforms should connect with the most powerful instruments at the EU's disposal to jolt Member States to reforms. This is also the motivation for the last function outlined in Table 4: performance-based support. In the SIU, the core plank of capital market reforms is outlined and monitored. Through the European Semester, country-specific recommendations elevate capital market reforms and give them a stronger policy detail. The third step is to motivate reform efforts by developing new standards for access to certain EU funds on actual reform efforts. While many of the funds at the EU level are not specific to capital markets and hence not in scope of performance-based support here, the EU is developing much stronger budget support for increased competitiveness. Better capital markets are a strong priority for raising Europe's competitiveness and more performance-based approaches in such budget support can help to achieve desired outcomes.

[29] European Commission (2025) A Competitiveness Compass for the EU, p. 20.

ANNEX 1: SOURCES UTILISED FOR THE TRAFFIC LIGHT TABLES

For the research into the eight elected countries, we have used several types of sources. We have talked to national authorities and, on occasion, national experts in the fields of rules on capital gains taxation and restrictions on fund allocation. We have also used public sources and the most important ones are listed below.

Theme Classifications	Sources Used
Theme 1: Overall regulatory burden	World Economic Forum. (2023). Burden of government regulation (Executive Opinion Survey indicator). In European Commission, Single Market Scoreboard. Retrieved June 4, 2025, from https://single-market-scoreboard.ec.europa.eu/business-framework-conditions/administration_rules_en World Bank. (2020). Doing Business 2020: Comparing business regulation in 190 economies (Resolving Insolvency indicator). World Bank Group. https://archive.doingbusiness.org/en/data/exploretopics/resolving-insolvency European Investment Bank. (2024). Impact of regulation on long-term investment decisions. In European Commission, Single Market Scoreboard: Responsive administration and burden of regulation. Retrieved June 4, 2025, from https://single-market-scoreboard.ec.europa.eu/business-framework-conditions/administration_rules_en
Theme 2: Corporate funding	European Central Bank. (2025, January). Outstanding amounts of listed shares by Non financial corporations. https://data.ecb.europa.eu/data/datasets/CSEC/CSEC.M.N.DE.W0.S11.S1.N.L.LE.F511._Z._Z.EUR._T.M.V.N._T European Central Bank. (2025, January). Outstanding amounts of debt securities by Non financial corporations. https://data.ecb.europa.eu/data/datasets/CSEC/CSEC.M.N.DE.W0.S11.S1.N.L.LE.F3.T._Z.EUR._T.M.V.N._T European Central Bank. (2025, January). Loans vis-a-vis domestic NFCs reported by MFIs excl. ESCB (stocks). https://data.ecb.europa.eu/data/datasets/BSI/BSI.M.DE.N.A.A20.A.1.U6.2240.Z01.E Eurostat. (2024). Gross domestic product at market prices, Current prices, million euro, Annual. https://ec.europa.eu/eurostat/databrowser/view/nama_10_gdp/default/table?lang=en&category=na10.nama10.nama_10_ma

Theme Classifications	Sources Used
Theme 3: Junior stock markets	Nasdaq. (2025, May 15). First North Sweden SEK PI (FNSESEKPI). https://indexes.nasdaqomx.com/Index/Overview/FNSESEKPI MarketScreener. (2025, May 15). FIRST NORTH ALL SHARE(SEK). https://www.marketscreener.com/quote/index/FIRST-NORTH-ALL-SHARE-SEK-30080006/components/ BME Growth. (2025, May 14). Listed Companies. https://www.bmegrowth.es/ing/Listado.aspx Les Echos. (2025, May 15). Actions - Euronext Growth Paris - Capitalisation. https://investir.lesechos.fr/cours/actions/euronext-growth-paris/palmares-capitalisation Euronext. (2025, May 15). EN GROWTH ALLSHARE - INDEX COMPOSITION. https://live.euronext.com/en/popout-page/getIndexComposition/QS0011040902-XPAR Borsa Italiana. (2025, March). Borsa Italiana for SMEs. https://www.borsaitaliana.it/azioni/mercati/mer-cati-landingpage/slidedoc.en.pdf NewConnect. (2025, April). NewConnect main statistics. https://newconnect.pl/newcon-nect-main-statistic Börse Frankfurt. (2025, May 15). Scale All Share (Kursindex). https://www.boerse-frankfurt.de/indices/scale-all-share-kursindex/constituents Nasdaq. (2025, May 15). First North Denmark DKK PI (FNDKDKKPI). https://indexes.nasdaqomx.com/Index/Overview/FNDKDKKPI Nadaq. (2025). Listing Guide to Nasdaq First North Growth Market. https://www.nasdaq.com/docs/2025/03/21/0964-Q24_Going_Public_Listing_Guide_Nasdaq_First_North_CP.pdf Euronext. (2024, May 2). EURONEXT GROWTH MARKETS RULE BOOK, Book I: Harmonised rules. https://www.euronext.com/sites/default/files/2024-04/euronext_growth_harmonised_rulebook_i.pdf Euronext. (2025). Choosing a market. https://www.euronext.com/en/raise-capital/how-go-public/choosing-market#:~:text=Euronext%20is%20an%20EU%20regulated,according%20to%20compa-nies'%20market%20capitalisation: BME Growth. (2023, December). BME Growth: Boosting the growth of companies. https://www.bme-growth.es/docs/docsSubidos/Presentaciones/Presentation-BME-Growth-Boost-business-growth.pdf BME Growth. (2025). How to join. https://www.bmegrowth.es/ing/BME-Growth/How-to-join.aspx#:~:-text=In%20order%20to%20join%20BME,upon%20admission%20to%20the%20market. NewConnect. (2020). The NewConnect Handbook. https://newconnect.pl/pub/NEWCONNECT/przewodnik/eng/PRZEWODNIK_NC_ENG_Druk.pdf Baker McKenzie. (2024). Frankfurt Stock Exchange - Principal listing and maintenance requirements and procedures. https://resourcehub.bakermckenzie.com/en/resources/cross-border-listings-guide/europe-middle-east--africa/frankfurt-stock-exchange/topics/principal-listing-and-mainte-nance-requirements-and-procedures Nasdaq. (2025). Nasdaq First North Growth Market Price List. https://www.nasdaq.com/docs/2025/03/21/0964-Q24_First_North_Growth_Market_Pricelist_2025.pdf Borsa Italiana. (2025). Listing Fee Book 2025. https://www.borsaitaliana.it/azioni/quotarsi-in-bor-sa-italiana/il-processo-di-quotazione/harmonisedfeebook2025.en.pdf BME. (2020). Tarifas Aplicables en BME MTF Equity. https://www.bmegrowth.es/docs/normativa/esp/circulares/2020/Tarifas_BME_MTF_Equity_2021__Circular_7-2020__Diciembre.pdf Deutsche Börse. (2025, January). EU-regulated market: General Standard and Prime Standard, Open Market: Scale. https://www.deutsche-boerse-cash-market.com/resource/blob/1514900/118c2681487e0a74a208a576a6ca5afa/data/Factsheet:%20EU-regulated%20market:%20Segments%20overview.pdf

Theme Classifications	Sources Used
Theme 4: Retirement savings and investment funds	OECD. (2025). Annual Survey of Investment Regulation of Pension Providers. Available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/2025-Annual-Survey-of-Investment-Regulation-of-Pension-Providers.pdf Etudes Eco. (2025). Households' long-term savings and stock market participation in Europe. Available at: https://www.afg.asso.fr/app/uploads/2025/02/Etude-AFG-OEE-2025.pdf OECD. (2024). Annual survey on financial incentives for retirement savings. Available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/Annual-survey-financial-incentives-retirement-savings-2024-web.pdf OECD. (2024). OECD Pensions Outlook 2024. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/12/oecd-pensions-outlook-2024_6ac7d5fd/51510909-en.pdf Mercer Institute. (2024). Mercer CFA Institute Global Pension Index 2024. Available at: https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/industry-research/mercer-global-pension-index-2024.pdf Social Protection Committee and European Commission. (2024). Pension adequacy report OECD. (2019). Financial incentives for funded private pension plans. Available at: https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/Financial-incentives-retirement-savings-2019.pdf OECD. (2018). Financial Incentives and Retirement Savings. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2018/12/financial-incentives-and-retirement-savings_g1g96ed9/9789264306929-en.pdf HSF. Funding Government And State Owned Enterprises VII - Country Comparisons (1). Available at: https://hsf.org.za/publications/hsf-briefs/funding-government-and-state-owned-enterprises-vii-country-comparisons-1? EFAMA. Outline of a Strategy to Boost Retail Participation in Capital Markets and Promote Investments in EU Asset. Available at: https://www.efama.org/sites/default/files/task-force-position-paper-published-version.pdf

Theme Classifications	Sources Used
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