



C.H.E.C.K.-LIST 2030

GETTING EUROPEAN CAPITAL MARKETS IN MOTION

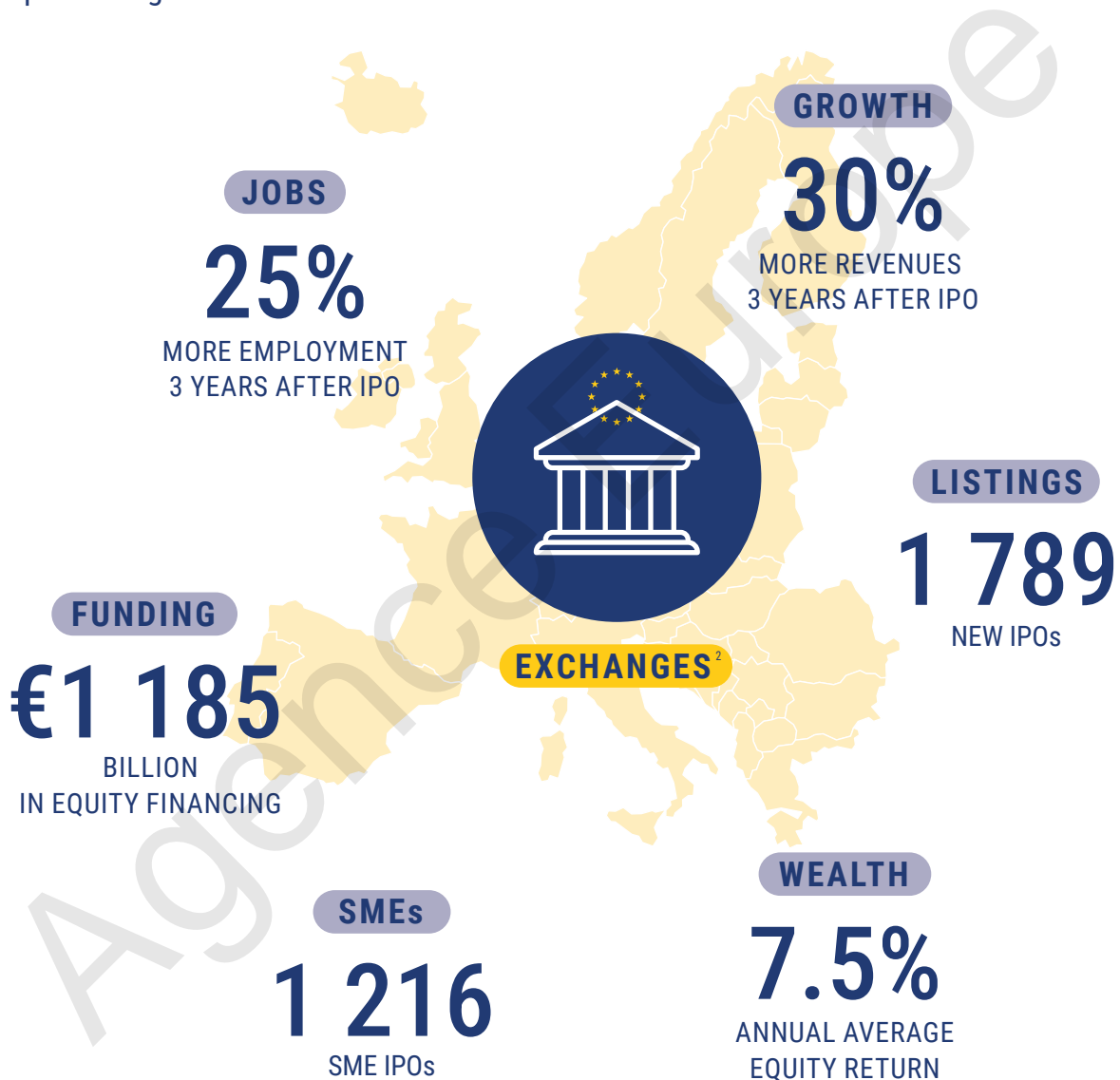
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EXCHANGES AT THE CORE OF CAPITAL MARKETS

The exchange industry is at the heart of financial markets. **Our sector facilitates a third of all EU financing flows**, boosts economic growth and creates jobs and wealth¹. By operating transparent and public markets, it brings together access to capital for companies and superior long-term returns for retail and institutional investors.



"Neither States nor banks alone will be able to finance all the emerging needs of the economy. A sizeable portion needs to come from capital market financing." European Banking Federation³

¹ Eurostat 2020 / ² Data from FESE Statistics (2014-2024), Qontigo (2014-2024), OECD (2020), Eurostat (2022). Throughout this document, the term 'exchanges' is equivalent to the MiFID concept of 'regulated market': a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules. / ³ EBF, European Banks call for developing a shared vision for the financial sector to preserve Europe's



Economic growth is a prerequisite for increased prosperity and is closely linked to competitiveness. Capital, in turn, is essential to enhance that competitiveness and enable companies to invest, develop new ideas and grow.

The exchange industry is one of the main mobilisers of capital in the economy, contributing €1 trillion over the last decade, boosting economic growth and creating jobs and wealth⁴. It provides both access to capital for companies and superior long-term returns for retail and institutional investors, enhancing the participation of citizens in the economy and producing a fairer wealth distribution.

To be more competitive in the global economy, the **EU needs to** unleash the full power of capital markets and develop a deeper European capital pool. Retail and institutional investing in local ecosystems will be key to achieving liquid and efficient EU capital markets.

More competitive EU capital markets will make it:

- easier for **companies to access financing**;
- easier for **investors to invest** with higher long-term returns; and,
- easier for **intermediaries to trade** in them.



COMPANIES

6 726 LISTED COMPANIES OF WHICH TWO THIRDS ARE SMEs



EXCHANGES⁵

FESE REPRESENTS: **16 EXCHANGE GROUPS**



INVESTORS

€13 249 BILLION MARKET CAP

"A mature pension market is the foundation on which a genuine Capital Markets Union could emerge in Europe and the primary access point for households to invest in capital markets." EFAMA⁶

"Evidence shows that countries with attractive tax conditions and capital-market-oriented pensions systems are also able to provide more capital market finance from the local population." EuropeanIssuers⁷

⁴ FESE Statistics (2014-2024) / ⁵ FESE Statistics, 2023 / ⁶ EFAMA, Households continue to keep a disproportionate amount of money in bank deposits in most European countries, January 2024, available [here](#). / ⁷ EuropeanIssuers Key messages ahead of the EU elections, February 2024, available [here](#).



CMU PROGRESS

While a lot has been accomplished, the EU's Capital Markets Union (CMU) initiative needs to reverse the overreliance on bank funding and mobilise the capital of European citizens.

The EU needs to grow its capital markets to perform in a competitive environment according to its economic capacity.

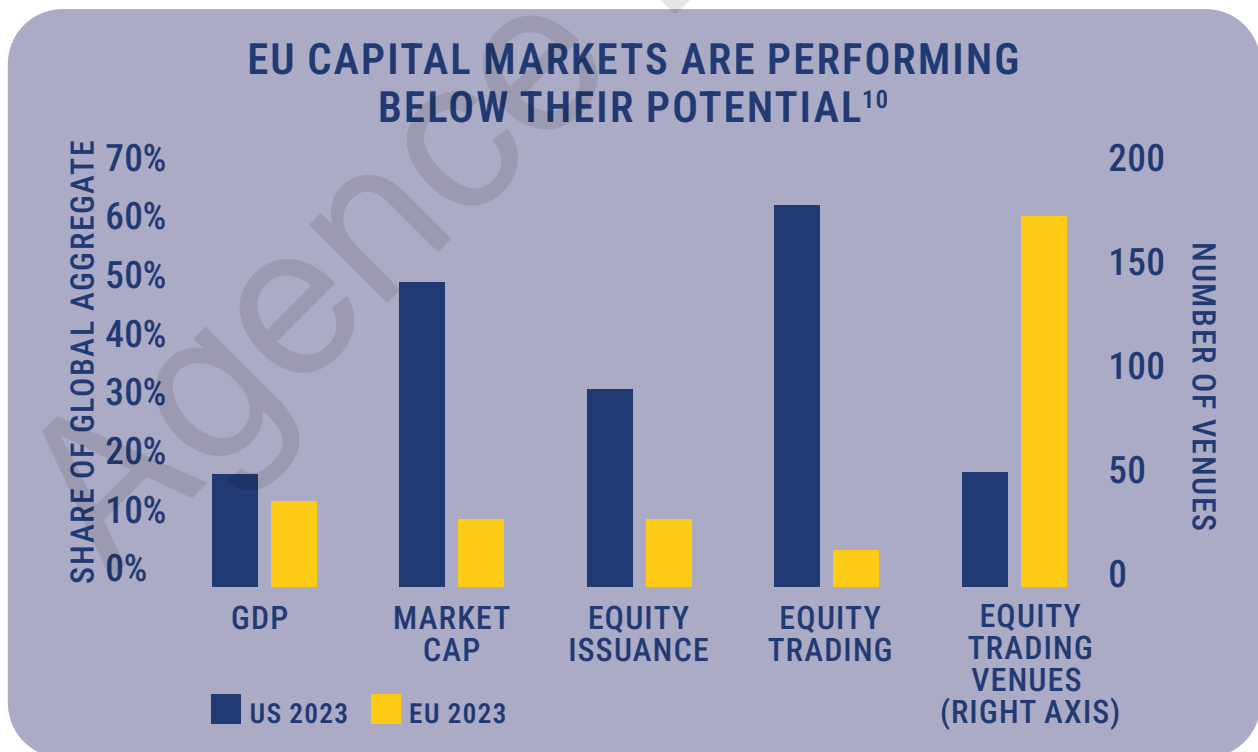
Weak listings activity and low market liquidity can be reversed if more investment is channelled into capital markets. This requires both supply- and demand-side measures.

Supply-side improvements have already taken place or will soon be rolled out.

However, EU markets continue to be overly complex and fragmented, failing to provide a level playing field. Despite this, the exchange sector has worked towards integration. As a result, convergence has occurred (e.g. 90% of exchange trading is conducted via 3 systems)⁸ but full synergies cannot be reached due to divergence in national legal systems.

Fundamental reforms are needed to reinvigorate the demand side and activate capital pools.

EU households hold €11 trillion in cash.⁹ Incentivising citizens to invest in capital markets will be essential to drive innovation and support the EU's transition to a climate-neutral and digital future.



"Let's harness the CMU potential to benefit our citizens as financial consumers, retail investors and pension savers, as well as our planet, economy, and future generations." Better Finance¹¹

⁸ In 2023, Euronext's Optiq managed 51% of EEA on-exchange trading, Deutsche Boerse's Xetra 24% and Nasdaq's INET 17%

⁹ Eurostat, 2022 / ¹⁰ IMF, 2024; World Bank, 2023; SIFMA, 2023, ESMA, 2023, WFE, 2023, FESE, 2023 / ¹¹ Better Finance, "Manifesto Key Priorities 2024-2029",



FESE'S VISION FOR COMPETITIVE CAPITAL MARKETS

1 FINANCING

Liquid equity and debt pools that finance companies and deliver attractive valuations. Efficient local ecosystems underpinning a functioning capital market.

2 INVESTMENT

Integrated capital markets and attractive and tax-efficient investment vehicles channeling savings, providing liquidity and creating superior returns for citizens.

3 COMPETITIVENESS

An EU that can compete with its peers to attract investment on the continent, and whose regulatory proposals aim for simplicity and competitiveness.

4 SUSTAINABILITY

Capital markets operating as an efficient allocation mechanism for sustainable strategies that deliver on the green transition.

5 INNOVATION

Innovative capital markets that provide efficiency and robustness, leading in technologies such as DLT or AI.

6 SIMPLIFICATION

A regulatory culture that fosters entrepreneurship and innovation. Streamlined supervision delivering harmonised and identical outcomes across Member States, enhancing cross-border capital flows and promoting a level playing field.

7 FAIRNESS

Thriving price formation and data creation in fair, free and transparent markets under the principle of "same business, same rules".



CMU C.H.E.C.K.-LIST

Create deep and transparent liquidity pools - Reduce fragmentation and dark trading to offer a world-leading market for issuers and investors

- The EU should reduce the complexity of the trading landscape with the aim of increasing liquidity pools and strengthening and enhancing the ecosystem in support of primary market growth and attractiveness for issuers.
- The structural loss of primary markets (growth, jobs and innovation) needs to be reversed by tackling low valuation realities, while simultaneously reducing dark trading and fostering transparency.

Harness existing funding – Channel investments and pensions

- Existing but unproductive capital pools in the EU need to be reinvigorated much more effectively while attracting global capital flows in parallel.
- The EU should establish globally competitive and attractive pan-European products, inspired by examples such as the US 401(k) or the Swedish investment savings account (ISK).

Ensure data quality – Develop a globally competitive data economy

- The EU should foster a globally competitive data economy to ensure that investors are benefitting from state-of-the-art data and analytics as the backbone of sound investment decisions.
- Public interventions (such as price regulation) must remain carefully balanced and should not deter investments into the data ecosystem.
- Regulations like MiFID should recognise the economic value of data in financial markets and continue allowing that financial data markets operate under a value-based pricing regime.

Cut taxation - Attract investment and participation through fiscal incentives

- Tax incentives for investing are paramount to mobilise capital and to structurally boost participation by citizens.
- Capital gains tax and other equity related taxes for investors and corporates should be, if any, simple and low. Initiatives like faster and safer tax excess relief (FASTER) and debt-equity bias reduction allowance (DEBRA) are welcome.
- A financial transactions tax (FTT) should be avoided to prevent unintended consequences.

Key to regulation – Cut red tape to increase competitiveness

- The EU should reduce the regulatory burden across its capital markets ecosystem by cutting red tape and streamlining regulatory dossiers to boost global competitiveness.
- In parallel, the EU should continue its efforts to foster a true single market by ensuring converging application of rules while abolishing gold-plating.
- New regulatory proposals should be scrutinised according to their competitiveness.



ABOUT FESE

The **Federation of European Securities Exchanges** (FESE) represents 35 exchanges in equities, bonds, derivatives and commodities through 16 Full Members and 1 Affiliate Member from 30 countries.

At the end of 2023, FESE members had 6,726 companies listed on their markets, of which 18% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium-sized companies across Europe to access capital markets; 1,461 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their regulated market and multilateral trading facility operations, FESE members are keen to support the European Commission's objective of creating a competitive and efficient Capital Markets Union.



Federation of European Securities Exchanges

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