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Study on the development of the capital market at the European Union level

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Abstract: The Capital Markets Union is a European Commission plan to increase access to finance, particularly for small and medium-sized enterprises (SMEs), to support economic growth. Launched in 2017, its mid-term review reinforced the goal to mobilise available capital across Europe, channeling it to all companies and infrastructure projects that need to expand and create new jobs.

• Introduction

EU leaders have long viewed integrated capital markets as a complement to the single market for goods and services and to the monetary union. Deeper markets should (i) channel savings to productive investment, (ii) reduce the cost of capital, (iii) diversify funding away from bank loans, and (iv) spread risk across borders. This study synthesizes the main milestones, maps the current landscape, and highlights what still prevents a truly seamless EU-wide market.

In this report the capital market covers:

- Public markets for shares and bonds (regulated markets, MTFs, SME growth markets).
- Private markets (venture capital, private equity, private debt).
- Market infrastructures: trading venues, CCPs (clearing), CSDs (settlement), and data/reporting pipes.
- Investment funds and long-term investors (UCITS, AIFs, pension funds, insurers) that transform household savings into capital.

• Material and method

Quantitative data sources:

- Eurostat: financial accounts, market capitalization, macro controls.
- ECB Statistical Data Warehouse: securities issues, investment fund statistics (UCITS/AIF).
- ESMA: statistical reports and TRV (Trends, Risks, Vulnerabilities).
- FESE: monthly/annual exchange statistics (listings, IPOs, turnover).
- IMF (CPIS) and World Bank GFDD: cross-border holdings and market depth.

• Results and discussions

From 2015 onward, the Capital Markets Union agenda reframed integration as a growth strategy. Its goals are to diversify Europe's financial system away from bank-heavy intermediation, reduce the cost of capital for companies of all sizes, and improve households' access to long-term savings products. Measures such as the Prospectus Regulation, pan-EU crowdfunding, SME Growth Markets, the European Single Access Point for data, and the blueprint for a consolidated tape aim to simplify issuance, standardize information, and make trading data more usable. Parallel initiatives in sustainable finance, including the EU Taxonomy, SFDR, and the EU Green Bond Standard, seek to align market incentives with the climate transition while preserving comparability and credibility. Despite these advances, the EU capital market remains less deep and less unified than leading peers. Equity culture is comparatively weak, pension assets are smaller relative to GDP, and late-stage venture and growth equity often struggle to achieve the scale seen in the United States. Legal and tax fragmentation across insolvency regimes and withholding-tax procedures continues to deter cross-border investment and complicates the life cycle of growing firms. Market data remain dispersed across multiple venues, which raises the cost of best execution and obscures a single view of liquidity. Post-trade harmonization has progressed, yet the transition toward shorter settlement cycles requires additional operational alignment in collateral, securities lending, and foreign exchange.

• Conclusions

The EU capital market today is safer, broader and more innovative than twenty years ago—but not yet the single market that the euro area economy needs. The CMU has moved the needle, particularly on transparency, investor protection and some costs of issuance and trading. The next gains must come from finishing the market's "plumbing" (data and post-trade), reducing legal and tax frictions that keep savings domestic, and scaling true long-term investors. If those steps are delivered, European companies—especially SMEs and technology scale-ups—will face a lower cost of capital and a deeper pool of risk finance inside the Union.