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Capital Markets Union

Key Performance Indicators – Eighth Edition

Turning strategy into action during a period of change

November 2025

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November 2025

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Acknowledgements

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Foreword

Adam Farkas
Chief Executive
Association for Financial Markets in Europe

It is a great pleasure to introduce the eighth edition of the CMU Key Performance Indicators report and to see this important collaborative effort among European market participants continue. This work demonstrates the industry's ongoing commitment to the Capital Markets Union (CMU) project, to improve investment opportunities for European companies and households, and to strengthen the EU's global competitiveness.

While the landscape has evolved since the first CMU Action Plan 10 years ago, the urgency to advance further and faster has never been greater. As highlighted in important reports by Mr. Noyer, Mr. Letta and Mr. Draghi, the EU must invest in its strategic sectors to remain an economic and political power in a competitive geopolitical landscape, and Europe needs deep and integrated capital markets to achieve this.

Consistent with previous editions, this year's report still records only modest improvements on many Key Performance Indicators (KPI)s with the EU's global market competitiveness indicator continuing to show that the Union lags behind major international peers across most dimensions. This persistent gap constrains companies' ability to raise capital efficiently in Europe and limits households' access to attractive and diversified investment opportunities locally.

The report reveals some important insights into the dynamics shaping EU capital markets. Despite favourable conditions, including high equity valuations and low volatility, **IPO activity remains subdued**. Meanwhile, **private markets are reshaping corporate financing in Europe**, as many high-growth firms – including unicorns – choose to remain private for longer, marking a shift away from the 'funding escalator' model. The report also highlights the **accelerated adoption of financial technology in capital markets,** noting that while the EU and Switzerland lead in Distributed Ledger Technology (DLT)-based bond issuance, the United States is driving tokenisation more broadly.

"Private markets are reshaping corporate financing in Europe, as many high-growth firms – including unicorns – choose to remain private for longer, marking a shift away from the 'funding escalator' mode"

Against this backdrop, the European Commission's Savings and Investment Strategy provides a timely and comprehensive agenda to better connect household savings and productive investment. Initiatives such as the revised securitisation framework, recommendations on Savings and Investment Accounts, and measures to improve financial literacy demonstrate a renewed policy commitment to deepening the EU's capital markets. The recently published pension package and upcoming December market integration package should reinforce the foundations for more dynamic and integrated EU capital markets. If sufficiently ambitious, this package – including reforms in areas such as post-trading – could have the potential to unlock the wide scale development of new technologies such as DLT. This could significantly enhance efficiency and transparency across EU capital markets.

To turn this policy momentum into tangible outcomes, Europe must also focus on simplifying its regulatory framework. Decades of incremental, multi-layered rulemaking have created complexity that hinders investment, innovation, and competitiveness. **A clearer, more coherent, and proportionate regulatory environment** - one that removes unnecessary layers and focuses on growth and competitiveness - is essential to increase investor confidence, unlock private capital and deepen European capital markets. By pursuing these reforms with ambition and consistency, Europe can take decisive steps toward becoming a globally competitive capital market.

Finally, I would like to thank our contributors: the Alternative Credit Council, Business Angels Europe, Climate Bonds Initiative, EBAN, EuropeanIssuers, EUROCROWD, EFAMA, European Investors, FESE, InvestEurope and PensionsEurope. Building on our joint efforts, future KPI reports will continue to assess progress and identify where further action is needed to advance Europe's capital market integration.

"Europe must also focus on simplifying its regulatory framework. Decades of incremental, multi-layered rulemaking have created complexity that hinders investment, innovation, and competitiveness."

Executive summary

This report is the eight edition of AFME's annual Capital Markets Union: Key Performance Indicators publication, which assess the EU's progress in deepening its capital markets as measured by a set of key metrics.

The report also provides comparisons with other global competitors and examines dynamics at the level of individual EU Member States. The nine indicators are organised into four categories intended to evaluate progress as measured by key characteristics for efficient, deep, and interconnected capital markets:

1. Access to capital;

2. Availability of capital pools for investment;

3. Transition to sustainable finance and digitalisation; and

4. Efficiency and integration of the capital markets ecosystem.

All indicators are calculated using data from the first half of 2025, offering an up-to-date overview of the evolution of EU and global markets.

From the Capital Markets Union to the Savings and Investments Union : A renewed momentum to shift EU savings towards productive investments and remove barriers to capital market integration

We have kept the "Capital Markets Union" (CMU) title for this report aware that the Commission has evolved its policy agenda now under the Savings and Investments (SIU), which considers all sources of investments and savings for the EU.

Although the SIU has a broader scope to include the evolution of banking in addition to capital markets, our analysis remains focused on evaluating progress in deepening and integrating EU capital markets. While we recognise the vital role of banking in channeling savings into productive investments (an area where AFME has developed dedicated research[1]), we consider that capital markets warrant continued monitoring given their potential to boost EU's economic resilience and global competitiveness.

The report comes at a crucial moment, as European policymakers advance policy initiatives under the SIU strategy to fulfil the longstanding ambition of integrating EU capital markets.

The report provides an analytical perspective on some of the areas that the European Commission has reecently delivered on, or is expected to deliver in the context of SIU Communication. These include, the evolution of listings (Listing Act Implementation); Securitisation; channeling retail savings through dedicated Savings accounts; the growing contribution of private markets (EuVECA Review); the evolution of the exit landscape (Investment exits legislative or non-legislative action) the rapid evolution of DLT and digital technology use in capital markets (TechEU initiative); or the importance of developing pools of capital (among other factors) to improve market liquidity.

1 *AFME has also recently published an analytical report evaluating the implementation gaps of the Banking Union in the context of SIU (here).*

The policy challenge is significant

While most indicators in this year's edition show modest gains, our global market competitiveness metric highlights that the EU continues to lag behind major international peers. This structural gap constrains companies' ability to raise capital efficiently and limits citizens' access to attractive investment opportunities.

As EU policymakers begin translating their commitments into concrete measures, this process coincides with a period of major evolutions in EU and global capital markets.

Notable developments include the expansion of the use of Distrtibuted Ledger Technology (DLT), the rise of significant risk transfer (SRT) securitisations, the growing role of private funding sources such as private equity and private credit, the lack of interest by Unicorns to get listed on exchanges, the reduced prominence of ESG finance, and the continued disconnect between IPO activitiy and market fundamentals. These dynamics are reflected in the trajectory of our indicators.

Among the key findings

Record bond issuance contrasts with subdued IPO activity. Market-based finance for EU corporates rose slightly to 13% of total financing in 2025 (12% in 2024), driven by record bond issuance due to significantly lower debt costs as spreads reached low levels not seen since the pandemic. In contrast, equity financing continued to decline, as IPO volumes fell by 23% in stark contrast with the US, China, Japan, and Australia where IPO activity has increased 20-60% over the year.

This weakness is striking given the various supportive fundamentals: EU equity valuations above historic averages while market volatility has been broadly stable. Yet, European IPO activity has fallen to another multi-year low while Klarna, one of Europe's most prominent European growth company, opted to list outside the EU.

In Europe, an increasing number of companies seem to be opting for an alternative listing process to traditional IPOs in recent years. According to FESE[2], in the first half of 2025, there were 33 IPOs of European domestic companies, representing 49% of new domestic listings, compared to 64% in 2022 and 79% in 2020.

The persistent weakness of the IPO market raises concern, considering its crucial role for price discovery, in providing an efficient source of long-term capital, and in offering founders and investors an exit opportunity.

Against this background, a new funding mix is emerging with private markets playing an increasingly significant role. Private sources of funding have gained greater participation in the corporate funding mix in the EU and globally. While in 2014 private markets (private credit, private equity, business angels, and equity crowdfunding) represented 8% of total new gross funding from capital markets including public and private sources (with the remaining 92% sourced from public markets including bonds and public equity), this has increased to 20% of the total in 2024.

Notably, while the composition of finance sources has shifted, the overall private and public funding size relative to GDP has not expanded over the past decade. This contrasts with the United States, where not only the mix has shifted but also the size of capital markets has grown. Total funding in the US has increased from 6% of GDP in 2014 to 8% in 2024, whereas in the EU it has stalled at an unambitious 3% of GDP.

2 *FESE monthly statistics (as of June 2025)*

Unicorns stay private factoring the new opportunities resulting from the new funding mix. Unicorn companies (market valuation above $1bn) are increasingly staying private, supported by deepening pools of late-stage private capital. Over 70% of the 2016 EU Unicorns completed IPOs within four years, while just 18% remained private. In contrast, by 2025, 90% of the 2021 EU Unicorns continued private, with only 5% having undergone an IPO.

In the report we discuss further what these developments may mean for policymaking, particularly regarding the "funding escalator" (how companies' sources of funding evolve alongside company stage of growth) first proposed in the 2014 CMU Action Plan. Private markets are now taking a larger participation in the funding escalator than previously considered and beyond the seed and mid-cap level, while technologies such as tokenisation are facilitating the transaction of illiquid vehicles blurring even further the lines between liquid public markets and illiquid private markets.

Promoting retail investment improves market liquidity. We undertake an ad-hoc analysis on the impact on equity market liquidity of promoting retail savings through market-based instruments (equity shares, funds, pensions, insurance). We ask the question, on whether pools of capital are the main factor to develop market liquidity. Our estimates show that increasing per person retail savings in capital markets products by 10% improves market liquidity by reducing c6% the value of bid-ask spreads of the local stock exchange, highlighting how crucial are demand-based factors in developing market liquidity.

An important challenge in this context is discussed in a box regarding the proposal for investment accounts, and the ongoing debate about striking the right balance between encouraing retail savings and channeling funding into EU-based corporates. Our estimates show that limiting investment favouring local companies can increase the amount of investment into the EU, at the expense of reducing annual returns for retail investors of between 1-2% per year.

The trajectory of the household savings indicator also shows that EU household financial assets remained stable at 94% of EU GDP in 2025. Household equity ownership of shares rose 4% in the first part of 2025 due to higher EU equity valuations of 15-20% during the year.

European Long-Term Investment Funds (ELTIFs) continue to expand, reflecting the success of the ELTIF 2.0 reform framework. The ELTIF market experienced record growth in 2025, with 183 funds marketed (from 118 in 2024) and AuM reaching €20.5 billion. The market has a large potential to continue to grow as US-equivalent products such as the Business Development Companies (BDCs) have a considerably larger amount of AuM totalling $414 billion.

There are, however, differences across jurisdiction in the average size of funds. The average EU ELTIF fund size is €160 million versus €2.5 billion for US BDCs and €360 million for UK Long-Term Asset Funds (LTAFs). ELTIFs are marketed more frequently to the retail market than LTAFs, which likely explains the considerable difference in size compared to LTAFs. Such a difference nevertheless raises the question whether cost efficiencies from operating at a larger scale within the EU single market (i.e. economies of scale) are being fully realised and if consolidation will occur as the EU market matures.

"Unicorn companies are increasingly staying private, supported by deepening pools of late-stage private capital"

Accelerated adoption of financial technology in capital markets. In this context, the EU and US are shaping different fronts of digital innovation ecosystem.

The EU and Switzerland dominate DLT-based bond issuance with over 50% of global volumes in 2024–2025. However, the use of tokenisation in capital markets is primarily driven by the US, which hosts most tokenised funds and allocates 90% of tokenised assets to US Treasuries, while also leading in tokenised ABS and private credit. The US also dominates the $257 bn stablecoin market, with USD-backed tokens representing 99.8% of global supply, and leads DLT-based repo activity through platforms like Broadridge and JP Morgan's Kinexys. In contrast, Europe's role in tokenisation and stablecoins remains marginal despite its leadership in DLT bonds.

Developments are also taking place in the transfer of loan instruments. The wider use of Significant Risk Transfer (SRT), a financial instrument pioneered in Europe, is facilitating more efficient risk sharing and capital relief for banks.

EU loan transfer activity slowed in 2025, driven by weaker true sale securitisation issuance[3]. Securitised product issuance reached €88.4 billion in H1 2025 (1.3% of EU outstanding loans), below the US (7.5%), Australia (2%) and the UK (1.8%). While true sale EU securitisation has stagnated since the 2017–2021 peak, the inclusion of SRT boosts the indicator as SRT now accounts for 8% EU securitisation volumes[4], with that proportion almost tripling since 2020, lifting the Loan Transfer Indicator to 1.7%. The EU leads globally in SRT issuance, contrasting with its lag in true-sale securitisation, while other regions such as Japan, Australia, and China remain absent from SRT markets.

Reduced participation of ESG in bond financing. In 2025H1, EU ESG bond issuance increased 14% accounting for 10.7% of total EU bond issuance. While ESG issuance is on track to exceed the 2024 volume, its share of total bond issuance declined compared to last year, as non-ESG bond issuance expanded at a faster pace.

Adoption of the EU Green Bond Standard (EuGB) in its first year of operation appeared to be modest, with only nine bonds issued in the first half of 2025 totaling €9 billion (6.4% of European green bond issuance). Despite strong demand, evidenced by oversubscriptions such as 13.4x for the largest EuGB, there is little evidence of pricing benefits (or *greenium*) from the label so far.

Intra-EU integration improved driven by an increase in intra-EU holdings of portfolio assets and a marginal increase in intra-EU M&A. However, cross-border equity public equity issuance remains at 6% of the EU's equity capital raising occurring outside the companies' home exchange, compared to a stable 10-14% observed two decades ago.

Market integration with the rest of the world improved, on the back by strong inflows into exchange-traded funds (ETFs) which reached record levels in the first half of 2025.

"There is an accelerated adoption of financial technology in capital markets. The EU and US are shaping different fronts of the digital innovation ecosystem."

3 *Includes true sale securitisation, placed and retained. Includes ABS, RMBS, CMBS, and CLOs. 10-15% of the Securitisation issuance (ex-CLOs) originated between 2022 and 2025 are private transactions.*

4 *Measured by tranche volume (as opposed to portfolio notional) which reflects the effective volume of risk transferred*

Overview of indicators

A summary of each indicator and what it measures is shown in the box below:

1. Access to capital

a. **Market Finance Indicator:** measures how easy it is for companies in Europe to enter and raise capital on public markets (initial public offerings, bonds, secondary equity offerings);

b. **Pre-IPO Risk Capital Indicator:** assesses how well start-ups, small and medium enterprises (SMEs) and non-listed companies can access risk capital finance;

2. Pools of investment capital

a. **Household Market Investment Indicator**: measures the amount of savings from retail investors deployed in capital market products and instruments like bonds, equity shares, investment funds and pension funds;

b. **ELTIF Indicator:** measures the availability of European Long-Term Investment Fund (ELTIF) products financing long-term projects and SMEs;

3. Transition to sustainable finance and digitalisation

a. **ESG Finance Indicator**: quantifies the labelling of new ESG bond issuance;

b. **FinTech Indicator:** assesses to what extent national countries are able to host an adequate FinTech ecosystem;

4. Efficiency of capital markets ecosystem and integration

a. **Loan Transfer Indicator:** measures the capacity to transform loans into capital markets instruments such as securitisations and loan portfolio transactions;

b. **Cross-border Finance Indicator**: measures capital markets integration within Europe and with the rest of the world.

c. **Market competitiveness:** measures capital markets competitiveness from a holistic perspective, recognising the multiple factors behind deep, liquid and efficient capital markets and comparing the EU with the United States and the United Kingdom.

Table 1: Progress of EU Capital Markets Against Key Performance Indicators[5]

	Indicator	What this indicator measures	2019	2025 H1	3Y avg	National Findings
Access to capital 	**Market Finance** NFC Equity and Bond issuance as % of total NFC annual financing	Capacity for companies to raise finance on public markets	11.5%	13.0%	11.6%	Corporates in **Czechia**, **Ireland** and **Bulgaria** lead EU countries in 2025H1, with all 3 countries showing large increases in market finance utilisation since 2021
	Pre-IPO Risk Capital Equity crowdfunding, Business Angel Growth Private Equity investment, and venture capital investment as % of loan and risk capital financing	How well start-ups and non-listed companies are able to access finance for innovation	2.2%	3.5%	3.2%	**Ireland, the Netherlands, Denmark, and Estonia** stand out for their relatively high levels of risk capital availability. In **Italy and Spain** the amount of risk capital is eclipsed by the substantial amount of bank lending
Pools of investment capital 	**Household Market Investment** Household financial assets saved in financial instruments (excluding cash, deposits and unlisted equity) as % GDP	Availability of savings from retail investors to support capital market financing	97%	94%	95%	**Sweden, Denmark, and the Netherlands** lead within the EU in significantly deeper levels of pools of capital (200-170% of GDP) Romania, Lithuania and Bulgaria, lag behind with with levels of c20% of GDP.
	ELTIF Products Number of European Long-Term Investment Fund (ELTIF) products marketed in the EU	Availability of ELTIF fund products financing long-term projects and SMEs	10	183	127	**France** overtook **Italy** with the largest number of ELTIFs marketed locally Only **Romania and Bulgaria** have not seen an ELTIF product offering
Transition to sustainable finance and digitalisation 	**ESG Finance** ESG and sustainability-linked bond issuance as % of total bond issuance	Capacity to transition towards a sustainable net-zero economy	5.8%	10.7%	11.7%	Performance in the first half of 2025 among major markets was mixed with ESG markets surging in **France**, **Italy** and **Sweden** but retracting in **Germany** and **Spain**, compared to last year.
	FinTech Composite indicator of funding for FinTech companies, talent pool, regulatory environment, and innovation. Range 0-1	Capacity to enable an adequate FinTech ecosystem	0.14	0.16	0.15	The Government of **Slovenia** and the **Luxembourg** State Treasury have been pioneers in the DLT sovereign bond with inagural fixed inctruments. **German** corporate issuers have been the most active in the primary DLT bond market.

5 *For the purpose of estimating trends, this table compares the respective indicators for the period 2019 (as the baseline for a 5-year evaluation) against the most recent performance in 2024 and a 3Y average 2022-24.*

	Indicator	*What this indicator measures*	*2019*	*2025 H1*	*3Y avg*	*National Findings*
Efficiency of capital markets ecosystem, integration and competitiveness 	**Loan Transfer** Securitisation issuance and loan portfolio transactions as % of outstanding bank loans. Indicator value displayed with and without SRT.	Capacity to transform bank loans into capital markets instruments (securitisation and loan transactions)	**2.1%** Ex-SRT	**1.6%** Ex-SRT	**1.7%** Ex-SRT	**Germany**, **France**, **Italy** and **Spain** lead EU countries with the highest proportions of securitisation issuance and loan portfolio sales as a % of outstanding bank loans.
			2.2% Inc-SRT	**1.7%** Inc- SRT	**1.8%** Inc-SRT	
	Cross-border Finance Composite indicator of cross-border M&A transactions, equity & bond issuance, Private Equity, and portfolio holdings. Range 0-1	Capital markets integration within the EU	**0.13**	**0.14**	**0.14**	**Luxembourg** leads in intra-EU integration as the EU's hub for the cross-border distribution of investment vehicles
		Capital markets integration with the rest of the world	**0.29**	**0.31**	**0.30**	**Luxembourg, Ireland and the Netherlands** lead as the most globally interconnected EU capital markets
	Market competitiveness Composite indicator of access to capital, market liquidity, pools of capital, transition to a sustainable and digital market	Measures attractiveness of European capital markets	**0.25**	**0.24**	**0.24**	**Sweden** stands as the most competitive capital market within the EU, consistent with the findings from last year's report

**Data as of 2024 H1 except for the Household Market Investment indicator which is based on Q1 2025 data.*

Table 2: European Country rankings by indicator

The table below shows country rankings for EU member states and the United Kingdom (where the data is available) across the indicators included in this report.

	Access to Capital		*Pools of Investment Capital*		*Transition to Sustainable Finance and Digitalisation*		*Efficiency of Capital Markets Ecosystem and Intergration*			*Competitiveness ranking*	
	Market Finance Indicator	Risk Capital Indicator	Household Market Investment Indicator	ELTIF Indicator	ESG Finance Indicator	FinTech Indicator	Loan Transfer Indicator	Intra-EU Integration Indicator	Global Integration Indicator	2025	2020
Austria	18	17	9	8	5	8	13	5	11	13	14
Belgium	15	23	5	5	14	19	28	3	13	9	7
Bulgaria	3	10	25	28	23	28	28	26	7	18	28
Croatia	20	20	15	28	23	20	28	28	28	26	23
Cyprus	23	8	16	17	23	9	7	24	10	21	22
Czech Republic	1	16	19	15	3	24	28	8	22	8	15
Denmark	6	6	1	11	15	5	28	7	15	3	4
Estonia	23	5	24	28	23	12	28	23	26	19	17
Finland	10	7	11	8	6	10	11	19	14	12	12
France	7	13	8	1	7	13	12	13	6	5	5
Germany	13	12	7	3	11	6	6	10	9	6	6
Greece	19	15	23	14	16	11	2	17	8	20	20
Hungary	23	25	17	21	19	27	28	25	21	23	19
Ireland	2	1	14	13	13	4	3	21	3	7	8
Italy	11	24	6	2	12	25	10	22	20	10	9
Latvia	21	4	21	28	22	21	28	16	23	24	25
Lithuania	16	11	27	28	10	7	28	18	19	17	16
Luxembourg	5	14	13	7	8	1	28	1	2	11	10
Malta	23	26	12	18	23	16	28	20	24	25	18
Netherlands	9	3	3	6	4	14	9	6	4	4	2
Poland	12	18	26	16	20	22	28	14	16	22	24
Portugal	14	22	18	12	9	18	4	12	18	16	13
Romania	22	19	28	28	21	26	28	9	25	28	21
Slovakia	23	27	20	28	23	23	28	27	27	27	26
Slovenia	23	28	22	28	1	17	28	4	5	14	27
Spain	17	21	10	4	17	15	5	11	12	15	11
Sweden	8	9	2	10	2	3	28	15	17	2	3
UK	4	2	4	NA	18	2	8	2	1	1	1

Ranked 1 — *Ranked 28*

Higher rankings ← → Lower rankings

NA: data not available to produce the indicator.
Countries with no capital markets activity in a given indicator are ranked 28th

Access to Capital

1. Market Finance Indicator

The Market Finance Indicator measures the capacity for companies to raise finance on public markets.

The indicator quantifies the proportion of total finance for Non-Financial Corporates (NFCs), which is provided by capital market instruments (equity and bonds). The indicator is calculated as gross NFC equity and bond issuance as a percentage of the sum of annual gross lending (new loans) to NFCs and equity and bond issuance.

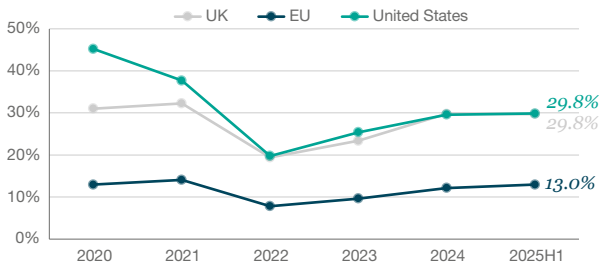
Dominance of debt financing persists into 2025 for EU Corporates

The EU is still struggling to unlock the full potential of market-based finance for its corporate sector. Equity issuance by non-financial corporations (NFCs) stood at low levels not seen since 2012, while the bond market marked its fourth consecutive year of expansion and reinforcing its role as the dominant market-based funding channel. This persistent imbalance of limited equity activity, a widening gap with global peers in access to market-based finance, and an overreliance on debt, has become a norm for the recent years we have produced this report.

Our indicators show that in the first half of 2025, 13.0% of EU corporate financing originated from capital market sources, up from 12.1% in 2024 and 9.7% in 2023. The increase reflects the continued recovery in EU market-based finance from the exceptionally low issuance volumes in 2022. Funding for NFCs in the EU was primarily driven by large levels of bond issuance, which increased 22% compared to 2024. The increase has been driven by a large decline in bond spreads for both high yield and investment grade bonds, which have tightened by c100bps over the last 12 months. A similar evolution has been observed globally, with US bond spreads reaching record lows in the second part of 2025.

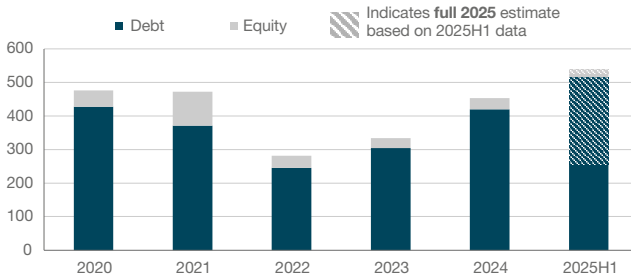
On the contrary, EU primary equity capital raising decreased 27% YoY, with IPOs declining by 23% by value and 16% by number of deals. The IPO deal value observed in H1'25 is also the lowest observed since 2012. Most recently, in Q3 and early Q4 2025 data (as of early November) suggests a cautious but noticeable recovery potentially indicating renewed interest, with large originations such as the €3.5bn IPO by Verisure plc on NASDAQ Stockholm. Nonetheless, total IPO deal value as of early November remains 6% below the observed over the same period of 2024.

1.1 Market Finance Indicator (NFC equity and bond issuance as a % of total NFC annual financing)



Source: Dealogic, US Fed, ECB, BoE and other European central banks. Indicator for Australia begins in 2020 due to availability of bank loans data.

1.2 Breakdown of EU market finance by category (EUR bn)



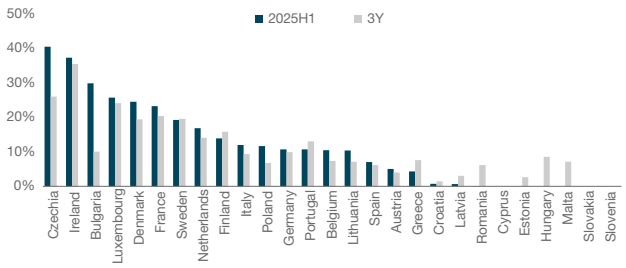
Source: Dealogic, US FED, ECB, BoE and other European central banks

A third of EU countries don't make significant use of market-based finance

Significant differences persist in the use of market-based finance across EU countries. Corporates in Czechia, Ireland and Bulgaria lead EU countries in 2025H1, with all 3 countries showing large increases since 2021. While the most recent rise of market finance utilisation in Czechia, Bulgaria and to a lesser extent Poland marks important developments in the CEE region (and all driven by debt financing), the significant declines in Romania, Hungary and Estonia to zero demonstrate a wide intra-regional spread.

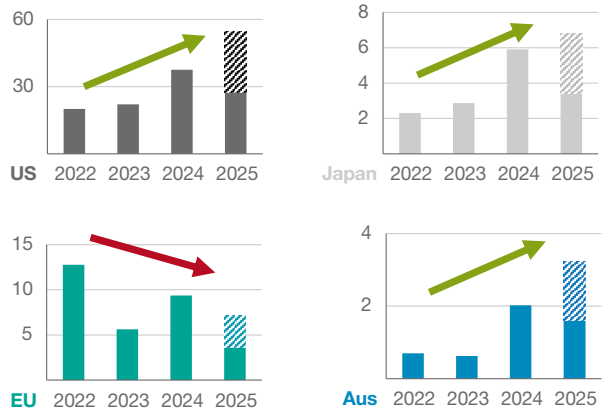
Differences across EU countries in the Market Finance Indicator has continued to grow in 2025H1, and remain significantly higher than in 2021, with fewer countries clustered around the EU average. The persistent fragmentation and low or near-zero utilisation of market-based finance by corporates located in a third of EU countries (HR, LV, RO, HU, EE, MT, CY, SK, SI) highlights the continued importance of developing deeper and more integrated EU capital markets.

1.3 Market Finance Indicator by country: corporate bond and equity issuance as % of total financing (25H1 vs 3Y)



Source: Dealogic, US Fed, ECB, BoE and other European central banks

1.4 Global IPO issuance including SPACs (EUR bn)



Source: Dealogic, US FED, ECB, BoE and other European central banks

IPOs increase globally, except in Europe

EU equity issuance has dropped to record lows on an annualised basis, driven by low IPO activity. IPO proceeds from EU exchanges accounted for just 29% of total EU equity issuance during 2025H1, down from a five-year average of 33% and a ten-year average of 37%. While global IPO activity has generally experienced a slowdown since the pandemic, the EU and UK were the only regions to see a year-on-year decline in IPO issuance in the first half of 2025, whereas the US, Australia, Japan, and China all observed double-digit growth.

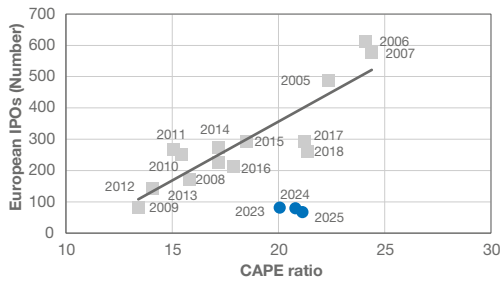
In the US, Special Purpose Acquisition Companies (SPACs)[6] have made an important contribution to IPO issuance, representing 44.1% of IPO volumes in 2025H1, up from 23.8% in 2024.

In Europe, an increasing number of companies seem to be opting for an alternative listing process to traditional IPOs in recent years. According to FESE[7], in the first half of 2025, there were 33 IPOs of European domestic companies, representing 49% of new domestic listings, compared to 64% in 2022 and 79% in 2020.

Slow EU IPO market amid supportive market conditions highlights structural challenges

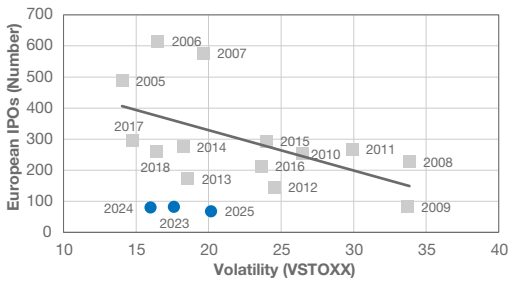
EU IPO markets remain subdued despite conditions that typically support issuance: valuations are rising, as measured by the cyclically-adjusted price-to-earnings ratio (CAPE ratio), while market volatility is relatively low as reflected in the VSTOXX index *(see Charts 1.5 and 1.6)*. Historically, these factors correlate with higher IPO activity, yet EU issuance has not responded accordingly, highlighting a disconnect between market fundamentals and primary equity market issuance.

1.5 Recent disconnect in correlation of European IPOs and valuations (CAPE ratio)



Source: Dealogic, Barclays

1.6 Recent disconnect in correlation IPOs and market risk (VSTOXX)



Source: Dealogic, STOXX

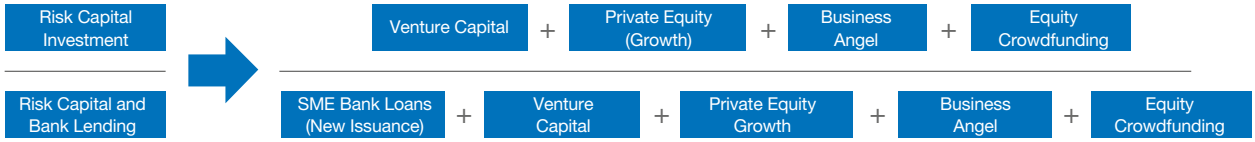
As discussed in the pre-IPO section and the Box on private markets, increased use of private equity and other private capital funding sources has contributed to the diversification of NFC funding by offering an alternative source of equity financing. Nevertheless, private equity markets rely on a functional and liquid IPO system for exits, which highlights the ongoing importance of supporting EU IPO activity amid the recent declines observed in Europe.

6 *SPAC is a company that is created with the sole purpose of raising capital through an IPO to acquire an existing private company or the assets of a company*

7 *FESE monthly statistics (as of June 2025)*

2. *Pre-IPO Risk Capital indicator*

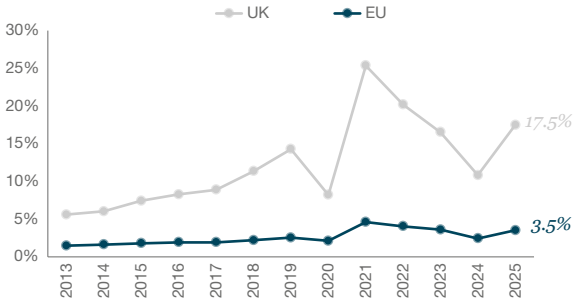
The Pre-IPO Risk Capital Indicator measures the availability of equity capital funding for small and medium-sized enterprises (SMEs) prior to their Initial Public Offerings. This indicator captures the proportion of SME funding that comes from sources such as venture capital, private equity growth funds, business angel investment, and equity crowdfunding, reflecting the ecosystem's capacity to support innovative and high-growth businesses before they enter public markets.



The gap in equity risk capital in the EU

In 2025, the availability of risk capital in the EU as measured by our Pre-IPO Risk Capital Indicator (risk capital investment to total SME funding) rose to 3.5%, up from the low level of 2.4% in 2024 but below the proportion observed in 2023 (3.6%). The 2025 increase is a rebound from the sharp decline in 2024 and reflects the continuation of the decade-long momentum in private market activity.

2.1 Pre-IPO Risk Capital Indicator: investment from VC, Growth PE, Business Angel and equity crowdfunding as % of risk capital and bank lending



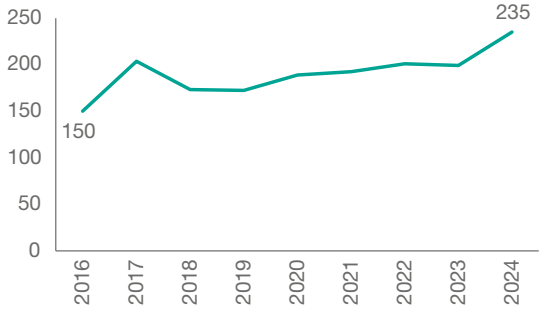
Source: EBAN, InvestEurope, Dealroom , Eikon

2.2 Evolution of EU risk capital investment by source (EUR bn)

Source: Dealroom, EBAN, InvestEurope

The rebound in 2025 has been driven predominantly by venture capital, and PE growth funds. According to Preqin, European venture capital deal value reached €16.1bn in Q2 2025, a level not seen since Q2 2022.

2.3 Median number of European Angel club members



In business angel activity, optimism observed earlier in the year in some countries has materialised with growing investment amounts in some sectors like HealthTech, AI, and Sustainability sectors.

According to industry experts, Angel networks have continued to expand and attract members reflecting in both total invested amounts and the number of rounds. The median number of Angel club members has expanded from 150 per club in 2016 to 235 in 2026 according to BAE data.

Equity crowdfunding under the European Crowdfunding Service Providers (ECSPR) framework continues to represent a small but relevant segment of the pre-IPO market. According to ESMA's first EU Market Report (2023 data), EU crowdfunding exceeded €1bn across 17 Member States, of which c6% was equity-based. Retail investors accounted for 87% of participants, and 15–17% of flows were cross-border, areas where the EU capital market remains comparatively underdeveloped. The slower pace of new platform authorisations in 2025, down from 75 to 12 during 2025, may illustrate that ECSPR regulation is now settling in the market. Private data sources (Dealroom) indicate increased overall volumes in 2024 and 2025, although equity activity continues to lag in several national markets.

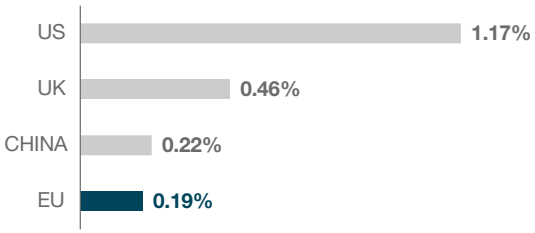
A decade of private capital growth

Over the past decade, the EU indicator value of risk capital activity has nearly doubled, from 1.8% in 2015 to 3.5% in 2025, although stands below the observed during the two years of COVID-related market exuberance. This decade-long increase, however, lags behind what has been observed in other jurisdictions. The UK, for instance, leads in Europe with 17% of SME funding sourced from risk capital, up from 7.4% a decade ago. The US continues to dominate globally, with 1.2% of GDP allocated to risk capital, compared to 0.5% in the UK, 0.22% in China, and just 0.19% in the EU. See chart 2.4.

Wide disparities in countries' use of global private capital

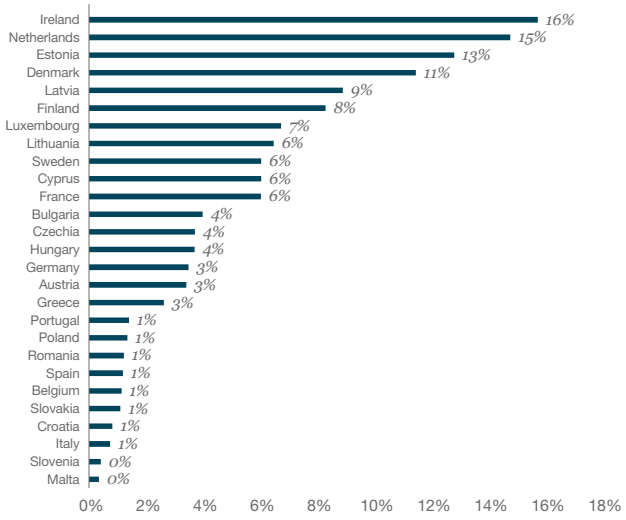
There continues to be a large gap in EU access to risk capital, with a wide variety in the levels of maturity in the national ecosystems. Countries such as Ireland, the Netherlands, Denmark, and Estonia stand out for their relatively high levels of risk capital availability, with levels comparable to those observed in the UK. Other countries, such as Malta and Slovenia, have negligible amounts of risk capital, while in Italy and Spain, the amount of equity from private markets is frequently substituted by bank financing to SMEs.

2.4 Risk capital by region (%GDP, 2025 average)



Source: EBAN, InvestEurope, Dealroom , ECB, BoE, Eikon

2.5 Pre-IPO Risk Capital Indicator: 2025 3Y avg (investment from VC, growth PE, business angel and equity crowdfunding as % total new SME financing)



Source: EUROCROWD, EBAN, InvestEurope, Dealroom , Eikon

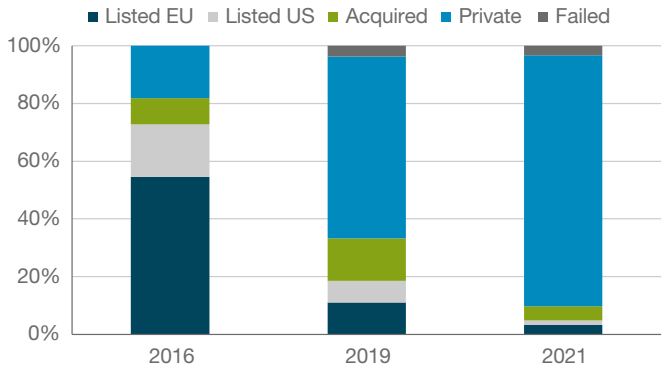
Unicorns are not going public anymore

European companies, particularly those experiencing rapid growth, have witnessed a significant shift in their funding split. According to AFME data, over 70% of the 2016 EU unicorns (i.e. private firms valued above $1 million) completed IPOs within four years (55% listed in the EU and 15% listed in the US), while just 18% remained private. Conversely, by 2025, 90% of the 2021 EU Unicorns continued private, with only 5% having undergone an IPO. A similar evolution has been observed in the US, where, however, the IPO market continues as a more vibrant exit strategy.

This trend indicates increasing dependence on private markets for long-term financing, as well as a reconsideration of exit strategies in light of the limited depth and activity of the European IPO market. Private markets have become more prominent, serving not only as a transitional stage before IPOs but also as an established destination in their own right.

Further analysis of this development is provided in the dedicated box featured within this section.

2.6 Status of EU Unicorns four years after



Source: AFME with data from CBinsights, Pitchbook and companies' public disclosures

A new funding escalator as private markets consolidate their presence

One of the most significant shifts over the recent years in European and global capital markets is the growing role of private markets in corporate and SME funding.

In Europe and globally, companies are accessing substantial private capital (both equity and debt) in some instances, allowing them to delay or bypass public markets altogether. As an example and as highlighted in the pre-IPO section, European growth-stage Unicorns increasingly choose to remain private, diverging from the goal of listing observed a decade ago.

For purposes of this box, we have considered private markets to include private equity (including venture capital), private credit, business angel, and equity crowdfunding.

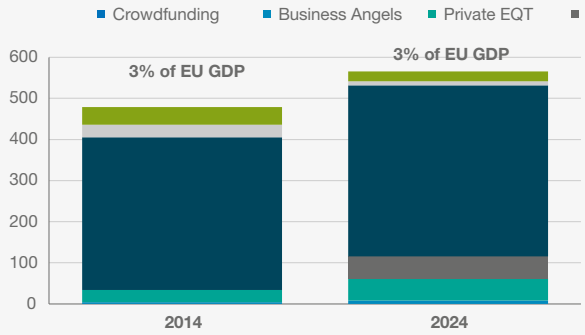
Private markets gain participation but the pie hasn't grown

Over the past decade, gross funding flows from private markets have steadily increased, gaining a significant share in the total funding mix of EU and US corporates. In Europe, private markets represented 8% of total capital markets funding (public and private) in 2014, while in 2024 reached close to 20% of the total.

A striking difference in Europe with the US, however, is that while in the US the growing presence of private markets has translated into a 2% of GDP increase in total funding to companies from 6% of GDP in 2014 to 8% in 2024. In Europe, by contrast, the expansion of private markets has not resulted in a comparable increase in overall corporate funding, but rather in a substitution effect, with private markets partly replacing more traditional sources of finance.

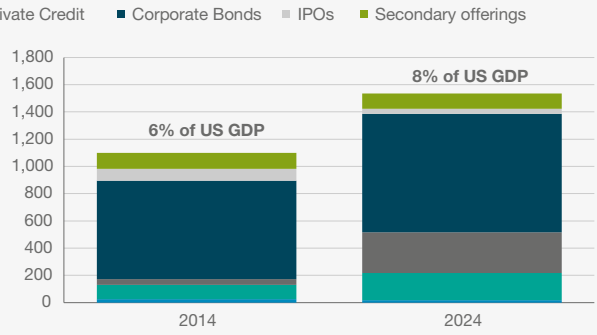
2.7 Flow of new gross funding from public and private markets: 2014 and 2024 (EURbn at 2024 prices)

EU



Source: AFME from multiple sources

US



Source: AFME from multiple sources

As shown in chart 2.7, European private equity investment has almost doubled over the last decade in real terms, from representing in 2014 about 6% of total public and private funding to corporates and SMEs to 10% in 2024.

Direct lending from private credit funds, which targets predominantly the lower and middle markets and increasingly for large corporates, was virtually absent in 2014 and has made a fantastic market share gain in 2024 to 9% of the total annual flow. In recent years, private credit has established itself as a funding alternative within corporate credit and has also become an important part of the Asset-Based Lending, infrastructure debt and real estate debt markets. The volume of private credit financing is increasingly competing with the funding from leverage loans and high yield bond issuance reaching €53bn in direct lending in 2024 (or about half of European high yield bond issuance in a typical year).

The bond market has remained robust in Europe growing 12% in real terms over the last decade, though its share of total financing has declined by four percentage points, from 78% to 74%.

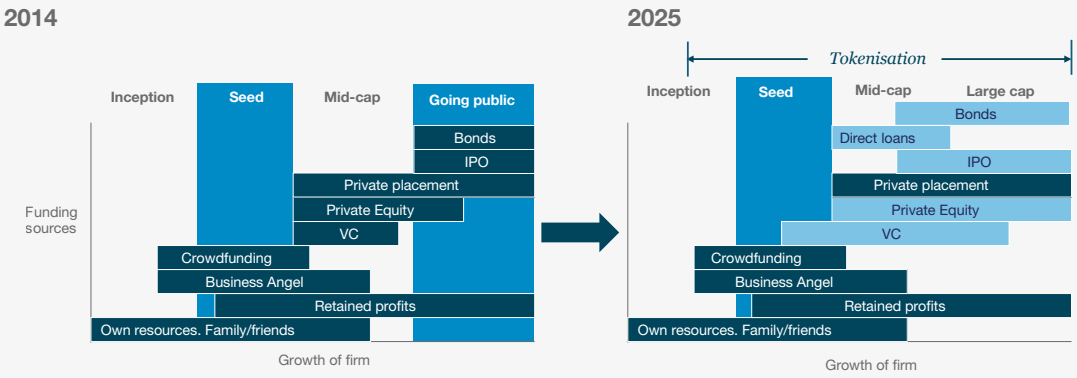
The most stricking decline is in equity financing from public markets. Combined IPO and secondary equity offerings represented jointly 15% of total capital markets funding in 2014, but this has fallen to 6% in 2024. In paralle, the number of European publicly listed domestic companies has continued to decline, from 7,161 in 2014 to 6,779 in 2024.

An evolving funding escalator?

These developments point to an evolving landscape in funding sources, which may invite a reflection on the "funding escalator" first proposed in the 2014 CMU Action Plan.

As conceived by the European Commission in 2014, private equity and other private market instruments are seen as transitional steps between seed funding and public listing. While this framework remains relevant, the boundaries between funding stages and instruments are increasingly blurred today. Many companies now remain private for longer, supported by ample capital availability.

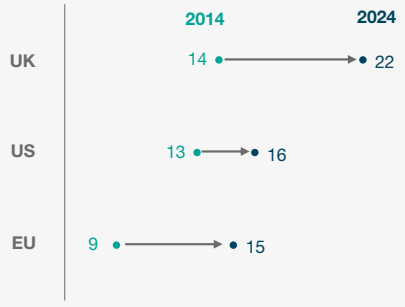
2.8 The funding escalator of corporate finance



Source: *Source:*

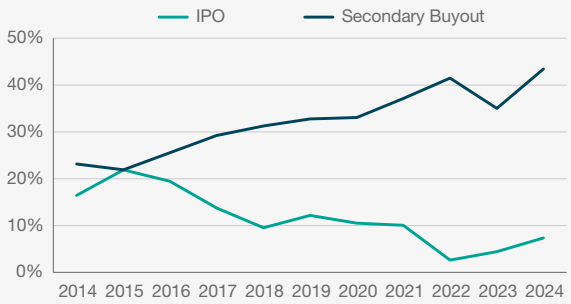
Many statistics illustrate this trend. The average private equity investment per deal has risen from €9mm in 2014 to €15mm in 2024 (adjusted for inflation). See chart 2.9. A similar trend has been observed in the US and in the UK. Likewise, InvestEurope data shows that in 2015 both IPO and secondary sales had a similar share of total Private equity exists with 20% each, while in 2024 IPO represented only 7% and secondary private equity sales was 43% of the total (see chart 2.10).

2.9 Average PE investment per deal (€mm, in 2024 prices)



Source: InvestEurope, Pitchbook

2.10 How PE exits: exits via IPO and secondary buyouts as a % of total PE exits



Source: InvestEurope

In the US, CB Insights reports that VC-backed startups now wait an average of 7.5 years from first funding to IPO, up from 5 years a decade ago. While equity junior public markets and direct listings have emerged to support smaller firms, there is growing competition for viable exit routes .

Overall, the persistent weakness of the IPO market is alarming, given its crucial role in price discovery, providing an efficient source of long-term capital, and offering founders and investors an exit opportunity. The observed contraction in public equity financing also highlights the importance of fostering an attractive EU listing ecosystem, to enable companies to better access and benefit from the opportunities offered by public capital markets, while also supporting the development of deeper and more liquid pools of capital.

Tokenisation further blurs the line between public and private markets. As shown on the FinTech section, the presence of tokenisation has significantly grown globally, with various forms of both public and private assets being tokenised including private credit, real estate, equity shares of both public and private companies, or even real estate funded via crowdfunding campaigns. This covers virtually the full spectrum of the funding escalator, where the transaction of public and private assets is facilitated and made more liquid with the use of the tokenisation technology.

This trend facilitates transactions of traditionally illiquid vehicles, raising at the same time a multiplicity of challenges from a supervisory, conduct, investor protection and market resilience perspective.

Pools of Capital

3. Household market investment indicator

The household market investment indicator measures the availability of households to invest in capital markets instruments. This ratio is estimated as household financial assets (excluding cash, deposits and unlisted equity) as a percentage of GDP. The asset classes aggregated as "Household financial assets" in this indicator include listed equity shares[8], investment fund shares, bonds, life insurance reserves and pension fund holdings.

Pools of capital: the key to market liquidity

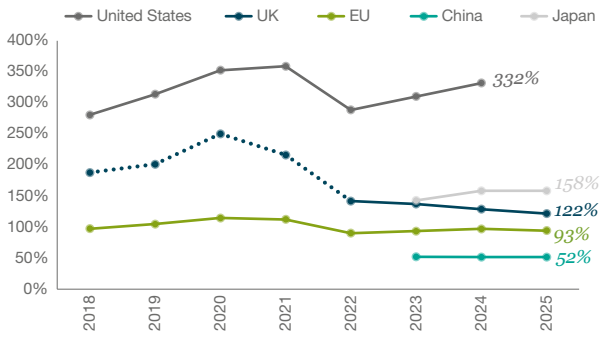
The amount of EU household financial assets stood at 94% of EU GDP, without major changes in 2025 once compared to historic levels and when compared to other global competitors.

From a compositional perspective, the largest increase over 2025 has been in equity products, with the amount household holding in equity shares increasing by 4% during the last year. This has been supported by a positive inflows into ETF products, which reached a record level in the first half of 2025, and an increase in asset valuation for equity products of 15-20% across the EU.

However, the longstanding difference between countries in size of pools of capital continues, as Sweden, Denmark, and the Netherlands lead within the EU in significantly deeper levels of pools of capital (200-170% of GDP) than those observed in the lower cohort of countries like Romania, Lithuania and Bulgaria, with levels of c20% of GDP.

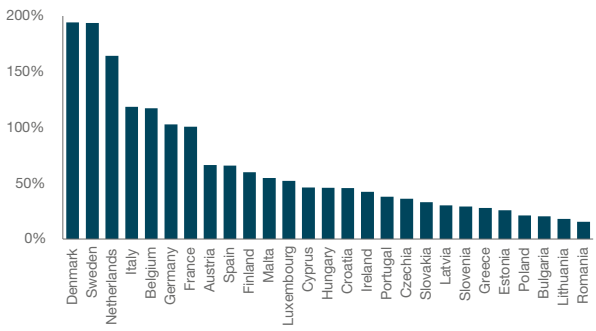
The case of Sweden, as has been frequently cited, is remarkable, almost doubling the amount of retail pools of capital in the span of two decades. Such large improvement has had wider positive consequences, including on deepening the market liquidity of the NASDAQ Stockholm Stock Exchange.

3.1 Household Market Investment Indicator: Household savings in market instruments as % of GDP



Source: Eurostat, US FED, UK ONS, BoJ, BOC. Includes listed shares, bonds, funds, pensions and insurance reserves

3.2 By EU countries: Household savings in market instruments as % of GDP



Source: Eurostat. Includes listed shares, bonds, funds, pensions and insurance reserves

As the European Union prepares to deliver its assessment on the functioning of its equity market structure (in the context of the broader review of market integration), a key observation is relevant to note: deeper pools of capital are the main key to enhance equity market liquidity.

Data from Eurostat and Eikon indicate that countries with larger household and retail holdings of financial assets exhibit tighter on-exchange bid-ask spreads and higher turnover ratios.

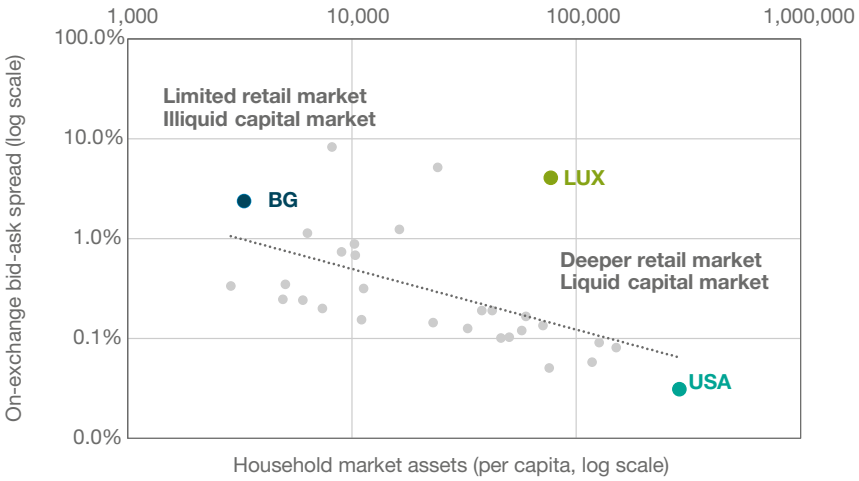
As shown on chart 3.3, stimulating demand is key to building deeper and more liquid equity markets in the EU . Capital still continues to stay largely within national borders, which means that, in the absence of a vibrant local pool of capital, liquidity does not flow cross-border, and to develop it, it has to be built internally.

8 *Unlisted shares, which are not necessarily a capital markets instrument, are not included the indicator.*

As such, a country as Bulgaria with about €3 thousand euros in capital markets savings per person results in bid-ask spreads of 200bps for local mid-caps (based on a random sample). The United States, with savings of USD 290 thousand per person, generates an ecosystem with an on-exchange bid-ask spread of 3-4bps estimated for a random sample of local midcaps.

These estimates also show, once applying the linear relationship[9], that increasing per person retail savings by 10% delivers, on average, a tightening of 6% in the value of bid-ask spreads in the local stock exchange, illustrating how crucial demand-based factors are in developing market liquidity.

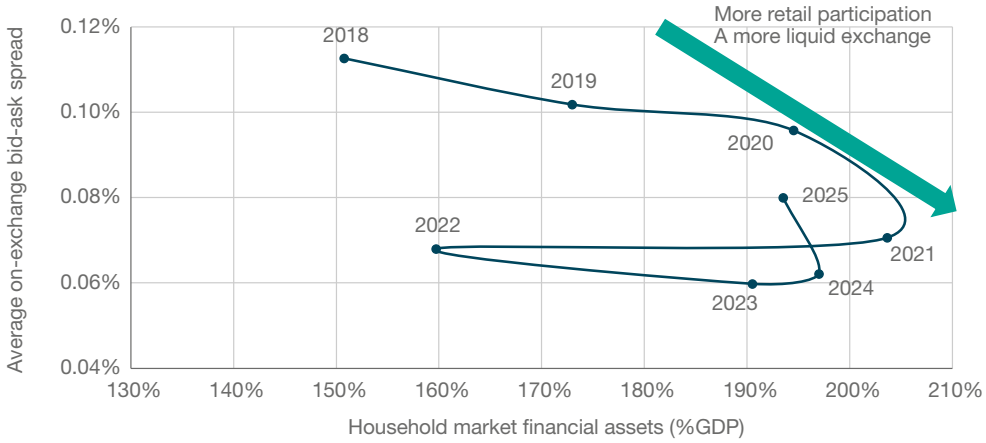
3.3 Household financial assets per capita and equity market liquidity



Source: AFME with Eurostat, US FED and Eikon LSEG. Each dot represents an EU country, the UK, and the US

The successful case of Sweden helps further illustrate this. With a long journey of improving its retail access, including through the successful ISK tax wrapper accounts, as the size of the Swedish pool of capital rose from 150% of GDP in 2018 to c 200% in recent years, on-exchange bid-ask spreads of equity have tightened falling cumulatively by around 6 basis points on average for a random selection of local midcaps. This is not minor and means that that an extra 10% of retail saving relative to GDP cuts bid-ask spreads by just around 1bps.

3.4 Swedish success: Household financial assets growth contributes to deeper market liquidity



Source:

9 *Based on simple two-way linear relationship between the natural log of bid-ask spreads and the natural log of per capita assets by country: y = -0.6188x + 0.3594*

Retail investment accounts and limits to portfolio investment

The Commission issued a call for evidence (CfE) in June 2025, seeking stakeholder input regarding the development of a European blueprint for Savings and Investment accounts.

The objective of the CfE is to establish a framework for an EU-wide investment product designed to encourage retail participation in capital markets, with the intention of increasing long-term returns on retail savings, enhancing the liquidity of EU capital markets, and supporting the provision of capital to European companies.

Boosting pools of capital or boosting retail investment?

A range of factors are under consideration for these accounts, such as its tax treatment, asset class eligibility, portability, among other features.

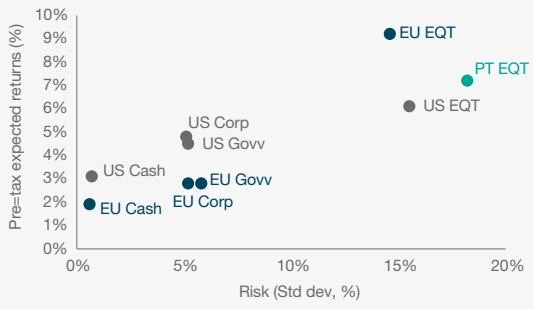
With respect to asset class eligibility, there are encountering points of view among stakeholders. Some advocate for limiting investments within these accounts exclusively to EU companies, seeking to channel a fresh flow of capital into the EU economy. Others suggest that the primary objective should be increasing retail participation and supporting households in maximising risk-adjusted returns, irrespective of the geographical allocation of their investments. Determining whether the emphasis should be on supporting capital markets or maximising retail investment involves trade-offs, as a design that favours asset allocation exclusively into EU assets could come at the expense of lower household returns or increased risk-taking.

Measuring implications of setting geographical eligibility limits

To provide an example regarding the policy of setting differentiated tax treatments, an efficient portfolio allocation simulation was conducted using the Markowitz (1952) efficient frontier approach. This analysis assumes a simplified scenario involving a Portuguese household subject to a 28% capital gains tax and considers a universe of investable assets that includes listed equities, bonds, and cash originating from the EU, Portugal, and the US. The objective of the household is to select the best portfolio that maximises expected return for each level of risk by selecting the portion of investment in each eligible asset class.

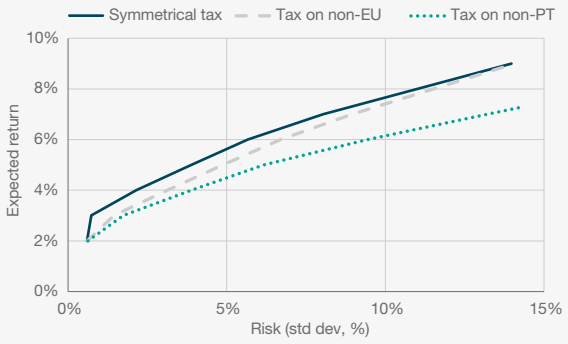
The expected risk – return profile by assets is sourced from State Street for the large majority of assets, while the Portuguese-specific expected returns are sourced from a recent academic study. The asset risk-return distribution is on chart 3.5.

3.5 Expected long-term (10Y) annual return and expected volatility (%)



Source: State Street, Monash Business School

3.6 Efficient frontier under three scenarios of asset tax treatment



Source: AFME

We evaluated three scenarios: (1) setting a preferential non-taxed treatment to all assets regardless its geographical location; (2) setting a preferential treatment only to EU assets while other assets' returns are subject to a 28% tax rate; and (3) setting a preferential treatment only to PT assets.

Our results are shown on chart 3.6. When comparing scenarios 1 (symmetrical tax treatment to all) and 2 (preferential treatment to EU assets), it is evident that a policy that favours EU assets reduces risk-adjusted returns for households. The rationale is that the policy would encourage households towards favouring local assets even if by doing so it constrains its diversification opportunities. For example, for households with a risk tolerance of 5% volatility, a tax treatment that favours EU assets would result in reducing an expected value of about 1% in total return per year. For a €100k portfolio on a compounded basis means €34k less cumulative in 10 years.

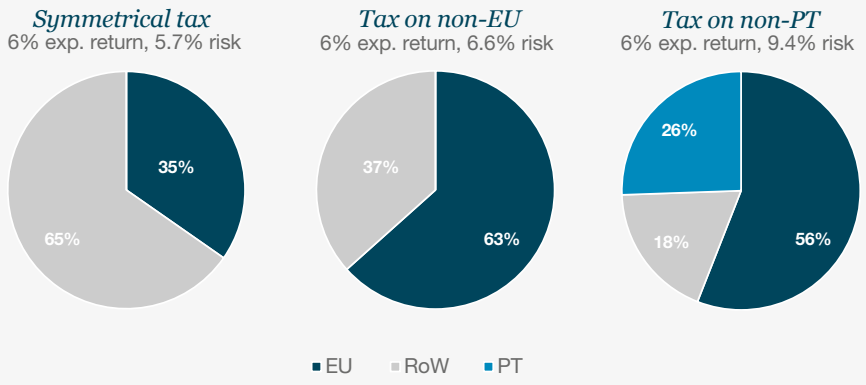
Needless to say, the picture would be even more dramatic if countries were to impose country-specific portfolio limits. Although to our knowledge, this option has not been discussed at wider EU fora, some Member States may be tempted in its implementation to favour implicitly asset allocation into their own country at the expense of EU and global assets. This approach would be particularly punitive for countries that have limited capital markets with very few internal diversification opportunities. We ran the numbers for PT which shows that for a 5% risk tolerance, the expected return would reduce by 2% per year compared to scenario (1) of symmetrical tax treatment and by 1% compared to scenario (2) of EU-favoured tax treatment.

But there would be more capital for EU companies

Admittedly a policy that favours EU assets would channel a significant amount of capital to the EU economy. New Financial and Fidelity estimate that an EU-wide investment account could reach between €111bn and €426bn by year 1 of implementation, under different assumptions of market take-up. For context, €111bn is close to the amount of private equity investment and private credit loan origination combined in a year, while €426 bn is close to the amount of corporate bond issuance in a year. Therefore, the potential is not minor.

The different options of asset eligibility also bring different results in asset allocation. With a 6% expected return, a scenario with symmetrical tax treatment would result in a portfolio split of c65% US assets and 35% EU, while a scenario 2 of EU-favoured allocation increased the share of EU assets from 35% to 63%. The third scenario of national bias would increase the amount of national asset allocation at the expense of the European amount. See chart 3.7.

3.7 Simulated asset allocation under different tax treatment scenarios



Source:

Other considerations have been described recently by the Investment Company Institute (ICI) which highlights that capital flows are a two-way street. EU and US markets are deeply interconnected, and allowing capital to move freely means that inflows and outflows will vary with the economic cycle. According to the ICI, it is the market and investors (not policy) that ultimately balance flows and prices.

4. European Long-Term Investment Funds (ELTIFs) Indicator

The European Long-Term Investment Funds (ELTIFs) are EU regulated investment vehicles specifically designed to channel long-term capital into strategically important sectors, such as small and medium-sized enterprises (SMEs), infrastructure, and sustainable projects across the European Union.

By unlocking retail and institutional investment for these areas, ELTIFs play a critical role in supporting economic growth, financial integration, and real-economy development throughout the EU.

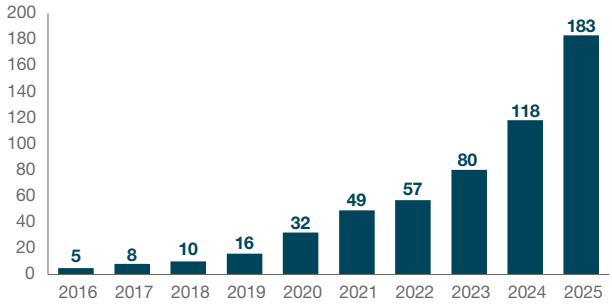
In this report we track the evolution of ELTIFs by monitoring the number of funds launched. This approach enables us to assess its market uptake, evaluate the effectiveness of recent regulatory reforms, and determine how successfully these funds are mobilising capital for long-term investment needs.

ELTIFs continue to unlock growth

ELTIFs directly contribute to deepen capital markets, increase cross-border investment flows, and help to diversify sources of financing beyond traditional banking channels for SMEs.

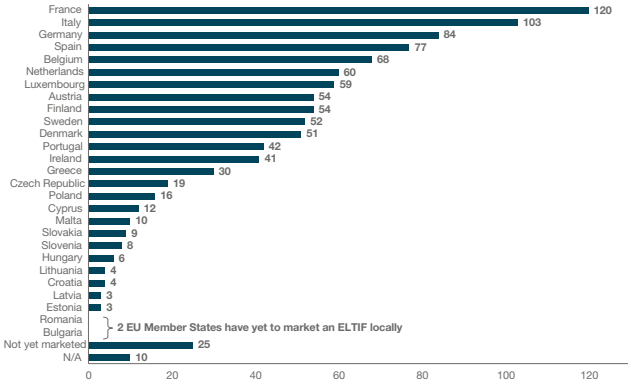
According to the ESMA ELTIF register, 2025 has exhibited the largest annual increase on records, with 183 ELTIF funds currently marketed in the EU, an increase of 65 new funds from 118 in 2024. This is a positive development and a further confirmation of the success of the ELTIF review in unlocking this product to channel retail savings into SMEs and infrastructure projects.

4.1 ELTIFs evolution (number of funds marketed)



Source: ESMA

4.2 ELTIFs marketed by country (2025H1)



Source: ESMA

In 2025, France overtook Italy with the largest number of funds marketed internally, illustrating the important appetite for this product in France. Only Romania and Bulgaria have not seen an ELTIF marketed locally, which is a further improvement compared to last year when Croatia and Slovenia were still absent from the ELTIF market but both countries have now entered the market.

ELTIF AuM continue to expand, with significant room for further growth

According to Scope ratings, the amount of ELTIF AuM totalled EUR 20.5bn at the end of 2024, an increase of EUR 5.3bn from a year ago. Of this, Scope estimates that EUR 1.3bn are reclassifications of legacy funds or about 6% of total AuM, suggesting that the largest portion of ELTIF registrations are newly created funds.

The contrast in market size with similar products offered in the United States is significant. According to the LSTA, there are currently 161 Business Development Company (BDC) funds with AuM totalling $414 billion.

The United Kingdom recently reintroduced its comparable LTAF product, resulting in 9 umbrella LTAF funds and 25 sub-funds registered, with £10bn in AuM as of July 2025 according to Morningstar (£5bn deployed, £3bn committed, and £2bn in master funds).

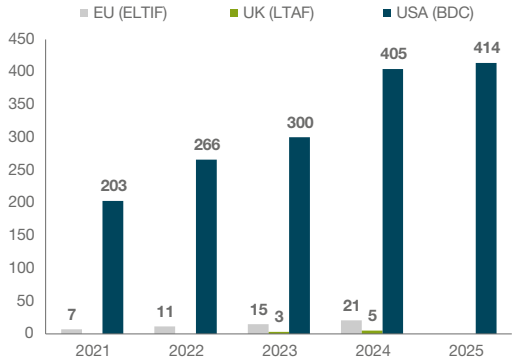
ELTIFs can benefit from greater economies of scale offered by the EU single market

The disparity in average fund size between the US and Europe is substantial. EU ELTIFs average approximately €160 million per fund, whereas US funds average €2.5 billion per fund, with a median value of €750 million[10]. Notably, ARES Capital and OBDC are the largest BDCs, each with net assets equivalent to the combined AuM of all 183 EU ELTIFs. By contrast, the US BDC market has been active and growing for decades, compared to a mere few years for the ELTIF and LTAFs.

While the UK's average LTAF fund size also exceeds that of the EU ELTIF, reaching an average of €360 million including umbrella and sub-funds (more than double the average EU ELTIF average fund), this is likely explained by the fact that ELTIFs are a more retail product than LTAFs, which are currently focused on the Defined Contribution pension market.

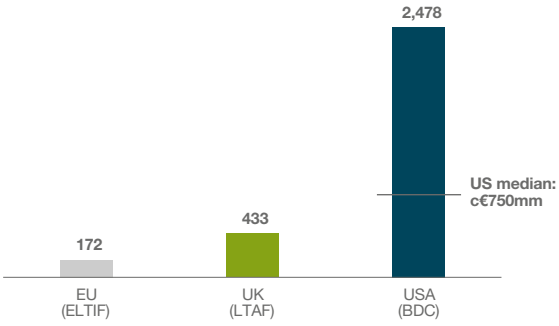
This considerable difference in average fund size across jurisdictions may suggest some degree of fragmentation within the EU product offering and raises questions about whether cost efficiencies from operating at a larger scale within the EU single market (i.e. economies of scale) are being fully realised. Alternatively, this may also reflect a "wait-and-see" approach as the EU market further develops and economies of scale will be realised as the product consolidates.

4.3 Long-term private capital financial vehicles available to retail in US, EU and UK (AUM, EURbn)



Source: Scope, LSTA, Ashurst, Novatigo

4.4 Average AuM of Long-term private capital vehicles: EU, UK, and US



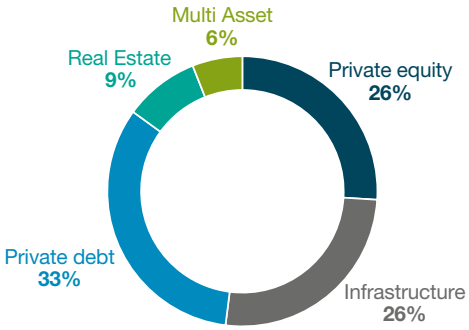
Source: Scope, LSTA, Ashurst, Novatigo, FCA, ESMA

Type of product offering and market liquidity

ELTIF funds remain broadly diversified across private equity, private credit, and infrastructure strategies, with smaller allocations to real estate and multi-asset approaches.

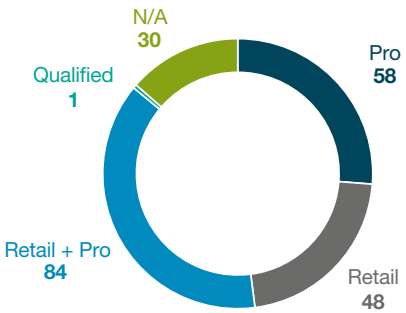
Of the 183 ELTIF products, 132 are accessible to retail investors, while approximately one quarter are available exclusively to professional investors. In contrast, the majority of BDCs in the United States are publicly listed, thus permitting available to retail investors. Notably, certain private credit funds have been also tokenised to enhance liquidity, a topic explored further in the FinTech section.

4.5 ELTIF distribution by asset classes (%)



Source: Scope

4.6 ELTIF investor categorisation (number of funds)



Source: ESMA

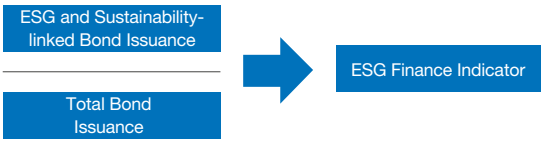
10 See https://www.bdcinvestor.com/screens/largest-bdcs-by-size/

Transition to Sustainable Finance and Digitalisation

5. *ESG finance indicator*

Funding for the sustainable transition is a cornerstone of future EU growth. This indicator seeks to quantify the labelling of ESG bond instruments and is estimated as a simple ratio of ESG bond issuance (green, social, and sustainable) and sustainability-linked bond issuance relative to total bond issuance. The eligibility criteria for the purposes of this indicator is the Climate Bond Initiative (CBI) label. The indicator does not consider sustainable equity issuance due to the difficulty in assessing and classifying entire organisations as sustainable, but could evolve over time reflecting changes in the sustainable finance sector and data availability. It is also influenced by the overall size of the bond market in the relevant jurisdiction.

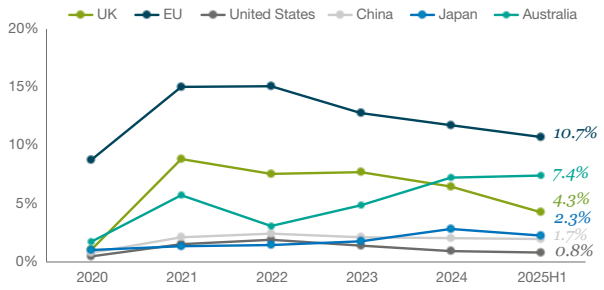
Nominal EU ESG bond issuance grows amid declining market share



While the EU continues to lead globally in access to sustainable finance, the gap with international peers is narrowing as the relevance of ESG finance appears to be waning in Europe, with the ESG Indicator declining for the third consecutive year.

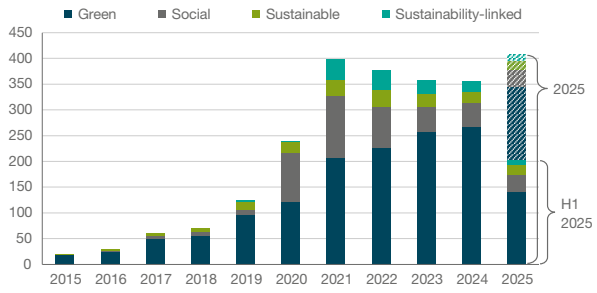
In 2025H1, ESG-labelled bond issuance in the EU reached €204bn, accounting for 10.7% of total EU bond issuance. While ESG issuance increased 14% in the first half of 2025, its share of total bond issuance declined compared to last year, as non-ESG bond issuance expanded at a faster pace. More broadly, primary issuance in EU ESG markets appears to have plateaued in nominal terms, with full-year volumes yet to exceed that observed in 2021. Globally, the gap between the EU and other international regions has narrowed in recent years, but with the exception of Australia, this convergence has been driven by the decline in the EU indicator.

5.1 ESG Finance Indicator (ESG bond issuance as % of total bond issuance)



Source: CBI, Dealogic, ECB, SIFMA, ECBC and AFME

5.2 EU Green, Social, Dual-Purpose and Sustainability Linked bond issuance, EUR bn, 2015–25 (annualised)



Source: CBI and Dealogic

Green issuance continues to be the dominant ESG bond type by volume, comprising 69% of total ESG issuance in the first half of 2025, though the share has declined from 75% last year, marking the first drop since 2021. There has been significant growth in both the dual purpose and social bond markets, with issuance increasing 79% and 41% year-on-year, respectively, compared to annualised growth of 5% for green bonds.

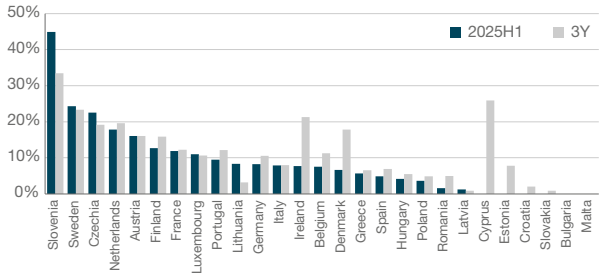
Regional disparities shape ESG bond market in early 2025

Performance in the first half of 2025 among major markets was mixed, with ESG markets surging in France, Italy and Sweden but retracting in Germany and Spain, compared to last year.

France leads EU countries in ESG bonds issuance for 2025H1, with French issuers originating €47bn, an annualised increase of 30%. After accounting for the total volume of bonds issued in 2025H1, Slovenia leads EU countries with 44.9% of total bond issuance having ESG labelling, but this only represents a single green bond with a volume of €1bn.

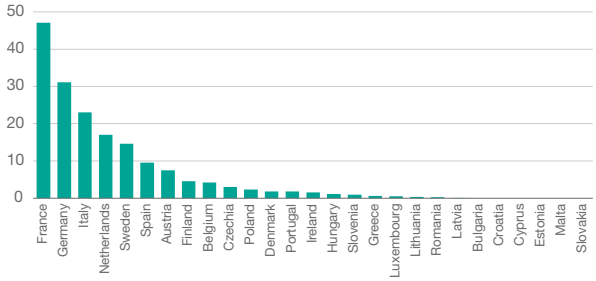
Participation in ESG bond markets varies markedly across countries. While a third of EU nations see around 10-30% of their total bond issuance labelled as ESG, others, primarily in Eastern Europe, consistently report proportions below 5%.

5.3 ESG Finance Indicator by EU Member State (2025H1 vs 3Y average)



Source: CBI, Dealogic, ECB, SIFMA, and AFME

5.4 ESG bond issuance by country (EUR bn, 2025H1)



Source: CBI and Dealogic

Modest uptake of EU Green Bond Standard

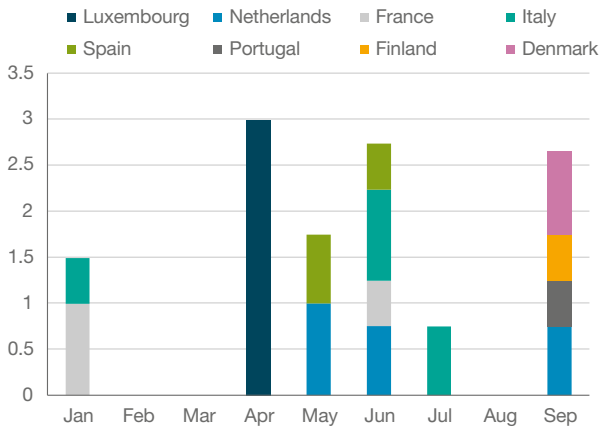
In H1 2025, the EU Green Bond Standard (EuGB) saw inaugural issuances, making a significant market milestone. These instruments are distinguished by their mandatory alignment with the EU taxonomy, which improves transparency and comparability of green bonds, and are subject to regulatory oversight by ESMA.

Most recent data suggest uptake has been modest, with only nine EuGB labelled bonds issued in the first half of the year. As of June 2025, EuGB label issuance reached EUR 9bn, or 6.4% of overall European green bond issuance.

Issuer composition within the EuGB segment broadly mirrors trends in the wider green bond market, with supranational, sovereign and agency issuers representing approximately half of the volume, and corporate and financial institutions comprising the remainder.

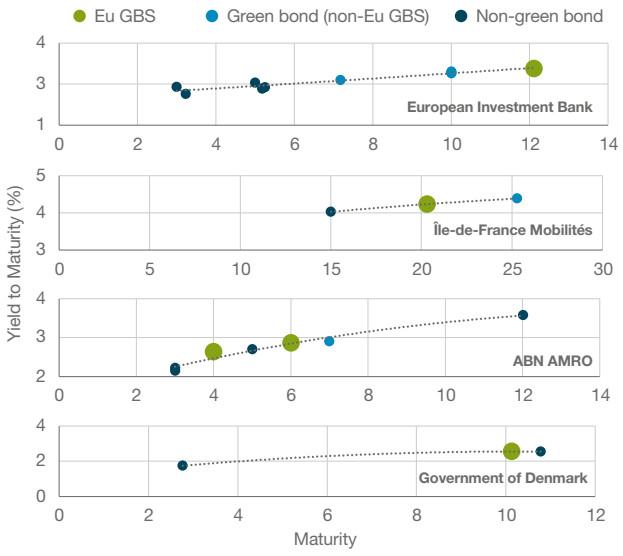
EuGB sales have so far met steady demand, with the largest nominal EuGB bond achieving a book oversubscription of 13.4x at issuance. Primary market price premiums (Chart 5.6) with the yield curves of the largest EuGB issuers show mixed results from the use of the label, with only one of the three issuers examined exhibiting a greenium of 3.3bp from an EuGB issue. Most recently in September 2025, Denmark issued the first sovereign EuGB, that was also the first EuGB to be structured as a twin bond alongside a conventional issue, and which recorded a greenium of 1.5bp.

5.5 EU GBS issuance by country (EUR bn, 2025H1)



Source: CBI, Dealogic, ECB, SIFMA, and AFME

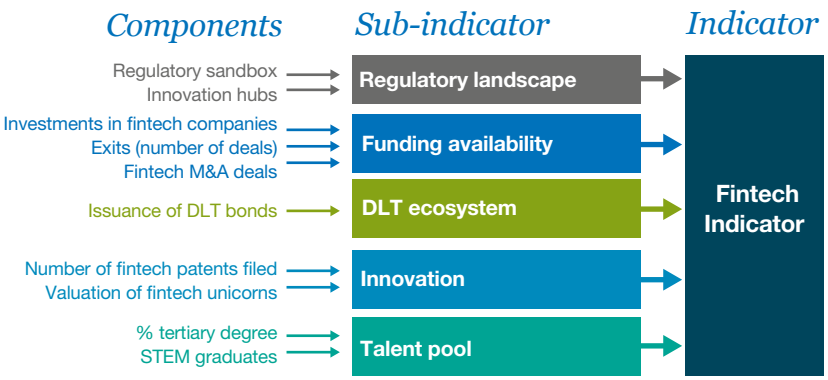
5.6 Yield curves of selected EU GBS issuers



Source: CBI and Dealogic

6. FinTech Indicator

The FinTech composite indicator seeks to rank countries by their capacity to host a FinTech ecosystem. The indicator is constructed based on four sub-indicators: (i) regulatory landscape; (ii) availability of finance for companies; (iii) issuance of tokenised securities; (iv) degree of innovation; and (v) talent pool. Each of the five sub-indicators is composed by individual metrics as illustrated in the figure below:

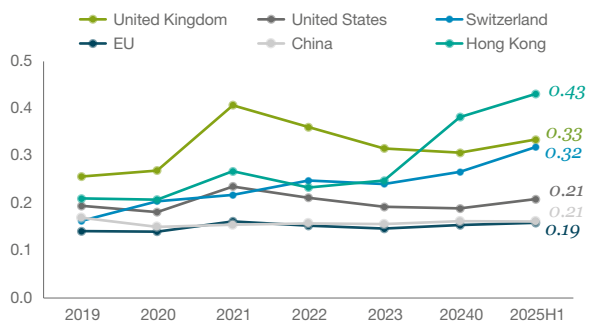


Recent Trends in a Rapidly Evolving Global Context

The FinTech indicator evaluates various factors to assess the development of the FinTech ecosystem. Since last year's report, the indicator's methodology was updated to incorporate the application of Distributed Ledger Technology (DLT) in bond issuance as the adoption of technology in capital markets is becoming increasingly evident through use cases such as blockchain-enabled bonds and repos, stablecoins, or the tokenisation of funds and private assets (including private credit).

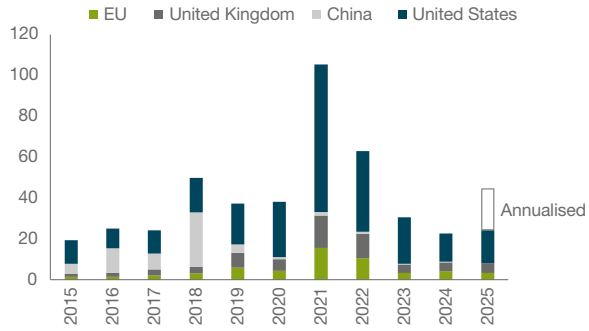
For 2025, the indicator highlights a significant rise in Hong Kong's status as a global FinTech leader, attributed to its growing activity in DLT bond issuance alongside Switzerland. On a global scale, investment into FinTech companies continues predominantly concentrated in the US and the UK, while EU FinTechs attract a comparatively smaller share relative to the size of the EU economy.

6.1 FinTech Indicator evolution [0: Min, 1:Max]



Source: AFME

6.2 Global FinTech funding ($bn)



Source: Dealroom

Use of DLT expands across capital markets

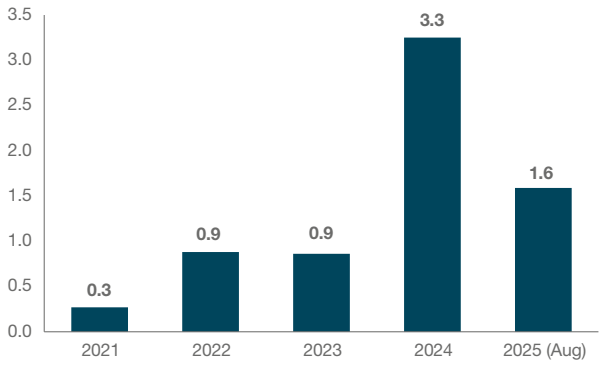
From a DLT bond issuance perspective, Europe (EU and Switzerland) is leading in DLT bond issuance, representing 52% of the global amount in 2024 and 53% in 2025 (as of August). The issuance amount at €3bn in 2024, however, continues a niche product representing less than 1% of the $145 trillion global bond market.

The European leading role in DLT bonds has been in part supported by the DLT trials undertaken by the ECB and the Swiss National Bank (SNB) in a wide range of projects including bond and bills issuance, settlement testing, repos, asst custody trials, among others. Notable EU sovereign issuances have included a bond issued by the Government of Slovenia (€30mm) and a treasury bill by Luxembourg State Treasury (€50mm), while German corporate issuers have been particularly active in the primary DLT bond market.

Tokenisation led by the United States

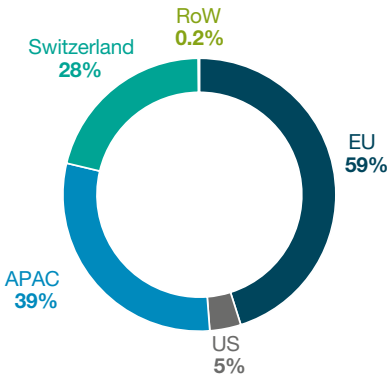
The adoption of tokenisation within capital markets, particularly in funds and traditionally illiquid assets such as Private Credit and Real Estate, has accelerated significantly in recent months. As of August 2025, globally registered tokenised funds totalled $7.3bn, more than 3x the $2.4bn observed at the end of 2024. Despite such large growth, tokenised funds still represent a small fraction of the approximate €140 trillion global fund management industry's assets under management (AuM).

6.3 Global issuance of DLT-based bonds since 2021 (EURbn)



Source: AFME Research

6.4 Global issuance of DLT-based bonds by location of issuer since 2021

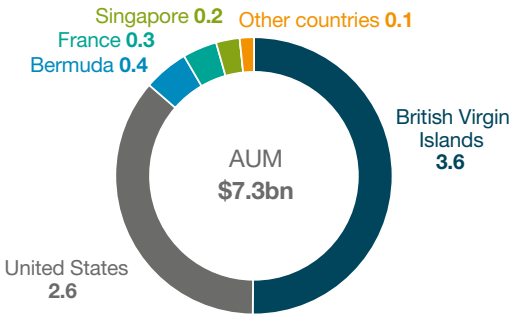


Source: AFME Research. US includes World Bank and IADB. The World Bank DLT bonds were issued on EU and Swiss infrastructures.

Around 90% of these assets are allocated to US Treasuries ($6.6bn), with smaller allocations in other asset classes including EU Government securities ($198mm) and equities ($220mm). The US is the primary domicile for tokenised funds when measured by number of funds, whereas the British Virgin Islands leads in terms of fund value (see Chart 6.3).

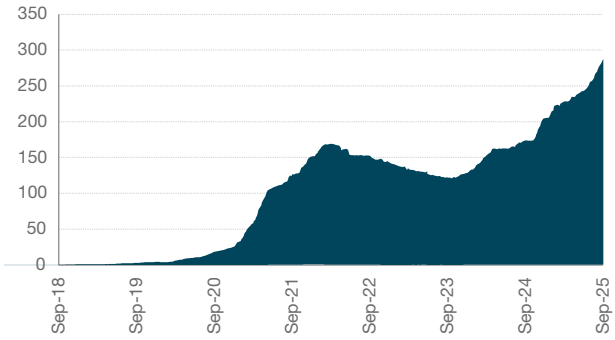
Tokenisation has also been applied to illiquid products. As of June 2025, the market capitalisation of tokenised private credit reached $2.2bn, a 21% YoY increase, with most deals originating in North America and Singapore. Tokenised ABS had a market cap of $12bn as of June 2025, primarily issued in the United States and China.

6.5 AuM of Global Tokenised Funds by Issuer Domicile in 2025 YtD ($bn)



Source: RWA.xyz

6.6 Market Cap of Stablecoins by currency of Underlying Asset (USD bn)



Source: RWA.xyz

Stablecoins led by US by far

Stablecoins are digital tokens designed to reduce volatility compared to traditional crypto-assets. To achieve this, they are typically pegged to stable assets such as fiat currencies.

As of August 2025, the stablecoin market cap reached $257bn, a 32% growth compared to end-2024 ($194). The vast majority of stablecoins are currently backed by the US dollar, which accounts for 99.8% of the total. European stablecoins, including Euro, GBP, and CHF-based tokens, accounted for c0.2% ($398 mn) of the total stablecoins market cap as of August 2025. Euro-backed tokens accounted for over 99% of European stablecoins, followed by SFR-backed tokens (0.1%), and GBP-backed tokens that only account for the remaining 0.02%.

Repo also dominated by US market participants

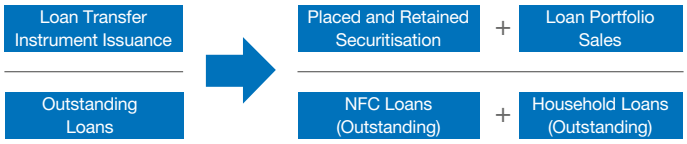
Consolidated data on DLT-based repo transactions are scarce. However, platforms such as Broadridge DLR have indicated processing c$345bn per day. Other platforms such as JP Morgan's Kinexys process c$2bn per day across all its applications, including intraday repo transactions and other digital payments.

Integration and Efficiency of Capital Markets Ecosystem

7. Loan Transfer Indicator

The Loan Transfer Indicator measures the capacity to transform bank loans into capital markets vehicles (securitisation and loan portfolio transactions), which is crucial for enabling additional lending to the real economy by freeing up bank balance sheet capacity.

The indicator is estimated as a simple ratio of securitisation issuance (placed and retained) and loan portfolio sales relative to outstanding corporate and household loans.



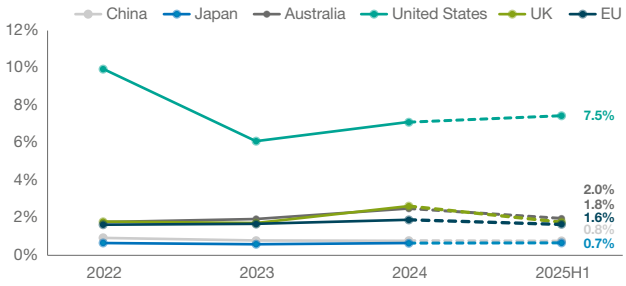
EU loan transfer activity slows amid decline in securitisation issuance

The Loan Transfer Indicator for the EU declined in the first half of 2025, primarily due to a decrease in securitisation issuance. Overall, in 2025, issuance of loan-transfer vehicles in the EU is expected to remain slightly below last year's levels if current issuance trends persist.

Combined issuance of securitised products and loan portfolio sales in the EU reached €113.0 bn during 2025H1, representing 1.6% of total outstanding EU loans which is below the observed in the US (7.5%), Australia (2%) and the UK (1.8%).

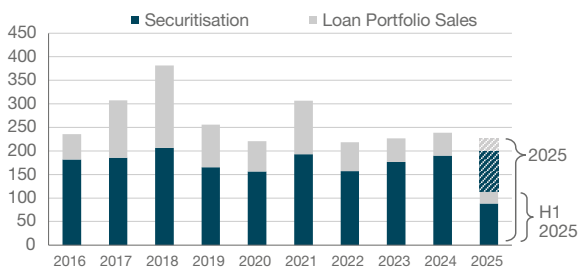
In the medium to long-run, loan portfolio sales have trended downward since their peak between 2017 and 2021, while securitisation issuance has largely stagnated in recent years.

7.1 Loan Transfer Index: securitisation and portfolio sales as % of outstanding loans



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News. Indicator for 2025 annualises H1 volumes.

7.2 EU Loan Transfer Index by components: Securitisation and Loan Portfolio Sales



Source: : AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News

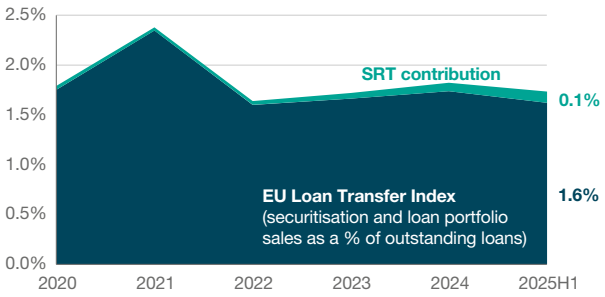
SRT inclusion reshapes EU Loan Transfer Indicator and global positioning of the EU

Significant Risk Transfer (SRT) can be used to achieve capital relief under regulatory frameworks (CRR in the EU), by transferring credit risk to third parties while retaining the loans on balance sheet. Although SRT issuance has previously been excluded from this indicator, the associated regulatory capital relief can enable banks to redirect capital and stimulate new lending similarly to loan transfer vehicles. For this report, SRT issuance is measured by the risk transfer amount, reflecting the volume of tranches transferred to investors, rather than portfolio notional, which reflects the total underlying exposure amount.

The EU SRT market has experienced substantial growth over the past five years: in 2020, SRT volumes accounted for just 3% of the overall securitisation issuance (including true sale), but by the first half of 2025, this share had almost tripled to 8%. Internationally, the EU leads in SRT issuance, in marked contrast to the true sale market, where the EU has consistently lagged global peers.

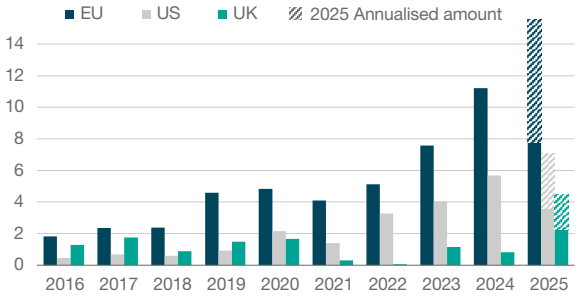
The inclusion of SRT issuance in the Loan Transfer Indicator for 2025H1 raises the EU indicator value from 1.6% to 1.7%, but the medium-term trend remains stagnation since 2022. In UK, the impact of including SRT volumes is similar, raising the indicator value by 0.1% to 1.9%. However, for the US, the impact is less pronounced, with its indicator value remaining at 7.5%. Other international regions, including Japan, Australia, and China have no impact as a result of SRT inclusion as they do not currently have active SRT markets.

7.3 EU Loan Transfer Index and SRT issuance as % of outstanding loans



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News, SCI, RTRA. Indicator for 2025 annualises H1 volumes.

7.4 SRT Global comparison: issuance in selected regions (EUR bn, by tranche volume)



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News, SCI, RTRA.

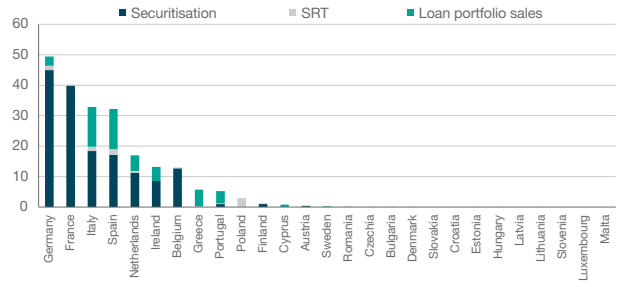
Uneven adoption of risk transfer tools across EU banking markets

Across EU countries, the use of true sale securitisation and SRT varies significantly over the last 3 years. In terms of nominal issuance, Germany leads with the highest average of true sale securitisation volume but a relatively lower SRT amount from 2023-2025. In contrast, Spain and Italy show a more balanced mix, with the SRT market making up a larger proportion and equal to around a tenth of its true sale securitisation counterpart. See Chart 6.5.

Overall, the data reveals an uneven landscape with western European countries favouring true sale securitisation, while southern markets more commonly adopt SRT as a risk management tool. In Central and Eastern Europe, however, SRT issuance remains limited in volume, and true sale securitisation activity is negligable. Notably, SRT is more widely used across the EU, with fewer countries recording zero SRT than those without any securitisation issuance at all.

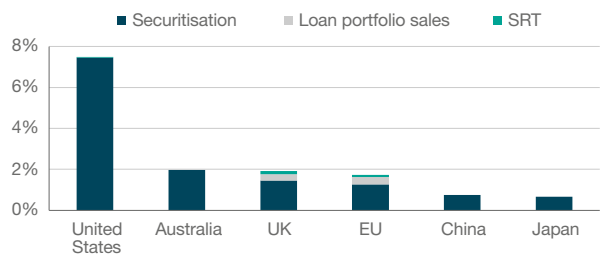
AFME's internal analysis indicates significant untapped potential for growth in the SRT market. Current outstanding portfolio notional SRT volumes, measured as a proportion of total bank loans, range from 3.1% for large corporate loans to just 0.2% for residential mortgages for the EU as a whole. Across Europe, the landscape is varied, with many countries exhibiting SRT utilisation rates below 1% based on this metric. This illustrates the considerable opportunities for the expansion of SRT, supporting regulatory capital relief and complimenting securitisation and loan portfolio sales in driving new lending.

7.5 Securitisation, SRT, and loan portfolio sales issuance in EU countries (EUR bn, 3Y average)



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News, SCI, RTRA. 3Y average over 2023-2025 with 2025H1 volumes annualised..

7.6 2025H1 Securitisation, SRT, and loan portfolio sales issuance as % of outstanding loans



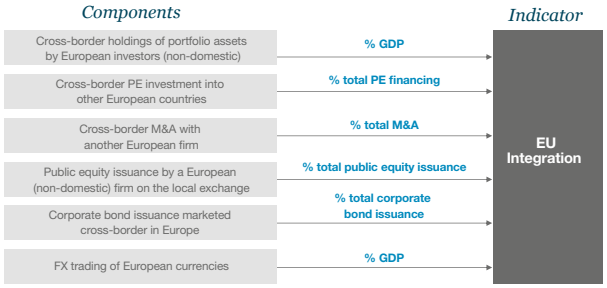
Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News, SCI, RTRA..

8. Cross-border finance indicator

We have produced two indicators to quantify "intra-EU" integration and integration of capital markets activities with the rest of the world (RoW).

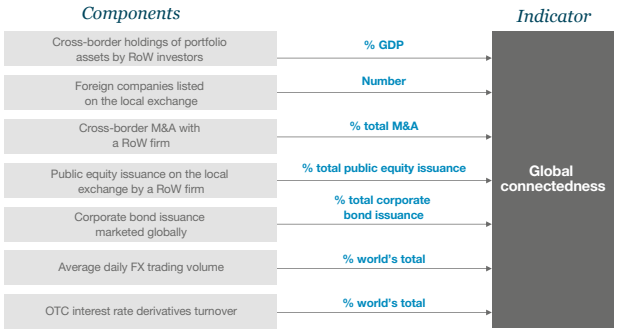
The indicator considers different aspects of international capital markets by estimating a composite indicator aggregating the following features: (i) cross-border holdings of portfolio assets, (ii) cross-border M&A transactions; (iii) cross-border public equity raising; (iv) corporate bond issuance marketed cross-border; (v) participation in intermediating FX and derivatives trading. Additionally, cross-border private equity (PE) financing is considered only for intra-EU indicator, while a number of foreign companies listed on the local exchanges is considered for the global indicator due to data availability. Each of these subcomponents are adjusted as shown on Charts 8.1 and 8.2:

8.1 Capital Markets Intra-European Integration Indicator



Source: AFME

8.2 Capital Markets Global Integration Indicator



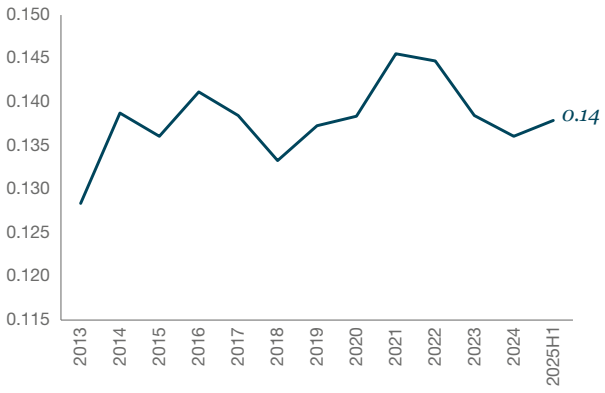
Source: AFME

Integration within the EU has recently slightly improved

The latest indicator readings show a modest increase in the indicator value, predominantly driven by an increase in intra-EU holdings of portfolio assets and a marginal increase in intra-EU M&A.

Some factors continue to moderate the growth of the indicator. For example, cross-border public equity issuance (IPOs and follow-ons) remains at 6% of the EU's equity capital raising occurring outside the companies' home exchange, compared to c14% observed just prior to the Global Financial Crisis (GFC). See chart 8.4.

8.3 Intra-EU Integration Indicator [0: Min, 1: Max]



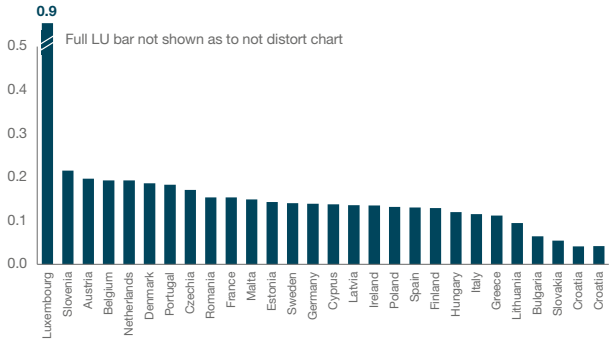
Source: AFME from multiple sources

8.4 Intra-EU cross-border equity issuance (% total EU equity issuance)

Source: Dealogic

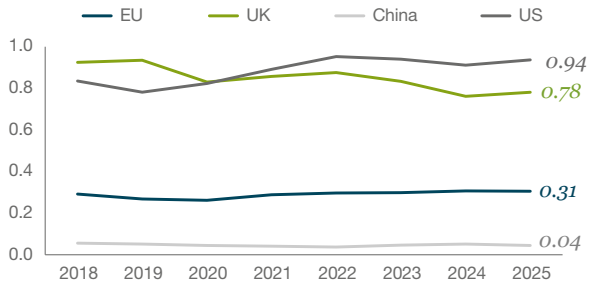
The country distribution in intra-EU integration have not significantly changed compared to last year's report. Luxembourg consistently leads in intra-EU integration as the EU's hub for the cross-border distribution of investment vehicles in the EU. Bulgaria, Croatia, and Slovakia stand, once again, as the least intra-EU integrated markets with a good portion of their capital markets activities taken place exclusively domestically.

8.5 Intra-EU capital markets integration by countries: 2023-25 average [0: Min, 1: Max]



Source:

8.6 Global Integration Indicator [0: Min, 1: Max]



Source:

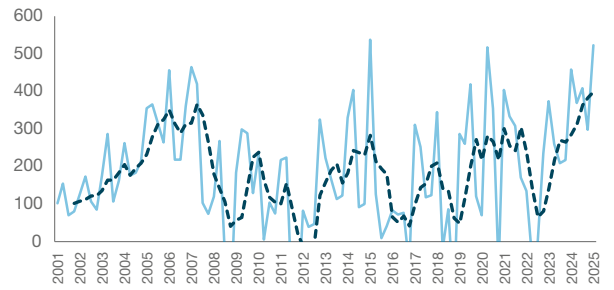
EU capital markets integration with the rest of the world (RoW)

Market integration has mildly increased over the last year, although visibly the EU's capital markets are not as globally interconnected as those of the US and the UK.

The improvement in EU integration with the rest of the world has been driven predominantly by a large inflow of acquisitions of portfolio assets by investors located outside of the EU (see chart 8.7), and by an increase in the amount of equity capital raising. The amount of cross-border equity capital raising has been predominantly on Euronext Amsterdam by US and UK companies listed on the Dutch exchange (CVC partners plc and the SPAC of Universal Music) with a cumulative deal value of €5.3bn between 2024 and 2025.

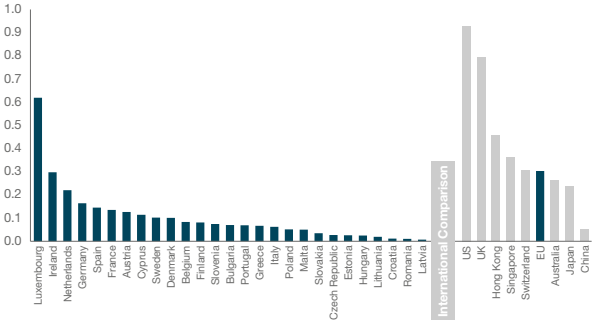
The increase in portfolio inflows has been particularly visible in the acquisition of ETF instruments. According to Lipper and Amundi, European ETF net inflows reached €201bn in the first half of the year, while the full year is expected to be a record high for Europe. BNPP also noted how March, February, and April of 2025 were the top 3 largest inflows of ETFs historically for Europe. The optimism, that some have framed as the "European Renaissance", has been driven by the anchored inflation expectations, optimism on the German budget fiscal relaxation, and the general political consensus around the need for the EU to deliver on its competitiveness agenda.

8.7 Acquisition of EU portfolio assets by RoW investors (EURbn, quarterly and year rolling average)



Source:

8.8 Global Integration Indicator by countries [0: Min, 1:Max]



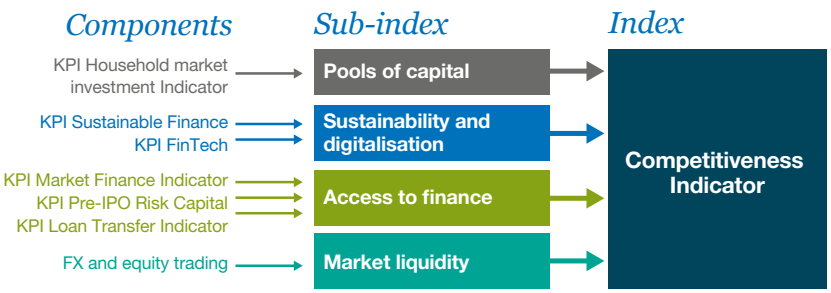
Source:

By countries, Luxembourg, Ireland and the Netherlands lead as the most globally interconnected capital markets although all of them behind the degree of integration of the US and the UK.

9. Market competitiveness

We measure capital markets competitiveness from a holistic perspective.

This indicator is estimated as a composite indicator that considers the following dimensions: (i) availability of pools of capital, (ii) sustainability and digitalisation, (iii) access to finance, and (iv) equity and FX market liquidity[11]. Each of the four dimensions is composed by individual metrics as illustrated in the Figure below:

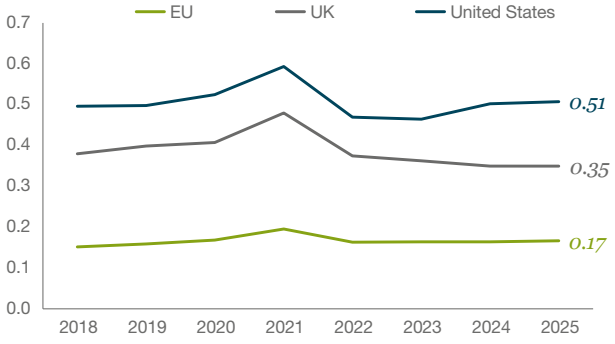


Limited progress in EU's capital market competitiveness

EU capital markets have not seen groundbreaking progress over the last seven years in its global competitiveness, standing behind the UK and US market.

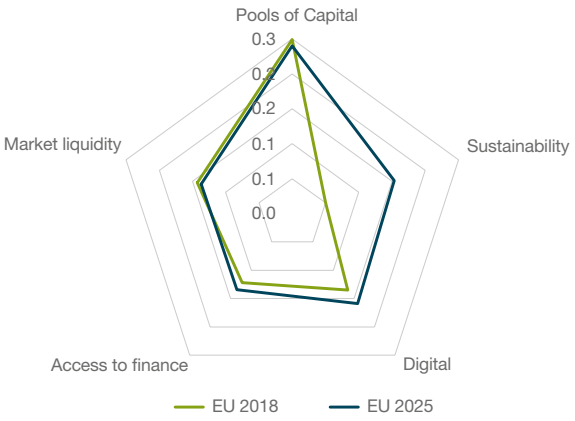
By components, as seen on chart 9.2, the main area of progress in the EU has been in sustainable finance (also as shown in the ESG KPI section). In the other components like accumulation of pools of capital, access to finance to corporates and SMEs, digital finance, and market liquidity, the EU continues to lag behind the UK and the US.

9.1 Global Competitiveness Indicator [0: Min, 1: Max]



Source: AFME from multiple sources

9.2 Global EU Competitiveness Indicator by components [0: Min,1: Max]



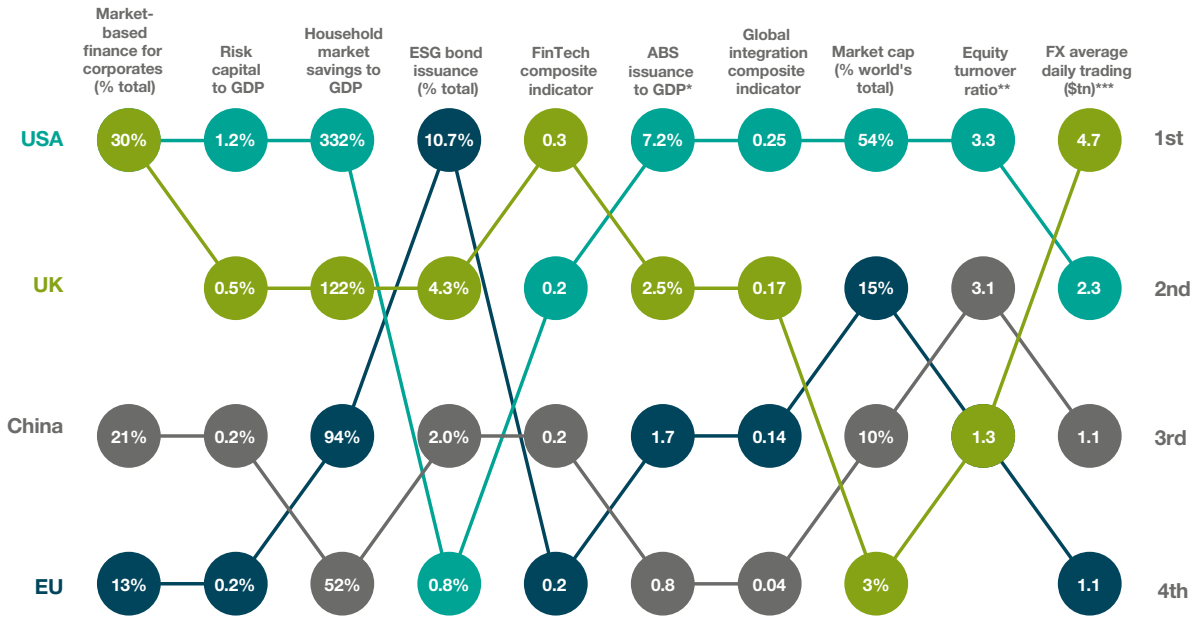
Source: AFME from multiple sources

The EU shares alongside China the 3rd and 4th rank in global capital relevance across the large majority of features displayed on chart 9.3. In addition to sustainable finance, its market cap footprint stands as the second largest globally at 15% of the world's total (although below the relative size of its GDP at 17%), in part due to the recent increase in local equity valuations.

EU equity turnover ratio rose from 1.1 in 2024 to 1.3 on the back of recent geopolitical uncertainty, which, however, in other jurisdictions like the US and China rose at a significantly larger amount of almost 3X the EU ratio.

11 *FX turnover relative to GDP and equity trading liquidity based on on-exchange bid-ask spreads*

9.3 *Comparison of EU Capital Markets competitiveness: 2025*



**Includes ABS, CLO, RMBS. US securitisation issuance excludes agency RMBS.*
***Includes EEA and UK due to methodological challenges to assess the geographical location of OTC equity trades in Europe.*
**** China includes Hong Kong*

Sweden is the most competitive EU Capital Market, although its global competitiveness is moderate

At the country level, our indicators confirm that Sweden stands as the most competitive capital market within the EU, consistent with the findings from last year's report but 2 positions above the 2019 ranking.

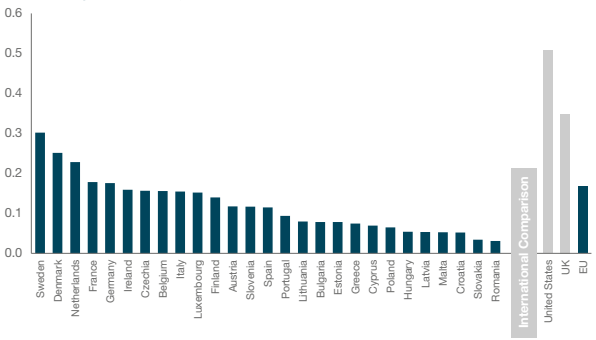
In earlier sections we have highlighted Sweden's robust accumulation of household savings, improvements in equity market liquidity, strong ESG presence, and robust access to primary markets. Several institutions (OECD, CEPS, New Financial, and NASDAQ) have commended the Swedish model and in some instances recommended some its features for adoption across the EU.

Nonetheless, Sweden continued progress is still necessary particularly in areas where a domestic bottom-up legislation alone may not suffice.

Globally, Sweden exhibits a moderate level of integration according to our metrics. Its equity market is primarily domestically focused, with a relatively small number of companies listed on the Stockholm exchange. Notably, it also faces the same challenges as other EU exchanges by failing to retain the listing of its domestic champions as prominent firms such as Spotify and Klarna have opted to list abroad rather than on the Swedish market.

Sweden's non-membership in the Banking Union limits the extent to which integrated banking markets can support local capital markets. The country lacks a true sale ABS market, and although its insolvency framework is generally considered creditor-friendly, major corporate restructurings are frequently conducted under UK or US law (e.g. SAS AB's Chapter 11 filing in the United States instead of a domestic process). Additionally, Sweden's currency and derivatives markets continue to rely heavily on London's FX and derivatives liquidity pools. We write this with a big congratulations note for Sweden, but noting that there is no room for complacency and there are areas for further consideration.

9.4 *Global competitiveness indicator 2025 [0: Min, 1:Max]*



Source: AFME from multiple sources

9.5 *EU countries: Global competitiveness indicator by component [0: Min, 1: Max]*

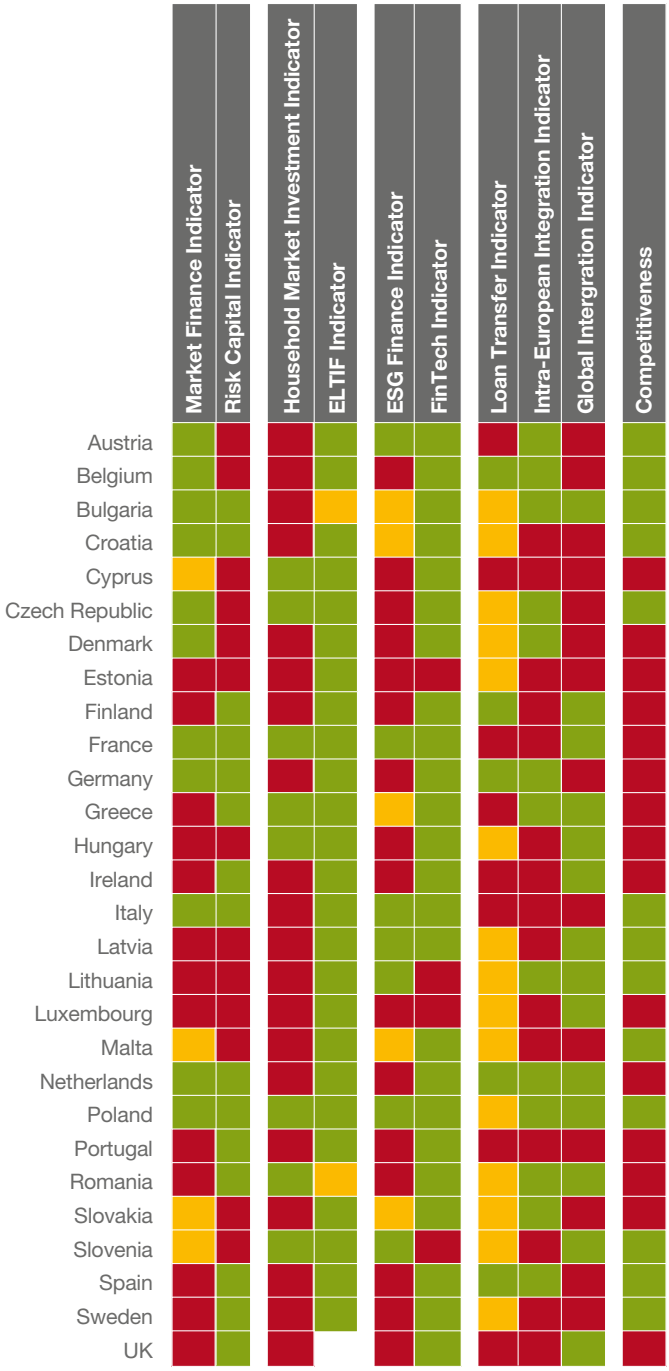
	NL	FR	DE	SWE	LU	EU
Pools of Capital	0.4	0.3	0.3	0.5	0.1	0.2
ESG	0.3	0.2	0.1	0.3	0.2	0.2
Tech	0.2	0.2	0.2	0.3	0.4	0.2
Corp funding	0.3	0.5	0.2	0.4	0.5	0.3
SME	0.1	0.1	0.1	0.3	0.1	0.1
Loan Transfer	0.0	0.0	0.1	0.0	0.0	0.0
Equity liquidity	0.1	0.1	0.2	0.3	0.0	0.1
FX liquidity	0.0	0.0	0.0	0.0	0.0	0.2

Source: AFME from multiple sources

Appendices

Appendix 1: Key performance indicators by countries and components

Comparison of progress between 2025 and 2024



Green: increase in 2025 vs 2024

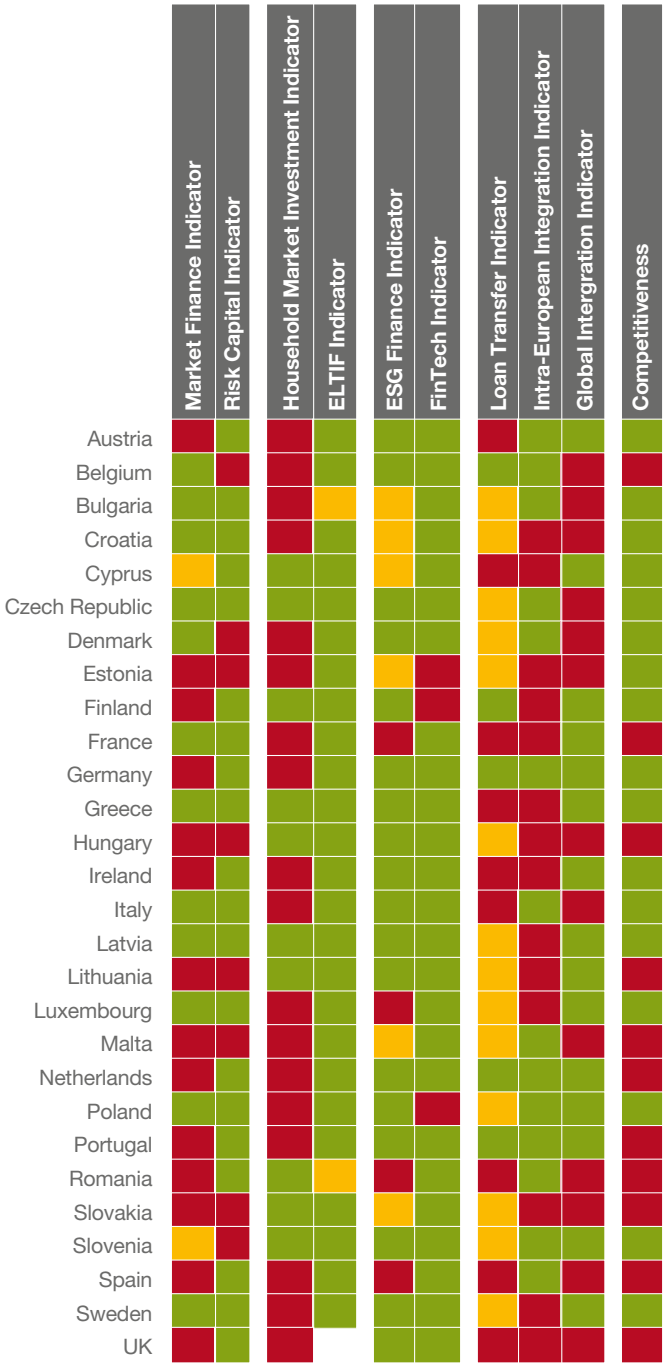
Red: decrease in 2025 vs 2024

Yellow: No variation between 2025 and 2024

We have produced the above scorecard chart which seeks to assist in keeping track of evolution of the key performance indicators at the Member State level. Each cell shows in colour coded form if a country has increased, decreased, or shown no change in the indicator value over the last year.

Appendix 2: Key performance indicators by countries and components

Comparison of progress between 2025 and 2020



Green: increase in 2025 vs 2020

Red: decrease in 2025 vs 2020

Yellow: No variation between 2025 and 2020

We have produced the above scorecard chart which seeks to assist in keeping track of evolution of the key performance indicators at the Member State level. Each cell shows in colour coded form if a country has increased, decreased, or shown no change in the indicator value since 2025.

Appendix 3: Methodology and Data Sources

Scope of data collection

We have constructed nine Key Performance Indicators (KPI) in the form of composite indicators and ratios to assess progress across the seven political priorities of the CMU action plan.

The focus of the study is primarily European, although we have tried to compare EU capital markets with other non-EU jurisdictions on a best efforts basis where data is available.

The data is drawn from a wide range of sources, including contributions from trade associations, data platforms, Central Banks, Eurostat, and other international organisations.

All data is expressed in euros (€) unless otherwise indicated and translated using period-end exchange rates as reported by the ECB.

Data collection and methodology

Market Finance Indicator

Data sources - IPOs, Secondary Offerings, Investment Grade and High Yield Bonds (all Dealogic), NFC loans new issuance (ECB, National Central Banks, Federal Reserve, OECD, Mortgage Bankers Association).

For the EU, NFC loans are estimated using bank loans to NFCs due to the relatively low participation of non-bank lenders. For some EU countries in which data provided by the ECB for bank loans to NFCs is incomplete, issuance is estimated using central bank data or longer-term trends. In the US, there is significant participation of non-banks in the loan market and so lending from non-banks needs to be accounted for in the indicator.

A recent OECD study published the amount of commercial and industrial (C&I) lending originated by banks in the US, using data originally sourced from the US Federal Reserve. The aggregation does not include loans originated by non-banks such as finance companies and insurers, and doesn't include commercial real estate (CRE) or farm lending. Data from the Kansas City Fed was used to account for bank lending to farms and the Mortgage Bankers Association to account for bank and non-bank lending for CRE.

After adding the farm and CRE lending with C&I lending, this provides an estimate total US bank lending to NFCs, however the comparison of lending between EU and the US is not complete as non-bank lending to farms and C&I in the US needed to be accounted for (CRE lending data already included non-banks).

The Federal Reserve website states that bank lending represents c30% total outstanding lending to NFCs. This proportion is stable over the last 3 years and was used to estimate the total amount of C&I and farm lending originated by banks and non-banks. This gives the following breakdown and comparison:

US Bank lending= €2.28tn
CRE: $584bn
C&I: $501bn / 0.3 = $1.7tn
Farm: $90.1bn / 0.3 = $300bn

US bonds = €872bn
US equity = €136bn
Total financing for US NFCs = €3.29tn

EU bank lending= €3.5tn
EU bonds= €479bn
EU equity = €50bn
Total financing for EU NFCs = €4.1tn

The indicator does not consider NFC finance provided by unlisted equity and trade credit.

Loan Transfer Indicator

Data sources - Securitisation (AFME/SIFMA, JPMorgan and BofA), Portfolio sales (Deloitte, React News, FDIC for the US), outstanding loans (ECB, Federal Reserve).

As was the case with the Market Finance indicator, outstanding loans in Europe are estimated using outstanding bank loans, due to the relatively low participation of non-banks in the lending market in Europe. For the US, both bank and non-bank lending is considered when calculating outstanding loan volumes.

Sustainable Finance Indicator

Data sources – Green, social, sustainable/dual purpose, and sustainability-linked bonds (Climate Bonds Initiative), securitisation (AFME/SIFMA, JPMorgan, BofA), NFC and Financial bonds (Dealogic), government bonds (ECB, SIFMA, national central banks), municipal and agency bonds (Dealogic), covered bonds (ECBC).

Greenhouse gas emissions are production based and sourced from Climate Watch. To the extent possible, the Climate Watch dataset has followed the IPCC Common Reporting Framework used by the UNFCCC. Additional information such as the data sources used, and the preprocessing performed for compiling the data, can be found in their Climate Watch Methodology.

FinTech indicator

Data sources— Regulatory sandbox and innovation hubs (ESMA, EBA and EIOPA), investments in FinTech companies (Crunchbase); exits (Crunchbase); number of patents filed with the following key terms: “G06Q”, “G07F”, “G07G”, “finance”, “banking”, “fintech”, “crypto”, “insurance”, “asset management” (google patents); valuation of FinTech unicorns (CB insights); M&A activity (Dealogic); percentage of working age population with tertiary degree (US FED, World Bank, Eurostat); STEM graduates (OECD, UNESCO, World Bank and Accenture).

Household market investment indicator

Data sources –Household financial assets for EU countries (Eurostat and OECD), and household financial assets for the US (US Federal Reserve, Balance Sheet of Households and non-profit organisations) and for non-EU countries (OECD), GDP (Eurostat and World Bank). Cash, deposits and unlisted shares are excluded from the aggregation to include only capital markets instruments. Includes equity shares, mutual fund shares, bonds, life insurance reserves and pension fund holdings.

ELTIF indicator

Data sources –ESMA ELTIF register.

Risk capital indicator

Data sources – SME loans new issuance (ECB, National Central Banks), Business Angel (EBAN, Crunchbase, and University of New Hampshire), Equity Crowdfunding (Dealroom and ESMA), and Private Equity (Invest Europe, Crunchbase and NVCA)

SME loans in this context are loans to NFCs with amount below €1m

Invest Europe private equity (PE) statistics do not include infrastructure funds, real estate funds, distressed debt funds, primary funds-of-funds, secondary funds-of-funds and PE/VC-type activities that are not conducted by PE funds. The aggregation basis for these statistics are the location of the private equity firm where the resources are invested.

Business angel statistics are EBAN estimates which assume that survey results (i.e. “visible market”) represent 10% of the total market. This report includes both visible and non-visible market based on EBAN’s methodology.

Cross-border finance indicator

Data sources – cross-border holdings of equity shares and fund shares issued by European companies (IMF) ; cross-border holdings of bond instruments issued by European companies (IMF); cross-border private equity investment based on the location of the fund (Invest Europe and Eikon); cross-border M&A transactions (Dealogic); issuance of global corporate bonds (Dealogic); issuance of corporate Eurobonds (Dealogic); cross-border issuance of public equity in the national exchange (Dealogic): FX average daily turnover (BIS); average daily interest rate derivatives trading (BIS).

Both the European integration indicator and the global integration indicator are estimated as weighted averages of the standardised value of the different inputs. The results are later normalised into an index that ranges from 0-1 subtracting from each score the minimum score value from the sample divided by the maximum and minimum values: (X-min/max-min)

The results were validated using principal components analysis, with minor differences in trends and rankings. A sensitivity analysis was also undertaken by removing FX and cross-border equity issuance (using principal components analysis), which resulted in a significantly lower integration level in 2017 compared to that pre-crisis— the country rankings also exhibited variation compared to those presented in the report.

Competitiveness indicator

Data sources: the “availability of pools of capital” component follows the same methodology as the Household market investment indicator; “sustainability and digitalisation” follow the ESG and FinTech indicators; access to finance follows the market finance indicator and the amount of risk capital adjusted by GDP. For the construction of the liquidity component, FX average daily turnover is sourced from the BIS; equity from FESE and Eikon.

All subcomponents (availability of pools of capital, sustainability and digitalisation, access to finance, and market liquidity) have the same weight for the construction of the indicator. The results are standardised and normalised into an index that ranges from 0-1 subtracting from each score the minimum score value from the sample divided by the maximum and minimum values: (X-min/max-min)

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The Association for Financial Markets in Europe (AFME) is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues.

We represent the leading global and European banks and other significant capital market players.

We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work.

Focus
on a wide range of market, business and prudential issues

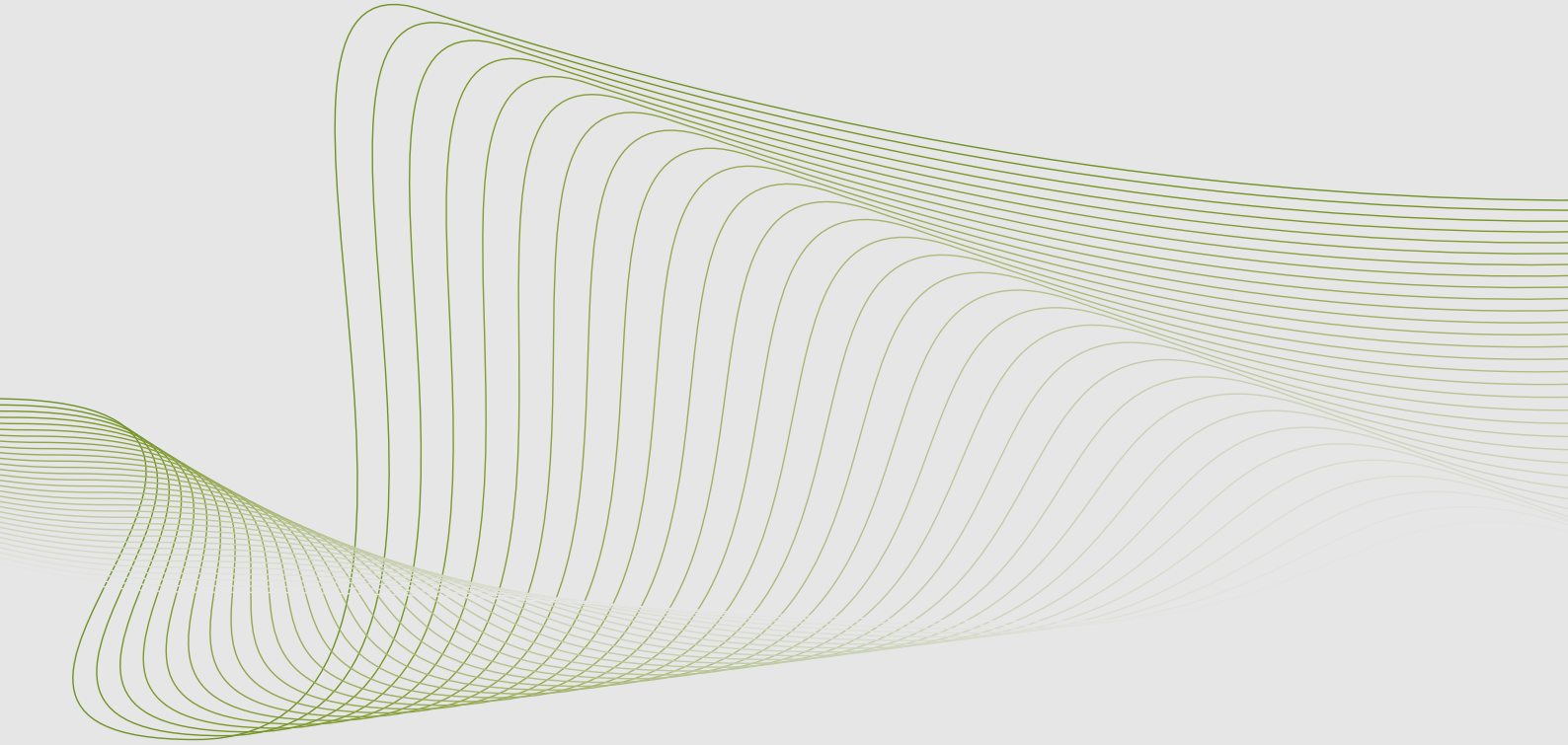
Expertise
deep policy and technical skills

Strong relationships
with European and global policymakers

Breadth
broad global and European membership

Pan-European
organisation and perspective

Global reach
via the Global Financial Markets Association (GFMA)



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