Bocconi

# European Financial Ecosystems

## Comparing France, Sweden, UK, and Italy

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# Preface

by **Andrea Vismara**

Over the past year, we have observed a renewed and growing interest in capital markets, not only at a European level but also in Italy. It had been decades since we last saw such attention. The importance of strengthening the European Single Market suggested by the Letta Report, the recommendations included in the Draghi Report on the future of European competitiveness, and the Noyer Report to develop the capital markets of the future add to several other important initiatives aimed at revamping and revitalizing the EU financial ecosystem and infrastructure. These efforts are paving the way for the renewal of the Capital Markets Union (CMU), the introduction of the new Savings and Investments Union (SIU) – where we expect concrete proposals shortly – and the Listing Act, which will become fully operational next year.

Beyond initiatives addressed to Europe, we are seeing strong momentum also in Italy. Since 2020 – when the OECD published a report commissioned by the Ministry of Economy and Finance on the status of the Italian financial market – several projects have started to materialize. In 2022, the MEF published the so-called Libro Verde summarizing market-friendly proposals to develop capital markets. In 2023, the Manifesto for the Development of Capital Markets was announced – an initiative promoted by EQUITA and Bocconi University, together with Borsa Italiana and Assonime, and endorsed by more than 165 people among entrepreneurs, academics, professionals, and representatives of institutions – with the aim of proposing concrete policies and actions to help the financial sector. Last year, the Capital Markets Law (the Legge Capitali) was approved and the incentives for listings of SMEs were confirmed. We are now seeing the launch of the National Strategic Fund, with the key contribution of Cassa Depositi e Prestiti, which will help establishing new investors focused on mid-small caps. And finally, we expect the reform of the Consolidated Law on Finance (TUF) to take place in the coming months, to further simplify access to capital markets.

Several institutions are actively contributing to this effort aimed at improving domestic financial markets, and we are pleased to acknowledge Consob's commitment to promoting important areas of simplification. We would also welcome a more active role by the Bank of Italy, which appears to be only marginally involved in these efforts, despite overseeing a sector that is structurally declining and yet highly strategic for our Country.

Despite the activism of many institutions and the launch of encouraging initiatives, the road ahead is still long, and the Italian market remains fragile. The trends observed in recent years are worsening. At the end of 2024 the market capitalization of our stock exchange represented only 38% of the Italian GDP– down from 51% in 2006 – positioning Italy at the bottom of the countries investigated in this year's study "European Financial Ecosystems: Comparing France, Sweden, UK and Italy". To understand the magnitude of the problem, consider that Italy's statistics reported in the research paper written by the BAFFI Center – Bocconi University compare to 90% observed in the UK, 120% in France, and 170% in Sweden. Looking to 2024, the Italian equity market lost over €28 billion in market capitalization due to de-listings, compared to just €1 billion of new listings.

The fragility of our capital markets has deep roots and reflects historical issues that EQUITA and Bocconi University have been investigating for years, fostering debate among financial actors, academics and policymakers, with the aim of suggesting concrete actions.

First, the bank-centrism of the Italian financial system has led companies to rely almost exclusively on bank credit, limiting access to alternative sources of funding, more suited to an innovation-driven economy.

Second, low levels of financial education and cultural biases have resulted in suboptimal investment decisions among Italian savers: more than half of their wealth is invested in real estate, with a significant share sitting unproductively in bank accounts, and only limited exposure to equities or bonds other than government securities. Over the past ten years, this asset allocation has led to an inflation-adjusteddecline in the stock of savings, as shown by the Bank of Italy in its periodic reports. Italians are still among the world's best savers, but unfortunately, they have not been educated to become good investors.

In addition, the pay-as-you-go model of our pension system has hindered the growth of important investors such as pension funds. We are aware that trends in demography will inevitably lead to lower pension benefits, and it is therefore key for younger generations to increase their use of pension funds, which have always played a key role in public policies in more developed countries.

Another issue is the limited presence of domestic investors. Today, large Italian financial institutions invest very little in domestic companies: all banks, foundations, insurance companies, pension funds, and social security institutions account for less than 10% of total investments in Italian listed companies – less than half the share seen in other financially developed countries.

Finally, there is a lack of capital market-friendly tax policies, still heavily skewed towards favouring household investment in government securities and real estate assets. In the past, occasional initiatives like the Individual Savings Plans (PIR) delivered significant short-term benefits but the real issue is the absence of a structural fiscal framework, able of promoting a positive and sustainable market development for the long term.

These weaknesses reflect the historical underestimation of Italy's capital market as a public good and its important social role. A well-defined policy to address these issues would be the best guarantee of a successful future for our companies, savers, retirees, and above all, future generations. Future is the keyword: after all this time, how is it possible that our governments and institutions still fail to recognize the fundamental link between the development of capital markets and the prospects of younger generations?

The research presented in the following pages clearly demonstrates that viable paths to positively develop our market exist, even under the same European regulatory framework. All the successful examples analysed in the research share at least some common features: capital markets are treated as a public good, pension systems promote investment in pension funds, financial education is widespread, and structural fiscal support for the sector is a key factor. We should aim to emulate successful models like the ones in the Nordic countries, France, and the UK, which have well-developed capital markets and share these characteristics.

Italy is moving slowly and lagging behind, it must accelerate. Improving the regulatory framework is not enough; we need concrete actions, a proactive approach and an industrial policy involving all stakeholders in a collective effort. It is with great pleasure that we welcome the Government's recent initiative to create a steering committee (Cabina di Regia) aimed at developing capital markets in Italy and EQUITA would be delighted to contribute to it, because if managed effectively, this initiative could have a profoundly positive impact for our country.

We hope this year's research will be inspiring for all stakeholders interested in developing our capital markets and we are especially grateful to Borsa Italiana - Euronext and Linklaters for their significant contribution to this insightful analysis.

# 1. Key Take Aways

As Italy seeks to transition towards a more dynamic and market-oriented financial system, the experiences of France, Sweden, and the UK offer concrete and diverse models. Each country has developed mechanisms to deepen capital markets, foster long-term investment, and enhance the participation of institutional and retail actors. By comparing these financial ecosystems, we identify strategic levers that could be adapted to Italy's context in ways that are ambitious, yet feasible.

- **France has built a robust institutional investor base**, with €4.6 trillion in assets under management and strong state coordination. This ensures long-term capital stability and market resilience. *Italy can strengthen its institutional investment ecosystem by incentivizing insurance companies and pension funds to diversify beyond government bonds and take a more active role in equity markets.*
- **The Caisse des Dépôts in France plays a vital countercyclical role**, directing capital to SMEs and anchoring market confidence. *Establishing a comparable public investment vehicle in Italy could enhance market depth, support SME growth, and provide a long-term anchor in times of financial stress.*
- **Sweden's ISK (Investment Savings Account)** has successfully democratized equity investment, with nearly 48% of adults participating and €167 billion in assets. *Italy could design a simple, flat-tax savings account tailored to equities to activate the €5.2 trillion currently parked in bank deposits and build a culture of household investment.*
- **UK and Swedish pension reforms have created large, equity-oriented "megafunds"**, driving infrastructure investment and providing market stability. *Italy's pension system, still highly fragmented, could benefit from greater scale and strategic investment mandates through consolidation and targeted tax incentives.*
- **The UK's Venture Capital Trusts (VCTs) and France's Sector Investment Funds (SIFs)** offer attractive tax incentives and leverage public-private cooperation to finance early-stage and SME firms. *Italy could replicate these mechanisms to diversify SME funding sources beyond bank credit and stimulate private equity participation across regions.*
- **France and Sweden offer tax-advantaged equity products (PEA, PEA-PME, ISK)** that have shifted household preferences from bonds to equities over time. *By introducing a similar, Italy-specific scheme with clear long-term incentives, Italy can mobilize retail capital toward listed firms and entrepreneurial ventures.*
- **Sweden's IPO markets thrive on strong institutional support and retail participation**, with 101 new listings in 2021 alone. *Italy, where post-IPO liquidity is a concern, could adopt measures to improve aftermarket support. Further, it could incentivize listings for SMEs through fiscal relief and simplified procedures.*
- **Regulatory frameworks in France and the UK combine efficiency with investor protection**, offering predictable listing timelines and pre-filing engagement. *Recent Italian reforms are a step in the right direction, but further alignment with best-in-class regulatory practices could enhance market confidence and accelerate capital formation.*
- **France and Sweden use their tax systems strategically**, aligning capital gains treatment, long-term savings, and SME support. *Italy's tax policy can evolve toward greater coherence, using investor-friendly instruments to increase equity culture while also generating fiscal benefits.*

Italy stands at a pivotal moment: it has the savings, the entrepreneurial base, and the institutional capacity to reform. But, a targeted, coherent policy shift is needed to rebalance the financial system from bank-centric to market-driven. France, Sweden, and the UK demonstrate that such a transition is not only possible, but it is transformative. With tailored reforms, Italy can build a more inclusive, liquid, and resilient financial ecosystem.

# 2. Executive Summary

## 2.1 Why do we need this study?

The study of financial ecosystems is essential for understanding the mechanisms that drive economic growth, financial stability, and market efficiency. The importance of this analysis is twofold. First, within the European Union, the Savings and Investments Union (SIU) is undergoing a continuous development process aimed at integrating financial markets and fostering cross-border investments. The SIU primarily relies on a top-down regulatory approach, establishing a harmonized legislative and regulatory framework. However, its ultimate success will depend not only on regulatory convergence but also on bottom-up forces that promote the adoption of best practices across different financial systems. Understanding these best practices requires a detailed assessment of the characteristics that contribute to a well-functioning financial ecosystem.

Second, from a national perspective, industrial policy must be informed by a comprehensive understanding of how financial markets operate effectively. Identifying patterns that contribute to the robustness of a financial system allows policymakers to implement strategies that support sustainable growth and the broader economic framework. A well-structured financial ecosystem benefits all stakeholders, enhancing the overall economic welfare of a country. The positive externalities of such an ecosystem are far-reaching: a stronger financial market fosters business expansion, leading to increased tax revenues for the state, higher corporate profits, and improved employment prospects. Financial intermediaries benefit from greater market activity, while savers and investors enjoy enhanced returns. Ultimately, the entire economic and social system stands to gain from a financial ecosystem that effectively channels capital to productive uses.

A financial ecosystem is composed of four essential elements: legislation and regulation, taxation, investors, and financial intermediaries. These components collectively shape the structure and functionality of financial markets. Legislation, encompassing both financial and civil law, provides the legal framework that underpins financial transactions and contractual relationships. Regulation, which includes supervisory authorities and rule-making institutions, ensures market integrity, stability, and investor protection. Taxation policies influence the behavior of issuers, investors, and intermediaries, affecting capital flows and investment decisions. Investors, both institutional and retail, constitute the demand side of financial markets, directing capital toward various asset classes. Financial intermediaries, such as banks, asset managers, and exchanges, facilitate the allocation of capital, enhance liquidity, and contribute to price discovery. The interplay among these four components determines not only the operational efficiency of financial markets, but also the broader cultural and economic dynamics of a country's financial system.

This study examines four examples of financial ecosystems that illustrate distinct approaches to integrating these four components: the French dirigiste system, the Swedish social democratic system, the British liberal system, and the Italian bank-centric system. Each of these ecosystems reflects a unique institutional and historical evolution, leading to different financial structures and market dynamics.

The French system is characterized by a strong state presence in financial markets, with significant government influence over capital allocation and corporate governance (**Indicators 3.**). The system historically relies on state-owned banks and large institutional investors to direct resources toward strategic industries, reinforcing a model of coordinated capitalism. Regulatory oversight is stringent, with a focus on ensuring financial stability and supporting national economic priorities. Tax policies are often designed to incentivize long-term investment and industrial development. Hence, this configuration is typically referred to as the French dirigiste system. (**Financial Ecosystems 1.**).

The Swedish system, in contrast, is rooted in a highly inclusive financial structure that balances market efficiency with social objectives. Institutional investors, particularly pension funds, play a crucial role in capital markets, channeling savings toward productive investments while maintaining a long-term perspective (**Financial Ecosystems 2.2**). Regulatory frameworks emphasize transparency, shareholder engagement, and corporate social responsibility. The taxation system is designed to encourage broad participation in financial markets while ensuring redistribution and economic resilience. Accordingly, scholars have classified this as a social democratic model, characteristic of the Swedish financial system. (**Financial Ecosystems 2.**).

The British system represents a market-driven financial ecosystem characterized by deep and liquid capital markets, minimal state intervention, and a strong emphasis on competition. The financial sector is highly developed, with a robust infrastructure for equity and debt financing. Institutional investors, including hedge funds and private equity firms, are prominent players, driving market dynamics through active investment strategies (**Indicators 3.**). Regulatory oversight, while stringent in areas such as financial stability and anti-fraud measures, is designed to facilitate market efficiency and innovation. The tax structure is relatively favorable to capital formation, encouraging investment and entrepreneurship **(Financial Ecosystems 3.3**). This institutional arrangement exemplifies what is commonly identified as the British liberal financial model. (**Financial Ecosystems 3**).

The Italian system differs significantly from the other models, as it remains heavily reliant on banking institutions for corporate financing. Capital markets are less developed, with a lower degree of equity market participation and a strong preference for relationship-based lending (**Indicators 1.3**). Regulatory frameworks reflect this bank-centric orientation, with supervisory authorities focusing on banking sector stability. Tax policies, while evolving, have historically been less conducive to equity financing, reinforcing a dependence on bank lending (**Indicators 7.**). Institutional investors play a limited role, resulting in a financial ecosystem that is less dynamic in terms of capital market activity (**Indicators 3.**). For these reasons, the Italian financial structure is best described as a bank-centric system.

The study delves into the specific characteristics of the four components in each ecosystem, identifying gaps and best practices. By drawing comparisons across these models, the research aims to provide valuable insights for policymakers seeking to enhance their national financial ecosystems. **Our question is simple: what can we borrow across Europe to shape a stronger Italian Financial Ecosystem?**

## 2.2 So, what can we borrow?

France provides a compelling example of how institutional investors can anchor financial markets, ensuring liquidity and stability. With €4.6 trillion in assets under management, its asset management industry is the largest in Europe, fueled by the active participation of insurance companies and pension funds (**Financial Ecosystems 1.3**). The state plays a pivotal role, offering institutional backing and a strong regulatory framework that fosters long-term investment strategies. With 74% of investments staying within the EU, France's model not only strengthens domestic financial markets but also enhances European integration. The takeaway is evident: developing a structured, institutionalized asset management sector would provide Italy with the depth and resilience its capital markets currently lack.

Encouraging household investment in equities is equally crucial. France's PEA & PEA-PME (Stocks Savings Plan & Equity Savings Plan for Small and Medium-Sized Enterprises), Sweden's ISK (Investment Savings Account), and the UK's ISA (Individual Savings Account) prove that well-designed tax incentives can drive long-term market participation (**Indicators 7**). The PEA framework, which offers tax-free capital gains after five years, has helped shift France's traditionally bond-heavy savings culture toward equities, accumulating €115 billion in household assets (**Financial Ecosystems 1.1**). Similarly, Sweden's ISK has transformed retail investment, simplifying taxation by applying a flat tax on total account value rather than realized gains, eliminating investor hesitation (**Financial Ecosystems 2.1**). The UK's ISA, with £750 billion in assets and 42%[1] of adults participating, showcases how tax-efficient, globally flexible savings vehicles encourage long-term capital formation (**Financial Ecosystems 3.1**). Italy, where household wealth remains concentrated in bank deposits and real estate, would benefit immensely from a tax-advantaged scheme that aligns fiscal incentives with long-term market participation, broadening the investor base and supporting capital markets.

Beyond private investment, state-backed financial institutions play a decisive role in stabilizing markets and channeling capital efficiently. France's Caisse des Dépôts et Consignations (Deposits and Consignments Fund or CDC), which manages €1.1 trillion, has been instrumental in supporting strategic investments and countercyclical market interventions. Its subsidiary, CDC Croissance, specializes in SME and mid-cap financing, stepping in where private capital is hesitant. This model ensures that market fluctuations do not derail long-term investment flows (**Financial Ecosystems 1.2**). Italy, which lacks a comparable state-backed institution, could benefit from establishing an investment vehicle with a mandate to support market stability and SME growth, de-risking early-stage investments and strengthening financial resilience.

This focus on SME financing is further reinforced by France's Sector Investment Fund (SIF) and the UK's Venture Capital Trusts (VCTs). The SIF, managed by Bpifrance, provides targeted funding to high-potential SMEs in key industrial sectors, leveraging state-backed risk-sharing mechanisms to attract private investors. The UK's VCTs, which offer tax relief of up to 30% on investments, have raised £1 billion annually for early-stage businesses (**Financial Ecosystems 3.2**). Both approaches have been effective in reducing SME dependence on bank loans, offering alternative growth financing. Italy, where SMEs struggle to access non-bank funding, should look toward creating a tax-incentivized equity financing program, blending state guarantees with private investment to bridge the funding gap.

Institutional investors, particularly insurance companies and pension funds, also play a fundamental role in shaping market stability and long-term investment horizons. France's insurance sector, managing €2.5 trillion, has evolved into a major capital markets player, benefiting from regulatory incentives that favor long-term, low-risk investments. The introduction of Solvency II adjustments has further encouraged insurers to increase their exposure to private equity and SME financing, unlocking new funding channels for businesses. Italy's insurance sector, still heavily concentrated in government bonds, could be reoriented toward a more diversified investment strategy, aligning regulatory incentives with economic growth objectives (**Indicators 6.2**).

Pension funds provide another critical source of long-term capital, as demonstrated by Sweden and the UK. Sweden's pension system, which combines state-backed AP funds with private occupational schemes, ensures broad capital market participation while maintaining countercyclical stability. The UK is now consolidating 86 local government pension schemes into eight "megafunds" of £50 billion+ each, a strategy designed to unlock £80 billion for investment in infrastructure and businesses. Italy's

[1] end 2021-2022 UK Government. *Commentary for annual savings statistics: September 2024*. September 2024. https://www.gov.uk/government/statistics/annual-savings-statistics-2024/commentary-for-annual-savings-statistics-september-2024

pension system, still highly fragmented and overly reliant on low-yield government bonds, would benefit from a more centralized, equity-oriented pension fund model, pooling resources to enhance investment efficiency and long-term returns (**Indicators 6.1**).

Finally, no financial ecosystem can thrive without a vibrant public equity market. The UK's recent IPO decline, driven by firms opting for New York or Amsterdam over London, highlights the importance of liquidity, investor confidence, and regulatory efficiency (**Indicators 2.1**). Italy faces similar challenges, with a small and illiquid IPO market. However, we believe that the limited number of IPOs in Italy is not primarily due to listing costs or regulatory burdens, but rather to the poor post-listing performance of newly listed firms (**Indicators 2.3**). This is especially true in the predominantly SME-driven segment, where insufficient secondary market liquidity discourages future listings. Learning from Sweden's IPO boom, where strong retail investor participation and targeted tax incentives sustain market growth, Italy should adopt fiscal measures to stimulate public offerings, including tax breaks for newly listed companies and simplified listing procedures for small and medium-sized enterprises. (**Indicators 2.**).

Transforming Italy's financial ecosystem requires a decisive shift from a bank-centric model to a more market-driven system, where institutional investors, retail participants, and SMEs all have broader access to capital. The success of financial ecosystems in France, Sweden, and the UK offers valuable lessons on how to achieve this transition. From institutional investment frameworks to tax-incentivized retail participation, from public investment entities to SME-focused funding mechanisms, these models provide proven solutions that could reshape Italy's capital markets.

Italy also faces a critical challenge in mobilizing the vast pool of household liquidity currently sitting idle in bank accounts. Estimates suggest that 5.2[2] trillions of euros in "sleeping" savings reside in current accounts, generating minimal returns for savers and representing a lost opportunity for public finances and market development. This dormant capital could be partially reactivated through the creation of tax-advantaged financial instruments specifically designed to channel savings into listed equities and other productive investments. From a policy perspective, this shift would increase market liquidity, stimulate entrepreneurial finance, and potentially enhance fiscal revenues, offering a win-win scenario for savers and the state.

Across ecosystems, legal and tax infrastructures underpin the ability of capital markets to function as engines of investment. France and the UK illustrate how simplified procedures, tax-sheltered vehicles, and institutionally embedded savings schemes can jointly support vibrant equity markets. Italy, despite recent reforms, retains legacy frictions - lengthy listing reviews, capped pension deductibility, and restrictive investment thresholds - which limit its ability to fully leverage domestic savings. A more coherent legal-fiscal approach, aligning investor incentives with capital market access and product simplicity, is essential to transitioning from a bank-centric to a market-oriented financial system.

## 2.3 Why are these elements key to the Italian Financial Ecosystem?

France offers a compelling blueprint for strengthening institutional investment—an area where Italy remains significantly underdeveloped (**Indicators 3.**). With €4.6 trillion in assets under management, France's institutional investment industry benefits from a well-coordinated ecosystem involving state-backed support and robust regulatory oversight. These factors ensure long-term capital flows into equity markets and strategic sectors. By contrast, Italy lacks a centralized structure capable of mobilizing institutional capital effectively. Pension funds and insurance companies, key players in long-term capital formation, tend to remain overly conservative, with asset allocations heavily skewed toward

[2] Fabi (Federazione autonoma bancari italiani)

bonds and sovereign debt (**Indicators 6.**). This conservative orientation not only limits their impact on capital market development but also constrains potential returns and countercyclical stability.

Moreover, Italy suffers from a dual disadvantage that further weakens its institutional investment landscape: domestic institutional investors often allocate their equity portfolios abroad, while foreign institutional investors largely bypass Italy as a target market (**Indicators 3.**). This results in a structurally thin and fragile equity market, lacking the depth and resilience that a strong domestic institutional base could provide. To address this, regulatory and fiscal mechanisms, such as tax incentives for domestic institutional investments in listed equities or public-private co-investment schemes, should be introduced to re-anchor capital domestically and create a more robust and liquid financial ecosystem.

Pension funds, especially, represent an underutilized lever for market development. The Italian pension system is still largely bond-focused, limiting its contribution to national capital markets (**Indicators 6.1**). A shift toward equities and alternative assets, facilitated by targeted tax benefits, could have a double positive effect: (i) enhancing the liquidity and performance of Italian equity markets, and (ii) generating additional tax revenues through increased capital market activity. The net effect would benefit both the market and the public sector. Sweden's AP funds and the UK's pension fund consolidation initiatives demonstrate how well-governed, equity-exposed pension systems can deliver sustainable returns while stabilizing financial cycles (**Financial Indicators 2.2**, **Financial Indicators 3.5**). Italy should pursue a similar strategy, including the consolidation of fragmented pension funds into larger, professionally managed entities capable of allocating capital efficiently across asset classes and economic sectors.

Beyond institutional actors, household participation in equity markets remains a critical weakness of Italy's financial system. While the country exhibits one of the highest savings rates in Europe, much of this wealth is held in low-yield instruments such as bank deposits or government bonds. According to recent estimates, a vast pool of "dormant" savings, amounting to hundreds of billions of euros, sits idle in current accounts. This represents not only a missed opportunity to stimulate domestic capital markets but also a loss of potential fiscal revenues for the state. In contrast, countries like Sweden, France, and the UK have demonstrated that the introduction of tax-incentivized retail investment schemes, such as the ISK, PEA/PEA-PME, and ISA - can dramatically increase retail participation in public equity markets (**Indicators 7.**).

These instruments offer tax exemptions on capital gains after a certain holding period, thereby aligning the interests of long-term savers with the growth needs of the economy.

Italy urgently needs to develop a similar framework that combines fiscal attractiveness, administrative simplicity, and long-term incentives for retail investors. Such reforms would redirect household savings from passive to productive uses, broaden the domestic investor base, and deepen the capital pool available to SMEs and growth-oriented firms. The Swedish case, where 47% of adults participate in ISK-type schemes, offers a powerful benchmark for what retail-friendly financial infrastructure can achieve (**Financial Ecosystems 2.1**).

However, a sustainable and liquid capital market requires more than just private engagement. Public financial institutions play a fundamental role in ensuring stability and countercyclical investment capacity. France's Caisse des Dépôts et Consignations (CDC), with €1.1 trillion under management, exemplifies how a state-backed yet market-driven institution can fulfill this role by supporting IPOs, de-risking early-stage investments, and channeling capital toward strategic sectors. Italy lacks a comparable institution focused on financial markets - particularly one capable of absorbing macro-financial shocks and acting as an anchor investor in public offerings (**Financial Ecosystems 1.2**). Establishing a dedicated public investment vehicle, modeled after CDC Croissance, could catalyze long-term investment, attract foreign capital, and reduce systemic fragility.

At the core of Italy's financing challenge lies the SME sector, which remains heavily reliant on bank lending. This dependence has constrained innovation, growth, and resilience among Italian firms, particularly during periods of financial stress. In contrast, France and the UK have successfully deployed hybrid public-private instruments such as the Sector Investment Fund (SIF) and Venture Capital Trusts (VCTs) to channel long-term capital into high-potential SMEs (**Financial Ecosystems 1.5, Financial Ecosystems 3.2**). These structures use risk-sharing mechanisms and tax incentives to crowd in private investment, diversify funding sources, and reduce dependence on traditional bank credit. Italy should consider implementing a similar SME investment architecture, offering tax benefits to investors and streamlined procedures for fund deployment. Expanding equity financing options for SMEs would stimulate entrepreneurial activity, foster industrial modernization, and improve the productivity of Italy's business landscape.

Finally, no financial system can thrive without a dynamic and accessible IPO market. Italy's IPO landscape remains shallow and underutilized. While regulatory complexity and listing costs are often cited as primary obstacles, a more fundamental issue lies in the post-IPO environment. Newly listed companies, especially SMEs, frequently suffer from limited secondary market liquidity, weak investor support, and price volatility. This discourages potential issuers and reinforces a preference for private financing channels. The UK's recent IPO decline, driven by firms choosing New York or Amsterdam over London, highlights the need for globally competitive listing conditions. Meanwhile, Sweden's sustained IPO activity, supported by strong retail participation and favorable tax policies, demonstrates that a well-functioning IPO market can be built with the right institutional and fiscal foundations. **(Indicators 2.1)**.

For Italy to reverse its IPO stagnation, a multipronged approach is needed: reducing listing costs, simplifying regulatory procedures, providing tax relief for newly listed firms, and ensuring post-IPO market liquidity through market-making programs or institutional investor commitments. Such reforms would make public markets a more attractive option for growth firms, increase the number of listed companies, and inject much-needed dynamism into Italy's capital markets.

Incentivizing companies to go public, rather than relying solely on private equity for value realization, should become a strategic policy objective. Well-structured incentives could include fiscal benefits for IPO proceeds reinvested domestically, or regulatory advantages for listed firms in areas such as transparency or access to public procurement. The ecosystem should favor financial gains. These measures would not only diversify exit options for growing firms but also strengthen market depth and the visibility of Italian entrepreneurship.

Moreover, a persistent structural weakness in Italy's market infrastructure is the lack of support for equity research. Since the MiFID II unbundling of research and execution fees, research coverage for small and mid-cap companies has declined sharply. This has negatively affected investor awareness, market liquidity, and fair valuation for many listed firms. In contrast, the UK benefits from a more supportive ecosystem through the widespread practice of corporate broking, which helps maintain continuous investor communication and research flow (**Indicators 4.**). Italy should consider regulatory and market-based solutions to this problem, including incentives for brokerage firms covering SMEs or establishing public-private research consortia, aligned with the goals of the EU Listing Act.

In sum, for Italy to transition into a market-oriented financial ecosystem, it must adopt a comprehensive reform agenda that strengthens institutional investment, activates household savings, leverages public financial institutions, and builds SME-friendly capital markets. The experiences of France, Sweden, and the UK provide concrete and transferable policy models. With targeted reforms and political commitment, Italy can create a more resilient, liquid, and inclusive financial system capable of supporting long-term economic growth.

The study is organized into two main sections. The first provides an in-depth analysis of the European financial ecosystems of France, Sweden, and the UK, examining their structures, key institutions, and market dynamics. The second section presents a comparative evaluation of key financial elements, tracing their evolution across Italy, France, Sweden, and the UK to identify best practices and potential areas for adaptation within the Italian financial landscape.

# The Financial Ecosystems

# 1. France

France has one of the largest and most developed equity markets in Europe, characterized by a strong state intervention, or dirigisme. The peculiarities of the system are the following: a strong institutional base, with a high commitment of insurance companies, Plan d'Épargne en Actions (PEAs or Share Savings Plan) products to incentivize retail investments, and a special attention to investments in small and medium enterprises (SMEs). The latter regard is addressed through initiatives such as the Caisse des Dépôts et Consignations (CDC) Croissance (Deposits and Consignments Fund and its subsidiary), the Plan d'Épargne en Actions pour les Petites et Moyennes Entreprises (Stock Savings Plan for Small and Medium-sized Enterprises) (PEA-PME) products, and the Sector Investment Fund (SFI).

The primary stock exchange is Euronext Paris, which operates as part of the broader Euronext Group, encompassing markets in Amsterdam, Brussels, Dublin, Lisbon, Milan, and Oslo. As a major financial hub, France plays a key role in European capital markets, with Paris being a leading financial center. Its main indexes are the following: the CAC 40 (the benchmark index, representing the 40 most significant publicly traded companies in France); the SBF 120 (a broader index covering 120 stocks, offering a more comprehensive view of the market); the CAC Mid 60 and CAC Small (these indices track mid-cap and small-cap firms, respectively, providing insights into the performance of non-blue-chip stocks).

Market participants are mainly institutional investors: asset managers, insurance companies (emblematic Axa's case), pension funds, and hedge funds are dominant players in the French equity markets. France's market is highly international, with foreign investors holding a significant portion of French equities (84% of institutional holdings come from international institutions). An enhanced international commitment is expected as a result of "France 2030", a €54 billion strategic investment plan launched by the French government in 2021, aiming to position France as a leader in innovation and industrial competitiveness by the year 2030. Besides, while historically underrepresented, retail investment participation has increased with digital trading platforms and the expansion of PEAs products. The latter are tax-advantaged investment accounts, designed to encourage stock market participation. A special mention should be reserved to insurance companies, which have invested approximately €2.5 billion.

France maintains a leading position in the Eurozone's asset management industry, underscored by several key metrics. As of the end of 2023, the French asset management sector comprised approximately 700 management companies, overseeing assets totaling €4,600 billion. This robust ecosystem provides employment to 85,000 individuals, with 26,000 directly engaged within asset management firms.

The industry's client base is diverse, serving both individual and institutional investors. Individual clients account for 27% of assets under management (AuM), while institutional and corporate clients represent the remaining 73%. Notably, insurance companies and mutuals constitute 40% of the institutional clientele, followed by banks and financial institutions at 14%, and pension funds and retirement schemes at 13%.

France's prominence is further highlighted by its substantial share of the European asset management market. The country commands 30% of the European Union's asset management market share, reflecting its pivotal role in financing the European economy. Additionally, 74% of investments by French asset managers are directed within the EU, with 37% specifically allocated to France, underscoring a strong European investment focus.

The Autorité des Marchés Financiers (Financial Markets Authority - AMF) is the primary regulatory body overseeing France's equity markets. It enforces stringent disclosure requirements to protect investors: French-listed companies follow high governance standards, with frameworks influenced by the AFEP-MEDEF Code. Further, as part of the EU, France adheres to the Markets in Financial Instruments Directive (MiFID II), ensuring fair competition and investor protection.

France's financial system has been shaped by strong state intervention, or dirigisme, which played a significant role in economic modernization, especially after World War II. A few decades later, in 1982, under President François Mitterrand, France enacted a significant wave of nationalizations, targeting key sectors of the economy. These nationalizations aimed to bolster state influence over critical industries, promote economic planning, and safeguard employment. The nationalization policy was later reversed in the subsequent decades, with many of these companies being privatized again during the late 1980s and 1990s.

However, strong government intervention remains embedded in the fabric of the French economy through several mechanisms. First, state-led industrial policy has historically directed credit allocation via state-controlled banks such as Banque de France and Caisse des Dépôts et Consignations to strategically important sectors. Second, large banks that were once state-owned, while now privatized, continue to play a crucial role in financing infrastructure and key industries, often in collaboration with the state or through public-private partnerships. Finally, protectionism has historically limited foreign takeovers and maintained a corporatist financial system, reducing short-term market pressures. A recent example occurred in October 2024, when the French government signaled its willingness to block a €15.5 billion deal involving the sale of Sanofi's consumer pharmaceuticals division to a U.S. private equity firm. The government emphasized the need for commitments regarding employment, production, and research within France before approving the transaction, reflecting its ongoing protective stance toward key industries.

## 1.1 PEA and PEA-PME

The PEA (Plan d'Épargne en Actions) and PEA-PME (Plan d'Épargne en Actions pour les Petites et Moyennes Entreprises) are both tax-advantaged investment accounts in France, designed to encourage stock market participation, but they serve different purposes. The PEA primarily focuses on investment in large and mid-cap European stocks, allowing individuals to invest in listed shares and investment funds with at least 75% exposure to European equities. It has a contribution limit of €150,000 and offers a key tax advantage: capital gains and dividends are exempt from income tax if the funds remain in the account for at least five years, though they remain subject to 17.2% social security contributions. Early withdrawals before this period generally lead to account closure, except in specific cases.

The PEA-PME, on the other hand, is specifically designed to promote investment in small and mid-sized enterprises (SMEs and ETIs) in Europe, providing financing for growing companies. It allows investments in SME stocks, certain corporate bonds, SME-specific investment funds, and even private equity. While the PEA and PEA-PME can be combined, their total contribution limit cannot exceed €225,000. Like the PEA, the PEA-PME provides tax-free capital gains after five years, with the same requirement to pay 17.2% social contributions. The main distinction between the two accounts lies in their investment scope: the PEA is oriented toward larger, established companies, whereas the PEA-PME is dedicated to supporting smaller, high-growth enterprises. Together, they offer a complementary approach for long-term tax-efficient equity investment in France.

By the end of 2023, French households held €115 billion in PEAs, representing 2% of their financial wealth (for reference, the PEA program started in 1992, the PEA-PME in 2014). The PEAs amounted to €112.7

billion, marking an 11% increase from €101 billion in 2022, while the PEA-PME held €2.7 billion, up 13% from €2.4 billion in 2022. This growth is largely attributed to the strong performance of equity markets, particularly the CAC 40 index, which rose by 16.5% during the period.

The PEA and PEA-PME have been remarkably successful due to a combination of tax incentives, long-term investment promotion, and their role in financing the real economy. Their success is driven by several key factors. First, they offer significant tax advantages for individual investors. Capital gains and dividends generated within these accounts are tax-exempt after a five-year holding period, encouraging long-term investment. Second, these schemes provide a tax-efficient mechanism for retail investors to participate in equity markets, fostering a stronger equity culture in France, where investment has traditionally been more debt-oriented.

In addition to benefiting investors, these schemes also support small and medium-sized enterprises (SMEs) and enhance market liquidity. The PEA-PME, in particular, is designed to channel funds toward SMEs, improving their access to equity financing and reducing reliance on bank lending. This contributes to a more diversified and resilient financial ecosystem, aligning with broader European objectives, such as those outlined in the Savings and Investments Union (SIU) initiative, which aims to deepen capital markets and reduce dependence on bank financing. Moreover, the French government and financial regulators actively support these schemes, ensuring their stability, investor protection, and continued relevance through periodic adjustments to investment limits and eligibility criteria.

While originally focused on domestic markets, these schemes have evolved to include a broader range of European stocks and funds, significantly enhancing their appeal. This expansion allows investors to achieve greater diversification by accessing different market dynamics, sectoral compositions, and economic cycles across Europe. By broadening the investment universe, these schemes mitigate country-specific risks while maintaining exposure to high-growth opportunities. Furthermore, the inclusion of European stocks aligns with the broader objectives of the Savings and Investments Union (SIU) by fostering cross-border investment flows, increasing market integration, and enhancing overall liquidity. This diversification not only improves risk-adjusted returns for investors but also strengthens the role of equity financing in the European financial ecosystem.

The PEA was originally restricted to shares of companies headquartered within the European Union (EU) or the European Economic Area (EEA). Over time, its eligibility was extended to include various investment funds, provided they allocate at least 75% of their assets to eligible securities. The PEA-PME, introduced to support SMEs and intermediate-sized enterprises (ETIs), and enabled investments in companies meeting specific criteria, such as having fewer than 5,000 employees and annual revenues not exceeding €1.5 billion or a total balance sheet not greater than €2 billion. These expansions have strengthened the role of these investment plans, allowing investors to diversify their portfolios across a wider array of European equities, potentially enhancing returns while aligning with the objectives of the European financial integration process.

## 1.2 Caisse des Dépôts et Consignation (CDC) and CDC Croissance

The Caisse des Dépôts et Consignations (CDC) is a state-owned financial institution, acts as a public investment vehicle, managing savings from various sources, including pension-related reserves and regulated savings accounts (like the Livret A savings account). The CDC is one of the largest institutional investors in France, managing around €1.1 trillion in assets.

In 2001, CDC established a wholly-owned subsidiary: the CDC Croissance. It specializes in managing equity funds, focusing on small and medium-sized listed companies in France and the Eurozone. The company's investment philosophy emphasizes a "stock picking" approach, grounded in a fundamental, long-term valuation of its investments. This strategy includes guiding companies toward more sustainable business models. As of December 31, 2024, CDC Croissance managed €3.19 billion in assets, with a portfolio comprising 193 companies.

In November 2024, CDC Croissance launched the "CDC Croissance Sélection PME" fund of funds, dedicated to the long-term financing of investment funds that invest in listed small and medium-sized enterprises (SMEs) and mid-cap companies. The fund aims to enhance the attractiveness of these companies by selectively investing in small and mid-cap investment funds located in France and the Eurozone. With an initial size of €500 million, fully financed by the Caisse des Dépôts et Consignations, the fund seeks to build a portfolio of approximately 25 investment funds.

The success of CDC Croissance is traceable through the strong financial backing, strategic investment focus, and commitment to sustainable development. CDC Croissance targets companies that are often underserved by mainstream capital markets, allowing them to access financing for expansion, innovation, and market competitiveness. By leveraging its deep expertise in financial markets and institutional investment, CDC Croissance helps strengthen the equity base of these firms, making them more resilient to economic fluctuations. Moreover, the firm actively integrates Environmental, Social, and Governance (ESG) criteria into its investment strategy, demonstrating a long-term commitment to responsible and sustainable growth. This ESG focus aligns with broader European regulatory trends and enhances the attractiveness of CDC Croissance's investments to both domestic and international investors.

Another critical factor in CDC Croissance’s success is its ability to mobilize substantial financial resources. As a state-backed entity, it benefits from the long-term vision and stability that public investment institutions provide. This allows it to make countercyclical investments, supporting SMEs and mid-caps during economic downturns when traditional financing sources may become constrained. Additionally, the firm’s leadership, with experienced financial professionals at the helm, ensures that investment decisions are well-informed and strategically aligned with France’s broader economic policy objectives.

Whether it is too early to provide an assessment of CDC Croissance Sélection PME fund, the fund-of-fund structure and the significant financial commitment are seen as implying a positive future for the fund.

## 1.3 Insurances

France boasts a high level of insurance penetration, with insurance companies being substantial investors in financial markets. Insurance companies have invested approximately €2.5 trillions, allocated as follows:

| FRANCE | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| Equity | 2.9% | 2.9% | 2.8% | 3.0% | 2.8% | 3.3% | 3.0% | 2.7% |
| Bonds | 55.1% | 52.8% | 52.9% | 51.6% | 50.7% | 46.9% | 41.5% | 40.6% |
| Cash | 0.7% | 0.7% | 0.8% | 0.8% | 0.8% | 0.7% | 0.8% | 0.9% |
| Other | 41.3% | 43.6% | 43.5% | 44.6% | 45.7% | 49.1% | 54.7% | 55.8% |

source: EIOPA

**Description..** French insurance companies have significantly reduced their bond holdings while increasing allocations to alternative assets, captured under "Other," from 41.3% to 55.8%. Equity exposure has remained minimal throughout the period, hovering around 3%, reflecting a conservative investment stance favoring capital preservation and systemic stability over higher-yield risk assets.

Only a small part is allocated to equity investments. Indeed, French insurance companies are among the largest investors in government bonds (OATs - Obligations Assimilables du Trésor), providing a stable source of funding for public finances. This acts as a shock absorber for the financial system, ensuring the state has reliable domestic financing rather than relying solely on foreign capital. Other assets in which they invest are real estate, in line with a low-risk investment approach. The limited exposure to the equity market limits their ability to generate high long-term returns, increasing dependence on state-backed pension and insurance systems.

The French government has implemented several measures to encourage insurance companies to invest in private capital, aiming to bolster economic growth and support the financing of small and medium-sized enterprises (SMEs). Further, a key initiative in this regard is the European revision of the Solvency II directive, which now offers favorable prudential treatment for insurers' long-term equity holdings. This adjustment reduces the capital requirements associated with such investments, making it more attractive for insurance firms to allocate resources to private equity and similar assets.

Additionally, the French government has introduced the Green Industry Act (Loi sur l'Industrie Verte No 2023-973), effective from October 2023, which includes provisions to direct life insurance and retirement savings towards unlisted investments. This legislative move mandates a minimum proportion of these savings to be allocated to unlisted assets, thereby channeling more funds into private capital markets.

Furthermore, the government has been proactive in simplifying regulatory frameworks to facilitate investments in private equity. Efforts such as the Loi Pacte, enacted in 2019, aim to reduce bureaucratic hurdles and create more investor-friendly business structures, thereby encouraging insurance companies to diversify their portfolios into private capital.

Collectively, these measures reflect a strategic effort by the French government to mobilize institutional investors, particularly insurance companies, to support private capital investments, thereby enhancing the financing landscape for SMEs and contributing to sustainable economic development.

Insurance companies are increasingly interconnected with other financial institutions, notably banks and asset management firms. This interconnectedness has grown over recent decades, primarily due to financial conglomerates that operate across both banking and insurance sectors. Such conglomerates inherently enhance the linkages between these sectors, potentially amplifying systemic risks within the financial system. A study by the High Council for Financial Stability (HCSF) analyzed the interconnections within the French financial system, focusing on banks, insurance companies, and asset management firms. Utilizing granular data from over 8,000 financial institutions, the study examined how these interconnections could propagate, attenuate, or amplify market shocks. The findings highlighted that the structure of these interconnections plays a crucial role in the system's vulnerability to external shocks.

## 1.4 Pensions and the Plan d'Épargne Retraite (PER)

France's pension system is predominantly based on a Pay-As-You-Go (PAYG) model, where the contributions of current workers directly fund the benefits of retirees. While this structure has historically provided stability, it faces mounting challenges due to an aging population, raising concerns about its long-term sustainability. Unlike other advanced economies with well-developed private pension systems, France has limited private retirement savings, with institutions, like the Caisse des Dépôts et Consignations (CDC), directing much of the country's savings into housing, infrastructure, and public projects rather than capital markets. As a result, only 10-15% of French retirement savings are allocated to private pension funds or invested in capital markets, a stark contrast to the UK, where over 60% of retirement assets are managed within private pension schemes. Recognizing the need for greater private participation in retirement planning, recent reforms have sought to encourage private pension savings, most notably through the introduction of the Plan d'Épargne Retraite (Retirement Savings Plan or PER), which offers tax incentives to promote long-term investment in retirement accounts. However, adoption remains slow, and shifting the savings culture toward greater reliance on private pensions will require further structural changes.

The Plan d'Épargne Retraite (PER), introduced in 2019, was designed to bolster private pension savings in France by offering attractive tax incentives. As part of a broader effort to shift retirement financing toward private savings, the PER was meant to encourage individuals to invest in long-term pension funds. By March 2024, it had accumulated 10.4 million accounts with €108.8 billion in assets, demonstrating significant engagement. However, despite these figures, the PER has not yet fully convinced French savers, and adoption has been slower than initially expected.

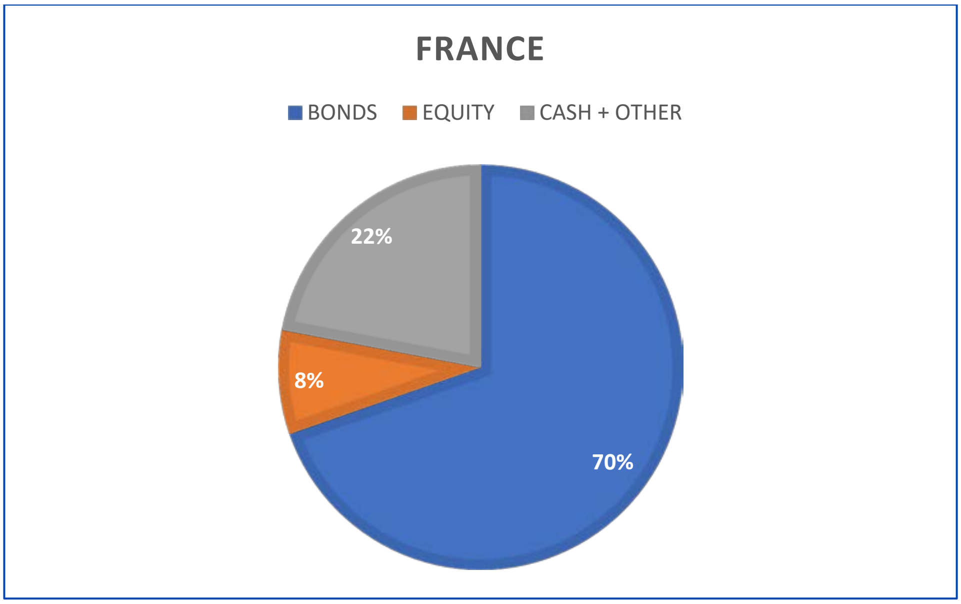
The structure of the PER provides flexibility through three pre-established investment profiles, allowing individuals to adjust their risk exposure as they approach retirement. Eligible securities include listed assets, with a portion of the funds allocated to Undertakings for Collective Investment (UCIs), which may be invested in unlisted assets or securities eligible for the PEA-PME, a program supporting small and medium-sized enterprises. Unlike some other pension products, the PER has no maximum contribution limit, making it accessible to individuals who wish to allocate substantial savings for retirement. Funds are generally locked until retirement, though exceptions exist, such as for the purchase of a primary residence or in cases of over-indebtedness.

The PER also offers favorable tax treatment to incentivize savings. Capital gains are subject to 17.2% social security contributions and 12.8% income tax, while contributions can be deducted from taxable income up to 10% of professional earnings, with a ceiling of €32,908. Upon withdrawal, taxation can reach up to 30%, depending on the age of the account holder. These tax advantages make the PER attractive on paper, yet challenges remain in its widespread adoption.

One of the key concerns surrounding the PER is the dominance of asset transfers from older retirement schemes rather than new capital inflows. Many of the funds within the system originate from existing savings plans rather than fresh individual contributions, with independent investments accounting for only €37.8 billion. This suggests that while the product is gaining traction, it has yet to establish itself as a primary vehicle for long-term retirement savings. Moreover, only 25% of French workers currently participate in a private retirement savings plan, highlighting the need for broader engagement.

Beyond participation rates, product complexity and cost structures also hinder its appeal. Compared to life insurance, a preferred savings vehicle in France, the PER is often perceived as less flexible and more difficult to navigate. High fees and unclear withdrawal conditions further discourage individuals from committing their long-term savings to this system. As a result, efforts are being made to simplify the PER's structure, reduce costs, and enhance accessibility, ensuring that it becomes a more attractive and effective tool for retirement planning. If these reforms succeed, the PER could play a crucial role in strengthening France's long-term savings culture and shifting more retirement financing from public to private sources.

**Private Pension Funds Allocation:**




source: EIOPA

**Description.** The French pension system remains dominated by bonds, with 70% of private pension fund assets allocated to fixed income and only 8% to equities as of 2023. This conservative structure, reinforced by limited private pension adoption despite the PER reform, highlights France's reliance on capital-preserving strategies over equity-driven growth in retirement planning.

The allocation of private pension funds in France remains heavily skewed toward bonds, with 70% of assets invested in fixed-income securities, while equities account for only 8% and the remaining 22% is allocated to cash and other assets. This conservative investment strategy reflects the long-standing preference for capital preservation and stability over higher-yielding but more volatile equity investments.

The tax treatment of insurance products also affects institutional capital deployment. In France, life insurance policies benefit from tax deferral and reduced tax rates after eight years, with additional allowances on capital gains for long-term savers. As a result, they remain the preferred retail savings vehicle, with broad integration into household portfolios. Italy imposes a flat substitute tax of 26% on the returns of similar policies, with reduced rates (12.5%) only applicable to portfolios heavily weighted toward public securities. These differences limit the ability of Italian insurers to act as long-term institutional investors in equities and private capital markets. Policy adjustments - such as tiered tax rates based on asset allocation or duration - could help reorient the insurance sector toward more productive investments, particularly SME and infrastructure financing.

## 1.5 PPP to invest in SME

In France, Public-Private Partnerships (PPPs) have traditionally been utilized to delegate the design, financing, construction, and operation of public infrastructure to private entities, encompassing projects like buildings, transportation systems, and utilities. While these partnerships have been instrumental in large-scale infrastructure developments, their direct application to Small and Medium-sized Enterprises (SMEs) has been less prevalent. However, the French government has recognized the importance of SMEs to the economy and has initiated measures to support their growth, including encouraging institutional investments.

A notable initiative is the establishment of the Sector Investment Fund (SIF) by Bpifrance, the French public investment bank. This fund focuses on investing in SMEs and Intermediate-Sized Enterprises (ISEs) across sectors such as rail, wood/furniture, ecological and energy transition, and defense. The SIF aims to develop, consolidate, and facilitate the transfer of growing SMEs and ISEs in France, thereby strengthening the skills and expertise within the French economy.

Moreover, Bpifrance has collaborated with international institutional investors to co-invest in French SMEs and mid-caps. For instance, partnerships with sovereign wealth funds and other long-term investors have been established to provide equity, quasi-equity, or debt financing ranging from €15 million to €200 million. These collaborations aim to support the international development of French companies and attract foreign investment into the French SME sector.

Together with the initiatives promoted at broader level by European actors as the European Investment Bank (EIB) and the European Investment Fund (EIF) (as the French Regions SMEs Program), these initiatives underscore a robust institutional investor presence in the French SME sector, facilitated through strategic partnerships and dedicated investment funds aimed at fostering growth, innovation, and competitiveness among small and medium-sized enterprises.

## 1.6 Taxation Comment

France's tax framework plays a pivotal role in shaping household investment behavior and supporting capital market participation. Equity instruments are generally subject to a flat tax rate of 30%, combining income tax and social contributions under the Prélèvement Forfaitaire Unique (Single Flat-Rate Tax). This uniform rate provides clarity and simplicity, although taxpayers can opt for progressive taxation where advantageous. To further stimulate retail investment, France offers tax-sheltered vehicles such as the Plan d'Épargne en Actions (PEA), which exempts capital gains and dividends from tax if investments are held for a minimum of five years. A specialized version, the PEA-PME, extends similar benefits to investments in small and medium-sized enterprises, reinforcing equity financing for the domestic entrepreneurial sector.

In addition to the PEA framework, France has introduced targeted tax incentives for SME financing through structures like Fonds Communs de Placement dans l'Innovation (Mutual Innovation Investment Funds or FCPI) and Fonds d'Investissement de Proximité (Local Investment Funds or FIP). These funds offer personal income tax deductions on qualifying investments and full tax exemption on gains, provided a minimum holding period is observed. They function as critical channels for directing private capital toward innovation and regional development.

Long-term savings are also supported through the favorable treatment of life insurance policies (assurance-vie), which remain one of the most widely used investment vehicles in France. Earnings within these policies benefit from tax deferral, and withdrawals after eight years receive preferential treatment through tax allowances and reduced rates. Additionally, life insurance benefits from a distinct inheritance regime, allowing for substantial intergenerational wealth transfers with limited tax exposure.

France's pension system complements these investment structures by combining mandatory public contributions with incentivized private savings. Contributions to retirement plans such as the Plan d'Épargne Retraite (PER) are tax-deductible up to a ceiling, and investment returns accumulate tax-free until retirement. Upon withdrawal, pension income is subject to income tax, although a 10% standard deduction applies. Together, these mechanisms encourage disciplined retirement planning while ensuring that pension capital can be mobilized productively in the broader economy.

Overall, France's tax policy reflects a balanced approach that combines neutrality and stability with targeted incentives to support equity market development, SME financing, and long-term savings. Its suite of tax-sheltered vehicles and investor protections has contributed to a relatively strong institutional base and an expanding pool of engaged retail investors.

## 1.7 Listing aspects

France's listing and prospectus approval framework is structured around a clear division of responsibilities among three key institutions: the Autorité des Marchés Financiers (AMF), Euronext Paris, and Euroclear France. The AMF acts as the national regulatory authority charged with reviewing and approving prospectuses in accordance with the EU Prospectus Regulation. It ensures that offering documents are complete, consistent, and comprehensible, and it supervises ongoing compliance with disclosure obligations once a company is listed. Euronext Paris, which operates the regulated market, is responsible for evaluating an issuer's eligibility for listing. This includes assessing financial history, governance arrangements, operational readiness, and internal control systems. Meanwhile, Euroclear France handles the registration, custody, and settlement of securities, operating within the broader Euroclear infrastructure to ensure secure and efficient post-trade processes.

The timeline for completing the listing process in France is relatively predictable. The AMF typically requires ten business days to review a first-time prospectus and five days for subsequent submissions, provided that the draft is complete and free of material deficiencies. Euronext Paris's assessment of listing eligibility generally takes between six and eight weeks, depending on the complexity of the offering and the issuer's state of preparedness. While these are standard durations, companies with a track record of market engagement, or those transferring from another Euronext venue, may benefit from a more accelerated process. Euronext also offers a formal Fast Track option, designed to shorten the overall listing period to approximately four weeks for well-prepared issuers.

The regulatory timetable is generally fixed at the AMF level, although informal pre-filing engagement allows issuers to clarify expectations and improve efficiency. Euronext Paris provides greater flexibility, encouraging early dialogue to align on the listing timeline, readiness assessments, and potential market windows. The procedural steps do not differ significantly based on whether the offering targets retail or institutional investors, although retail-oriented listings may require additional documentation, particularly in relation to simplified prospectuses, investor communication, and retail-specific disclosures. France's listing framework is relatively streamlined. The AMF typically reviews a first-time prospectus within 10 business days, while Euronext Paris completes listing eligibility assessments in

6–8 weeks. A Fast Track option is available for well-prepared issuers, and informal pre-filing dialogues can help clarify regulatory expectations.

Issuers are required to submit a comprehensive set of documents, including a prospectus aligned with the Prospectus Regulation, financial statements covering the previous three fiscal years, a working capital statement, and detailed information on governance and internal controls. For initial public offerings, additional documents include board resolutions, legal opinions, confirmation of share capital distribution, and a letter from a listing sponsor confirming the issuer's readiness and eligibility. Companies must also demonstrate that they have the systems and procedures in place to ensure the timely and accurate disclosure of regulated information, in accordance with market abuse rules and ongoing disclosure obligations.

This framework reflects France's commitment to combining investor protection with efficient access to capital markets. It allows for a rigorous but navigable process that balances regulatory scrutiny with market responsiveness, supporting a dynamic and transparent environment for public offerings.

# 2. Sweden

Sweden has one of the highest levels of household stock market participation in Europe, driven by a long-standing culture of equity investment, well-structured tax incentives, and a pension system that integrates capital market exposure. The system, which could be defined social-democratic, is centered on individual empowerment in taking risk and manage their own savings. We identify its peculiarities in the favorable taxation, the Investment Savings Account (ISK), and the equity-oriented pension-fund mandates.

Sweden's financial ecosystem is shaped by a strong interplay between government policies and market forces, fostering a system that encourages both institutional and retail investment. The government has historically supported risk-taking by households, reinforcing the idea that financial markets should be accessible to everyone. Pension funds have traditionally played a central role in channeling savings into public markets, ensuring broad exposure to equities and fostering a culture of investment awareness. Proactivity is the key approach to financial participation.

The deep engagement of retail investors at the foundation of Sweden's financial system has had ripple effects throughout the market. With a well-established base of individual investors, other funds - such as pension and institutional vehicles - enjoy greater stability and continuity. This structure allows passive investors to delegate capital efficiently, creating a clear and structured investment landscape that attracts international players. Sweden's financial market is transparent, governed by strong regulatory frameworks, and globally oriented, benefiting from the use of English in business and governance structures, which further enhances its international appeal.

Sweden's IPO market offers a clear demonstration of its financial dynamism. In 2021, Sweden saw an unprecedented wave of IPOs, with 101 new equity listings - outperforming much larger economies like Germany, which recorded just 18 IPOs in the same period. This stark contrast underscores the high level of engagement by Sweden's smaller but active pension funds and institutional investors, which are more inclined to allocate capital to smaller, innovative, and local businesses. Unlike in markets where large pension funds concentrate capital into multinational corporations, Sweden's investors see opportunity in early-stage, high-growth companies, ensuring a steady flow of capital into local innovation and entrepreneurship. While 90% of Swedish IPOs are for companies with market capitalizations below $1 billion, institutional backing remains a key driver, indicating that Sweden's capital markets are deep and well-supported despite their smaller relative size.

The roots of Sweden's investment culture can be traced back to government-backed tax incentives in the late 1970s and early 1980s, which played a transformative role in introducing households to the stock market. The introduction of "tax-save" funds in 1978 and "allemans" (everyman's) funds in 1984 made equity investments more attractive through substantial tax deductions and exemptions. The government's strategic alignment of these incentives with a strong bull market further amplified their success, leading to a rapid increase in participation. The tax deduction increase from 20% to 30% in 1980 saw the number of savers rise from 75,500 in 1979 to 425,000 by 1982. These policies not only increased individual wealth but also cemented a national culture of investment, which continues to underpin Sweden's robust domestic equity market.

A key feature of Sweden's financial model is its relationship-based banking system, which differs from the more market-based models of countries like the UK and the U.S. Swedish banks have traditionally maintained long-term partnerships with corporate clients, prioritizing stability and predictable financing over short-term profits. Banks such as Handelsbanken operate with decentralized decisionmaking, granting branch managers autonomy to approve loans based on relationship history rather than rigid financial metrics. This fosters a closer link between banks and firms, reducing uncertainty and allowing companies to invest in innovation, R&D, and infrastructure without short-term financing pressures. However, this system also presents structural trade-offs. For instance, close bank-corporate ties can lead to preference toward established firms, creating barriers to entry for newer businesses.

Despite these potential limitations, Sweden has successfully balanced its bank-based financial model with strong capital markets push in recent years. The Riksbank's independence and clear monetary policy objectives have bolstered investor confidence, while Sweden's robust welfare system (including unemployment benefits and free healthcare) has helped mitigate the risks associated with entrepreneurial failure, making it easier for new firms to emerge and thrive. This combination of strong institutional backing, broad retail participation, and a well-functioning banking system has positioned Sweden as one of Europe's most resilient and investment-friendly financial ecosystems.

## 2.1 ISK

The ISK (Investeringssparkonto or Investment Savings Account) is a Swedish investment savings account introduced in 2012 to encourage households to participate in capital markets by simplifying taxation and reducing administrative burdens. Unlike traditional investment accounts, where capital gains are taxed at the time of realization, ISK accounts are subject to a flat annual tax based on the account's total value, calculated as a percentage of the Swedish government's borrowing rate. This means that investors do not need to track individual gains and losses or report each transaction separately, making ISK highly attractive for long-term investors.

One of the key advantages of ISK' is its unparalleled flexibility. The account has no contribution limits, allowing investors to allocate capital as they see fit without restrictions and investments in stocks, mutual funds, and other financial instruments traded on recognized markets. Additionally, funds can be withdrawn at any time without triggering additional tax consequences, which contrasts with many tax-advantaged savings accounts in other countries, such as the French Plan d'Épargne en Actions (PEA), which restricts investments to European securities.

Furthermore, ISK permits a broader selection of international investments. This unrestricted access to international assets provides greater diversification opportunities, reducing concentration risk and increasing potential returns for investors. Apart from that, it encourages both long-term investing and short-term liquidity management, making the ISK appealing to a broad range of savers.

The success of the ISK is primarily driven by its intrinsic design features, which make it one of the most accessible and attractive investment vehicles for retail investors. At the core of its appeal is its simplified tax structure. This eliminates the administrative burden of tracking individual transactions and allows for seamless portfolio management, making investing in capital markets far more efficient for individuals.

As of recent years, ISK has gained significant traction among Swedish households, holding an estimated €167 billion in assets, with nearly 48% of Swedish adults owning one. This widespread adoption has contributed to higher stock market participation in Sweden compared to other European countries. However, ISK's favorable tax treatment has also led to periodic political debates, with discussions about increasing taxation on these accounts to ensure balanced public revenue.

ISK's automatic taxation mechanism also plays a key role in its success. By taxing the account's value rather than realized gains, it incentivizes active portfolio rebalancing and discourages the psychological hesitation that often comes with realizing taxable gains in traditional investment accounts. This encourages investors to take a long-term approach without the disincentive of immediate tax consequences when reallocating assets.

These intrinsic features, flat and predictable taxation, unlimited contributions, unrestricted withdrawals, and global investment flexibility, have made ISK one of the most effective and widely adopted retail investment accounts in Europe. Overall, ISK accounts have played a crucial role in enhancing financial literacy, promoting long-term savings, and deepening Sweden's capital markets. Their ease of use and investor-friendly tax structure make them a benchmark for other European countries seeking to boost retail investment participation.

## 2.2 Pensions and Insurances

Sweden's pension funds and insurance companies play a dominant role in the country's financial markets, managing assets that exceed 150% of GDP. Their long-term investment horizon and countercyclical strategy provide stability to financial markets, as they maintain steady capital allocation even during economic downturns. This makes Swedish pension funds not only a crucial component of the country's retirement system, but also a key player in market liquidity, corporate financing, and economic growth.

The Swedish pension system is a hybrid model, blending public and private pension investments. The state-funded AP Funds (AP1–AP7) act as buffer funds, managing assets to absorb demographic and economic fluctuations, ensuring the sustainability of the pension system. In parallel, occupational pensions, provided through employer-sponsored schemes, are often managed by private life insurance companies, adding another layer of investment capital to the system. This dual structure allows individuals to direct a portion of their pension contributions into equity funds and other diversified investment vehicles, fostering Sweden's strong fund-saving culture and reinforcing a positive attitude towards equity investments among retail investors.

With vast assets under management, Swedish pension funds influence capital allocation across multiple asset classes, including equities, bonds, real estate, and alternative investments. Första AP-fonden (AP1), one of the largest AP Funds, manages approximately SEK 496.6 billion (€45.5 billion), with a globally diversified portfolio that includes public equities, fixed-income securities, and private equity investments. Similarly, Sjätte AP-fonden (AP6) specializes in unlisted private equity, aligning with its mandate to generate long-term, high returns while maintaining adequate risk diversification. The ability of Swedish pension funds to invest broadly has positioned them as a stabilizing force in financial markets, particularly as they often increase investments during economic downturns, helping to absorb market volatility.

Beyond public pension funds, Sweden's insurance companies are also major institutional investors, deploying capital across stock markets, fixed-income securities, and alternative assets like real estate, infrastructure, and private equity. A defining feature of Swedish insurers is their commitment to ESG investment principles, integrating Environmental, Social, and Governance (ESG) criteria into their portfolios. Their investments are not just about returns—they also support industrial growth, infrastructure development, and sustainability initiatives. However, with a greater exposure to equities than many other European pension systems, Swedish insurers and pension funds must balance long-term returns with the volatility inherent in stock markets, especially as the country faces the challenges of an aging population.

Despite their diversification, Swedish pension funds have seen a declining allocation to equities, falling from 13.9% in 2016 to just 6.2% in 2023, while bond investments have also decreased from 25.9% to 15.6%

over the same period. Meanwhile, the share of alternative investments ("Other") has grown from 57.8% to over 76%, reflecting a strategic shift toward private markets, real estate, and infrastructure investments. This trend underscores the continued evolution of Sweden's investment landscape, where pension and insurance institutions remain central to shaping financial stability and long-term economic growth.

| SWEDEN | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Cash | 1% | 1% | 2% | 2% |
| Bonds | 35% | 31% | 32% | 35% |
| Equity | 45% | 52% | 51% | 49% |
| Other Investments | 19% | 16% | 14% | 13% |

source: EIOPA

**Description.** Swedish pension funds remain heavily equity-oriented, with equities comprising 49% of portfolios in 2023. While allocations to alternatives ("Other") have grown to 30%, they are still secondary to public equities. Bond exposure remains limited at 16.3%, highlighting Sweden's relatively high-risk, growth-oriented pension strategy compared to other European systems.

### Insurance data

| SWEDEN | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| Equity | 13.9% | 11.6% | 10.6% | 10.6% | 10.7% | 11.5% | 6.4% | 6.2% |
| Bonds | 25.9% | 24.8% | 25.5% | 22.7% | 20.8% | 17.3% | 16.7% | 15.6% |
| Cash | 2.4% | 2.0% | 2.2% | 2.0% | 2.3% | 1.9% | 1.9% | 2.0% |
| Other | 57.8% | 61.6% | 61.8% | 64.7% | 66.2% | 69.3% | 75.0% | 76.2% |

source: EIOPA

**Description.** Swedish insurers have mirrored pension fund trends, cutting equity and bond exposures in favor of alternative assets, which now represent over three-quarters of portfolios. This pivot reflects a long-term strategic emphasis on private capital and ESG-aligned investments within Sweden's institutional landscape.

## 2.3 Taxation

Sweden's taxation framework supports a broad-based and transparent financial ecosystem, designed to facilitate household participation in capital markets while ensuring neutrality across instruments. Capital income, including dividends and gains from listed shares, is taxed at a flat rate of 30% for individuals. For unlisted shares, only five-sixths of the gain is taxable, resulting in an effective tax rate of 25%. Capital losses on listed shares are deductible against capital gains, although only 70% of the loss can be offset. Notably, Sweden abolished its stamp duty on share transactions in 1991, significantly reducing transaction costs and increasing liquidity in secondary markets. The system's simplicity and predictability have contributed to the country's active equity culture and retail investor engagement.

A key policy innovation has been the introduction of the Investment Savings Account (Investeringssparkonto, or ISK) in 2012. The ISK allows individuals to invest in listed equities and funds without incurring tax on capital gains or dividends. Instead, a flat annual yield tax is levied on the account's average value, calculated as 30% of a notional return based on the government borrowing rate plus one percentage point. The ISK has successfully lowered the administrative and psychological barriers to equity investing, promoting a culture of long-term savings and investment among Swedish households. Reforms scheduled for 2025 will further enhance its appeal by exempting the first SEK 150,000 in ISK holdings from taxation, with the exemption doubling to SEK 300,000 in 2026. This policy move is expected to broaden retail participation and deepen domestic capital markets.

Sweden offers a parallel investment vehicle in the form of endowment insurance policies (Kapitalförsäkring), which are similarly taxed through the annual yield model. These policies have historically been used for long-term wealth accumulation and estate planning, and they too will benefit from the new exemption thresholds being introduced in 2025 and 2026. The alignment of tax treatment between ISKs and Kapitalförsäkring accounts reflects a broader policy effort to harmonize savings incentives and foster financial inclusion through accessible and transparent investment products.

In support of small and medium-sized enterprises (SMEs), Sweden has implemented a range of targeted measures aimed at stimulating equity investment. The angel investor tax deduction, introduced in 2013, allows private investors to deduct a portion of their investment in qualifying SMEs from taxable income. While evaluations suggest a limited aggregate impact, the scheme signals a policy commitment to fostering early-stage capital formation. Complementing this is the Swedish Venture Initiative (SVI), a fund-of-funds structure developed with the European Investment Fund to catalyze venture capital deployment in the domestic SME sector. Additionally, Sweden's longstanding 3:12 rules provide favorable tax treatment for owners of closely held companies, enabling part of their capital income to be taxed at a preferential 20% rate, with the remainder subject to income tax. This framework aims to balance entrepreneurial incentives with equitable tax treatment across income types.

Pension taxation in Sweden further reinforces the country's long-term investment strategy. The public pension system is funded through an 18.5% payroll tax, of which 2.5% is allocated to the Premium Pension (PPM), allowing individuals to invest in a wide range of privately managed funds. Occupational and private pension schemes operate on a tax-deferral model: while contributions are generally not tax-deductible unless no occupational pension exists, investment income is not taxed until withdrawal, at which point it is taxed as ordinary income. This approach supports intertemporal risk smoothing, asset diversification, and the accumulation of long-term capital, aligning with Sweden's broader goals of financial security and market stability.

Together, these policies form a coherent and strategically layered tax framework that combines neutrality, simplicity, and targeted incentives. Sweden's approach has successfully cultivated an investment environment characterized by high levels of retail participation, diversified capital inflows, and strong SME financing channels—key pillars of a resilient and inclusive financial ecosystem.

## 2.4 Listing aspects

Sweden's listing and prospectus approval framework is characterized by clear institutional division of responsibilities, streamlined regulatory processes, and a balanced emphasis on market integrity and issuer accessibility. The key institutions involved in this process are the Swedish Financial Supervisory Authority (Finansinspektionen, or SFSA), Nasdaq Stockholm AB, and Euroclear Sweden AB, each playing a distinct but interconnected role in enabling the listing of securities on regulated markets.

The Swedish Financial Supervisory Authority serves as the primary regulator for prospectus approval, compliance with EU securities regulation, and oversight of market conduct. It evaluates whether the prospectus meets the requirements outlined in the EU Prospectus Regulation, ensuring that all material information provided to investors is complete, consistent, and understandable. The SFSA is also responsible for supervising issuers and intermediaries to ensure transparency, investor protection, and systemic stability across Sweden's financial markets.

Nasdaq Stockholm, the operator of Sweden's main stock exchange, manages the admission process for listing. It assesses whether companies meet the exchange's eligibility requirements, including financial track record, corporate governance, operational readiness, and internal controls. The exchange plays an integral role in evaluating the issuer's capacity to meet ongoing disclosure obligations and maintain market confidence. In practice, Nasdaq Stockholm acts as the primary interlocutor for companies during the listing process, coordinating closely with the SFSA and prospective issuers to ensure procedural alignment.

Euroclear Sweden acts as the country's central securities depository, responsible for the registration and settlement of securities. It ensures that post-trade activities—such as share transfers and the clearing of monetary proceeds—are executed securely and efficiently, providing essential infrastructure to support secondary market liquidity.

The timeline for the listing and approval process in Sweden varies based on the issuer's market status and prior offering history. The SFSA typically requires ten business days to review prospectuses from companies that already have securities admitted to trading or that have previously conducted public offerings. For first-time issuers without such experience, the standard review period is twenty business days. Frequent issuers recognized under Article 9.11 of the EU Prospectus Regulation benefit from an expedited five-day review process. These timeframes are contingent upon the prospectus being complete and accurate. In cases involving prospectus supplements, the SFSA applies a standard ten-day review period.

In parallel, the review and admission process conducted by Nasdaq Stockholm typically spans approximately three months. While this timeline may be shortened for companies that are well-prepared and have previously undergone a listing process, Nasdaq Stockholm maintains a comprehensive review to ensure full compliance with listing rules. Issuers may engage with the exchange early in the process to discuss a provisional timetable and align expectations. Although the SFSA generally does not permit timetable negotiation, Nasdaq Stockholm allows for preliminary consultations that can influence the listing schedule, depending on company readiness and complexity.

There is no fundamental difference in process duration based on whether the offering targets retail or institutional investors. However, where retail participation is expected, additional disclosure requirements, particularly with respect to risk factors, investor education, and distribution, may increase the documentation burden, if not the formal timeline.

The documentation required for listing on Nasdaq Stockholm is extensive and closely mirrors EU regulatory expectations. Key documents include a compliant prospectus under the Prospectus Regulation, audited financial statements for the past three years, a working capital statement, and a financial report prepared in accordance with listed company rules. Issuers must also submit minutes of board resolutions related to the listing, a certificate of share distribution, a written undertaking to comply with exchange rules, and a listing auditor's report assessing compliance with eligibility criteria. In addition, companies must provide detailed disclosures on corporate governance, business strategy, internal controls, senior management, and earnings capacity. Proof of sufficient working capital for at least twelve months post-listing is required, alongside confirmation of systems in place for timely and accurate disclosure of material information, including those pertaining to market abuse regulation.

This institutional framework reflects Sweden's commitment to maintaining a high level of transparency and regulatory consistency, while also enabling dynamic access to capital markets. The combination of regulatory clarity, procedural efficiency, and early issuer engagement contributes to the country's reputation as one of the most functional and inclusive public listing environments in Europe.

# 3. UK

The United Kingdom operates under a liberal financial model, emphasizing free markets, deregulation, and global financial integration. Vibrant capital markets allow companies to access diverse sources of funding, reducing dependency on banks. In this section we focus on the tax incentives, the rise of pension mega-funds, and equity-focused products as Venture Capital Trusts (VCT) and Individual Savings Account (ISA).

The UK's financial markets are centered around the London Stock Exchange (LSE), one of the world's oldest and most prominent stock exchanges. It offers a diverse range of markets, including the Main Market, which hosts the UK's largest companies, and the Alternative Investment Market (AIM), which provides capital-raising opportunities for smaller, high-growth firms. The UK's key stock indices include the FTSE 100, representing the 100 largest publicly traded companies, the FTSE 250, covering mid-sized firms, and the FTSE AIM All-Share, tracking smaller, growth-focused businesses.

The UK market is highly institutionalized, with pension funds, asset managers, insurance companies, and hedge funds playing dominant roles. London's financial ecosystem benefits from deep liquidity and global investor participation, with foreign investors owning a significant share of UK-listed equities. However, recent years have seen a decline in domestic equity investment, with UK pension funds reducing their exposure to domestic stocks in favor of international diversification. Efforts to revitalize the market include the Edinburgh Reforms, a set of post-Brexit regulatory initiatives aimed at enhancing the UK's competitiveness as a financial center. Additionally, the UK government proposed the British ISA in 2024, a tax-advantaged savings vehicle designed to encourage retail investment in UK-listed equities, reflecting a broader push to reignite domestic stock market participation.

London remains a global leader in asset management, with the sector overseeing approximately £10 trillion in assets as of 2023. The UK hosts a broad mix of institutional and retail clients, with insurance companies, pension funds, and sovereign wealth funds representing over 70% of total assets under management (AuM). Despite challenges such as the declining number of London listings and competition from US markets, the UK continues to attract global capital, particularly in sectors like technology, renewable energy, and financial services.

The Financial Conduct Authority (FCA) is the primary regulatory body overseeing the UK's financial markets. It enforces transparency, corporate governance, and investor protection standards, ensuring market integrity. The UK also adheres to MiFID II regulations, despite its departure from the EU, maintaining alignment with international financial best practices. Additionally, the Prudential Regulation Authority (PRA) supervises financial institutions, ensuring stability within the banking and asset management sectors. With ongoing regulatory adjustments and market reforms, the UK is actively working to strengthen its capital markets, enhance liquidity, and sustain its status as a premier global financial center.

Recently, several companies have opted to list in New York over London, raising concerns about London's competitiveness in attracting major firms. This trend reflects broader challenges facing London's financial sector, including regulatory hurdles, market liquidity issues, and the impact of Brexit.

## 3.1 ISA

The Individual Savings Account (ISA) is a UK tax-advantaged savings and investment account introduced in 1999 to encourage household savings and investment by offering tax-free returns. Unlike standard investment accounts, where capital gains, dividends, and interest are subject to taxation, ISAs shield these earnings from income tax and capital gains tax, making them a highly attractive option for savers and investors.

A key advantage of ISAs is their flexibility. The annual contribution limit for the 2024/25 tax year is £20,000, which can be allocated across different ISA types, including Cash ISAs, offering tax-free interest, Stocks and Shares ISAs, which enable investments in equities and funds, Innovative Finance ISAs for peer-to-peer lending, and Lifetime ISAs, designed for first-time homebuyers and retirement savings with a 25% government bonus on contributions. Funds can generally be withdrawn at any time, though Lifetime ISAs impose penalties for non-qualifying withdrawals.

Unlike tax-advantaged accounts in some other countries, such as France'sPEA, ISAs do not impose geographic restrictions on investments. However, they do have stricter annual contribution limits, unlike Sweden's ISK, which has no cap. ISAs have become a cornerstone of UK household savings, with nearly £750 billion in assets, and over 45% of adults holding an ISA. Their widespread adoption has supported long-term savings and investment, though the government periodically reviews ISA rules, particularly regarding contribution limits and tax efficiency, to balance fiscal policy with investor incentives.

Overall, ISAs play a critical role in fostering financial security, promoting investment culture, and enhancing participation in capital markets. Their tax efficiency and broad investment options make them a model for other countries looking to boost retail savings and equity ownership.

## 3.2 Venture Capital Trust

The Venture Capital Trust (VCT) is a UK investment vehicle introduced in 1995 to encourage private investment in small, high-growth businesses. Designed to provide capital to early-stage companies that may struggle to secure traditional funding, VCTs offer investors substantial tax incentives in return for taking on higher investment risks. These trusts function similarly to investment funds, pooling capital from investors and deploying it across a portfolio of qualifying companies, typically unlisted businesses or those traded on the Alternative Investment Market (AIM).

One of the most significant attractions of VCTs is their tax efficiency. Investors can benefit from 30% income tax relief on investments up to £200,000 per tax year, provided they hold their shares for at least five years. Additionally, dividends from VCTs are tax-free, offering an appealing income stream, while capital gains on the sale of VCT shares are also exempt from taxation. These advantages make VCTs particularly attractive to higher-rate taxpayers looking to mitigate their tax liabilities while gaining exposure to the UK's entrepreneurial sector.

Despite these benefits, VCTs carry inherent risks due to their focus on early-stage businesses, which often have uncertain profitability and higher failure rates. Returns can be volatile, and while some VCTs have delivered strong long-term performance, others have struggled to maintain consistent growth. The sector has experienced fluctuations in fundraising, with £1,001 billion raised in the 2022-23 tax year, a 10% decline from the previous year, reflecting broader economic challenges and investor caution.

Nevertheless, the UK government has reinforced its commitment to VCTs, extending tax relief provisions until April 2035 to ensure ongoing support for small businesses and innovation. This long-term backing highlights the role of VCTs in fostering economic growth by directing private capital toward companies that drive job creation and technological advancement. While VCTs remain a compelling tax-efficient investment option, prospective investors should carefully weigh the risks, particularly the illiquid nature of these investments and the potential for capital loss. Consulting a financial advisor is advisable to assess their suitability within a broader investment strategy.

## 3.3 Tax incentives

The structure and generosity of tax incentives play a central role in shaping household and institutional investor participation in capital markets. In the United Kingdom, the interplay between capital gains treatment, income taxation, tax-sheltered accounts, and specific reliefs for SME and early-stage investments constitutes a relatively sophisticated policy architecture designed to channel savings into productive equity instruments.

Historically, the UK's Alternative Investment Market (AIM) served as a focal point for such tax-based incentives. AIM shares, when held for over two years, qualified for full Business Property Relief (BPR), effectively exempting them from Inheritance Tax (IHT). This framework significantly boosted long-term holdings in smaller, growth-oriented firms, reinforcing a market segment that is otherwise vulnerable to capital scarcity. However, under reforms introduced in the 2024 Budget, the inheritance tax relief on AIM shares will be reduced to 50% from April 2026, effectively introducing a 20% IHT burden on qualifying investments. A new £1 million cap on combined business and agricultural property relief further limits the potential scope of the exemption. These measures are expected to dampen long-hold investor interest in AIM stocks and could have adverse implications for liquidity and SME fundraising dynamics in the UK.

More broadly, the UK's tax code continues to offer substantial incentives for equity investment by retail investors. Capital gains on listed shares are taxed at 18% for basic rate taxpayers and 24% for higher-rate taxpayers, subject to the annual CGT allowance (£3,000) and offsets for capital losses. Dividend income, while subject to income tax beyond a £500 annual allowance, is taxed at progressive rates: 8.75% (basic), 33.75% (higher), and 39.35% (additional rate taxpayers). These tax rates provide a relatively efficient regime compared to continental standards, though they do not shield investors from volatility or administrative complexity.

Importantly, UK tax policy includes mechanisms for complete tax exemption on gains and income—most notably through the Individual Savings Account (ISA) structure. Retail investors can invest up to £20,000 annually in a range of ISA types, including stocks and shares ISAs, with all returns on capital and dividends sheltered from tax. These instruments are particularly effective in channeling long-term household savings into equity markets, without incurring capital gains tax or income tax, and without reporting obligations. The ISA system significantly expands retail participation in public markets and serves as a useful benchmark for designing similar vehicles in other jurisdictions such as Italy.

A parallel avenue for tax-favored investment exists via the Venture Capital Trust (VCT), Enterprise Investment Scheme (EIS), and Seed Enterprise Investment Scheme (SEIS). These frameworks are explicitly designed to attract retail capital into early-stage and high-risk SME equity. Subject to eligibility conditions, the EIS offers 30% income tax relief and capital gains tax exemption for investments up to £1 million annually (extendable to £2 million for knowledge-intensive firms). The SEIS offers 50% income tax relief on up to £200,000 of investments, while VCTs provide both a 30% income tax relief and tax-exempt dividends. VCT shares must be held for a minimum of five years, and investee companies are required to satisfy stringent criteria regarding risk, size, and trading activity. Together, these schemes form a comprehensive ecosystem of SME-targeted tax incentives that support risk capital formation, reduce downside exposure for investors, and broaden the funding base for innovation-led enterprises.

The UK also incentivizes entrepreneurial ownership through Business Asset Disposal Relief (BADR), formerly Entrepreneurs' Relief. This scheme permits a reduced capital gains tax rate (14% from April 2025, increasing to 18% in 2026) on up to £1 million of qualifying gains. The relief is available to individuals who are officers or employees of the company, provided they have held at least 5% of the voting and economic rights for a period of two years. While narrower in scope than EIS/SEIS, BADR plays a key role in supporting founder-led growth and facilitating ownership succession.

Beyond direct equity instruments, the UK also offers savings incentives via insurance-linked products. Qualifying life insurance policies—those with at least a 10-year term and regular UK-issued premium payments—benefit from deferral of personal taxation, with the insurer taxed at 20% and individuals generally shielded from additional income tax unless they are higher or additional rate taxpayers. Non-qualifying policies, typically issued offshore, benefit from gross roll-up during the policy term but trigger an income tax liability on withdrawal. Retail investors may also withdraw up to 5% of their investment annually without incurring immediate tax, under a deferred taxation mechanism. These instruments allow households to accumulate savings over time with partial protection from ongoing taxation, though their integration into capital markets remains more indirect than equity-based schemes.

Pension savings, perhaps the most significant driver of long-term capital accumulation, are also incentivized through generous UK tax provisions. Individuals can contribute up to £60,000 per annum to a registered pension plan (subject to tapering for high earners), and from April 2024 there is no longer a lifetime limit on the amount that can be saved tax-free. Pension fund growth is entirely exempt from income and capital gains tax, and 25% of accumulated funds can be withdrawn tax-free upon retirement, up to £267,275. Pension plans themselves are not taxed on investment returns unless they engage in trading activities. This structure fosters patient capital formation and encourages allocation to long-duration assets, including equities, infrastructure, and alternatives—supporting capital market depth and intergenerational wealth stability.

Taken together, the UK's multi-tiered tax strategy—combining retail-friendly investment vehicles, inheritance tax reliefs, SME-focused tax exemptions, and pension deferral—creates a highly enabling environment for channeling both retail and institutional savings into public markets. While recent changes to AIM-related IHT relief may reduce incentives for some long-term investors, the broader framework remains one of the most comprehensive in Europe. For Italy and other EU member states seeking to expand household equity participation and SME capital formation, the UK model offers a robust benchmark for integrating fiscal policy with capital market development.

## 3.4 UK Listing and Prospectus Approval Framework

The United Kingdom's regulatory framework for public listings reflects a mature and institutionally coordinated approach to capital market access. The process is jointly overseen by the Financial Conduct Authority (FCA), the London Stock Exchange (LSE), and Euroclear UK & Ireland (EUI), each of which plays a distinct yet interrelated role in ensuring market integrity, investor protection, and efficient transaction settlement.

The FCA acts as the competent authority responsible for reviewing and approving prospectuses under the UK's Prospectus Regulation Rules. It supervises the Official List, monitors compliance with disclosure obligations, and ensures that issuers meet the regulatory standards necessary for investor protection. The FCA's role is particularly central in the approval of documentation that enables securities to be offered to the public or admitted to trading on a regulated market.

The London Stock Exchange, as operator of both the Main Market and the Alternative Investment Market (AIM), oversees the admission of securities to trading. It conducts its own review of an applicant's eligibility, assessing factors such as financial track record, governance structures, and internal controls. In this capacity, the LSE serves as the market gatekeeper, ensuring that only companies with sufficient maturity and transparency enter the public domain.

Euroclear UK & Ireland functions as the UK's central securities depository. It facilitates the settlement of transactions in listed instruments and maintains the securities register, enabling seamless transfer of ownership following trades executed on the LSE.

The timeline for listing and approval varies depending on the readiness of the issuer and the complexity of the offering. Prospectus review by the FCA typically takes 10 working days for a first submission and 5 working days for subsequent submissions. Issuers deemed "frequent filers" may benefit from expedited procedures. On the LSE side, while there is no standard timeframe, the admission process can range from several weeks to a few months depending on whether the issuer is listing on the Main Market or AIM, and whether it has undergone prior public offerings. Companies with prior listing experience may benefit from a more streamlined process, although there is no formal "fast-track" designation equivalent to that offered by Nasdaq Stockholm.

Timetable negotiation is limited in scope at the FCA, which generally adheres to standardized review periods. However, the LSE encourages early engagement with prospective issuers to align on expectations, process steps, and provisional timing. Meetings between companies and LSE representatives are often used to clarify requirements, mitigate delays, and align the listing timetable with operational readiness. Notably, there is no differentiation in process timing based on whether the offering targets retail or institutional investors, although offerings involving retail participation may necessitate additional disclosures, particularly in the prospectus.

The documentation required for listing on a UK-regulated market is comprehensive and reflects the market's emphasis on disclosure-based regulation. Issuers must submit a fully compliant prospectus in accordance with the UK Prospectus Regulation. This includes audited financial statements covering at least the last three years, a working capital statement attesting to financial sufficiency for a 12-month forward-looking period, corporate governance disclosures, and detailed information on management, internal controls, and compliance systems. Additional requirements include board resolutions authorizing the listing, legal confirmations, listing application forms, and a sponsor's report (for Main Market) or Nomad report (for AIM), which independently assesses the issuer's suitability for public listing.

This process architecture serves to ensure that listed companies meet rigorous standards before accessing UK capital markets. It also reflects the UK's long-standing commitment to balancing investor protection with market efficiency. By maintaining clear roles across its supervisory, operational, and settlement institutions, the UK provides a highly transparent and credible pathway for companies seeking to raise capital through public equity.

## 3.5 Pensions, Megafunds, and Insurances

The United Kingdom's pension landscape is characterized by a substantial private pension fund market, managing assets totaling approximately £2.5 trillion. This positions UK pension funds among the largest capital pools in Europe, with their investment strategies significantly influencing various asset classes, including equities, bonds, and real estate, thereby affecting market liquidity and corporate financing.

Historically, UK pension funds have been prominent investors in domestic equities. However, their allocation to UK equities has markedly decreased over the past few decades. Specifically, allocations have declined from 53% in previous years to approximately 6% in recent times. This trend has sparked discussions about revitalizing the London stock market by encouraging increased pension fund investments in domestic equities.

In response to these developments, the UK government has proposed consolidating 86 local government pension schemes into eight large "megafunds" by 2030, each managing around £50 billion. This consolidation aims to unlock £80 billion for investment in UK businesses and infrastructure, drawing inspiration from successful models in countries like Canada and Australia, where larger pension funds have effectively invested in infrastructure and private equity. The anticipated benefits of this initiative include enhanced financial market stability, increased long-term infrastructure investments, and stimulation of economic growth. However, some existing pension pools have expressed reservations about merging, arguing that remaining independent allows them to deliver better value. Discussions and consultations are ongoing to address these concerns and refine the consolidation strategy.

The asset allocation of UK pension funds has also evolved over time. According to data from the European Insurance and Occupational Pensions Authority (EIOPA), the distribution of assets across bonds, equities, and other categories has shifted between 2020 and 2023:

| UK PENSIONS | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Bonds | 69.20% | 72.00% | 71.60% | 68.90% |
| Equity | 20.40% | 19.00% | 19.50% | 18.00% |
| Cash + Other | 10.40% | 9.10% | 8.90% | 13.10% |

Source: Think Ahead Institute

**Description.** UK pension funds remain heavily weighted toward bonds, with 68.9% of assets allocated to fixed income in 2023, while equity exposure has declined to 18%. A notable uptick in cash and alternative assets (13.1%) suggests a shift toward liquidity and diversification amid evolving market conditions and the push toward pension megafund consolidation.

These figures indicate a consistent preference for bonds, with equities comprising a smaller portion of the investment portfolio. The increase in the "Cash & Other" category in 2023 suggests a strategic shift, possibly reflecting a more cautious investment approach or a reallocation towards alternative assets.

In addition to pension funds, UK insurance companies play a vital role as institutional investors, significantly contributing to the financial markets. They are major investors in equities, bonds, and private markets, leveraging sophisticated risk management products and benefiting from high market liquidity. This integration underscores the interconnectedness of the UK's financial ecosystem, where insurance firms' investment decisions influence public markets, infrastructure development, and alternative asset classes.

| UK INSURANCE | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Cash | 9% | 9% | 10 % | 10 % |
| Bonds | 50% | 49% | 46% | 49% |
| Equity | 8% | 7% | 8% | 5% |
| Other | 33% | 35% | 36% | 36% |

source: Bank of England

**Description.** UK insurance companies have gradually reduced equity exposure to just 5.1% by 2023 while maintaining a heavy bond allocation (~49%). The growing share of "Other" investments—now 36%—signals a diversification trend toward infrastructure, private equity, and real assets, aligning with the sector's long-term liability-driven strategies.

Overall, the UK's pension and insurance sectors are integral to the nation's financial stability and economic growth. Ongoing reforms and strategic shifts in asset allocation are poised to enhance their contributions to the domestic economy while ensuring the long-term sustainability of retirement and insurance funds.

## 3.6 IPO Issues

In recent years, an increasing number of companies, particularly in the technology and fintech sectors, have chosen to list on U.S. stock exchanges like Nasdaq and the NYSE instead of the London Stock Exchange (LSE). This trend is driven by several key factors that make the U.S. a more attractive destination for high-growth firms seeking capital, visibility, and investor confidence.

One of the primary advantages of listing in the U.S. is the deeper liquidity and higher valuations that companies can achieve. Nasdaq and the NYSE provide access to a significantly broader investor base, offering substantial trading volumes and greater market capitalization potential. This is particularly appealing to tech firms that require large-scale funding and active secondary market participation. Additionally, the U.S. regulatory framework is widely perceived as more accommodating for high-growth companies, with streamlined listing processes and disclosure requirements that cater to firms experiencing rapid expansion. Compared to Europe, the U.S. market has historically been more flexible in allowing dual-class share structures, which enable company founders to retain control even after going public—a structure favored by many tech entrepreneurs.

Another crucial factor is the investor culture in the U.S., which has long been more attuned to technology and fintech investments. American institutional and retail investors have extensive experience backing high-growth, innovation-driven firms, ensuring that technology companies receive the market recognition and valuation premiums they seek. The presence of specialized funds and analysts focusing on the tech sector further enhances the appeal of a U.S. listing, as firms can attract targeted capital from investors who understand their business models and growth trajectories.

Beyond the U.S., London also faces intense competition from global financial hubs such as Singapore and Hong Kong, each of which offers deep capital markets and sophisticated ecosystems for emerging industries like artificial intelligence, fintech, and cryptocurrency. These cities provide better access to global institutional investors, ensuring that companies benefit from higher trading volumes, better liquidity, and increased stock market visibility. Additionally, the rise of Amsterdam as a European financial center post-Brexit has further challenged London's role, particularly as the Dutch market has become a preferred destination for companies seeking a European listing with efficient trading infrastructure.

The globalization of finance and advances in trading technology have also played a significant role in this shift. The ability to trade internationally in real-time, coupled with the rise of algorithmic and high-frequency trading (HFT) strategies, has made certain financial hubs—such as Amsterdam, New York, and Hong Kong—more attractive. These markets provide low transaction costs, strong exchange infrastructures, and a seamless digital trading experience, making them increasingly competitive against London.

While Brexit has accelerated some of these trends, the underlying challenges facing London's capital markets were already in motion before the UK's departure from the European Union. Companies considering an IPO or secondary listing increasingly weigh factors such as market depth, investor familiarity with their industry, and ease of capital access. In this environment, financial hubs that offer superior liquidity, global reach, and a more dynamic investor base will continue to dominate the landscape, leaving London in a fierce battle to retain its standing as a premier listing destination.

# The Indicators

This chapter analyzes seven indicators/aspects of each financial ecosystem (France, Sweden, United Kingdom, and Italy) and it provides a comparative evaluation of key financial elements across these four countries with a goal to identify key frameworks and elements that could reshape the Italian financial ecosystem. More specifically, each country's public market is analyzed in terms of employment, revenue, market cap, along with an in-depth IPO analysis. A closer look is given at the investors of each country explaining how ownership and capital is distributed across each type of investment. The chapter compares the presence and the activity of brokers in each financial ecosystems and displays a liquidity analysis of the indices CAC 40 (France), FTSE 100 (UK), FTSE MIB (Italy), and OMXS 30 (Sweden) that portray each economy. Finally, it highlights how pension funds and insurance assets are allocated across France, Italy, Sweden, and the UK while it concludes with a in-depth comparison of France's PEA, the UK's ISA, Sweden's ISK, and Italy's PIR saving accounts.

# 1. Markets as Public Good

## 1.1 Employment and Families

The listed companies on the European stock exchange have provided a steady source of employment for the countries' labour force in the recent years. In France, the total number of employees in listed companies on the Paris Stock Exchange has been growing from 7.6 million in 2018 to 8.4 million in 2023, consistently employees roughly 30% of the labour force. In contrast, Stockholm has seen a steady rise in the proportion of their workforce employed in listed companies, reinforcing Stockholm's impressive market performance. The number of employees has grown from 1.8 million in 2018 to almost 2 million by 2023, constituting over 41% of the Swedish workforce. The large proportion of the workforce employed by companies on the equity market signal the importance of the equities not only in the financial markets in Sweden, but the greater economic landscape.

In turn, in line with the prolonged decline of the London Stock Exchange (LSE), similarly there has been a decline in the employment in companies listed on LSE. Since 2018, the proportion of the labour force employed in listed companies fell from 20% to 18%, declining by 300 thousand.

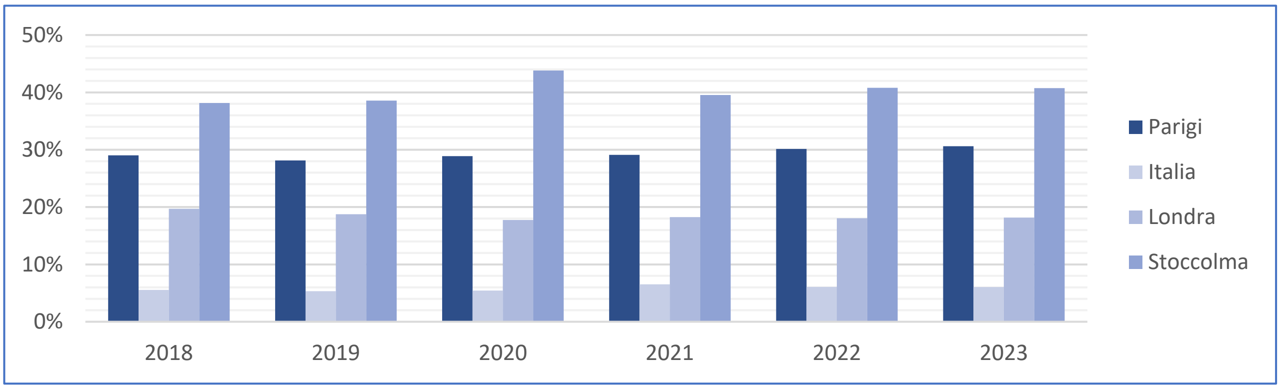
Listed companies in Italy, on the other hand, employ only a mere 6% of the total workforce, with stagnant employment in listed companies in recent years. Compared to other European countries where listed companies play an integral part in providing employment opportunities, Italy is an exception where the equity market plays a less significant role in the job market. Strong performance on the financial markets not only translates into positive effects on the financial side, but also as a catalyst for boosting employment opportunities.

**FIG. 1. Total number of employees in listed companies - Total number of employees in listed companies as % of total employment in a country**

| Exchange | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Paris | 7 676 436 | 7 459 958 | 7 623 804 | 7 787 075 | 8 200 272 | 8 390 527 |
| *% Tot. Emp* | *29%* | *28%* | *29%* | *29%* | *30%* | *31%* |
| Italy | 1 233 664 | 1 190 734 | 1 175 372 | 1 417 803 | 1 353 757 | 1 375 051 |
| *% Tot. Emp* | *6%* | *5%* | *5%* | *7%* | *6%* | *6%* |
| London | 6 365 251 | 6 146 892 | 5 890 698 | 5 900 337 | 5 914 029 | 6 041 587 |
| *% Tot. Emp* | *20%* | *19%* | *18%* | *18%* | *18%* | *18%* |
| Stockholm | 1 804 766 | 1 832 713 | 2 054 297 | 1 864 884 | 1 973 906 | 1 995 934 |
| *% Tot. Emp* | *38%* | *39%* | *44%* | *40%* | *41%* | *41%* |

Source: Orbis, Eurostat

**FIG. 2. Total number of employees in listed companies as a % of total employment in a country**




*Notes: Data on number of employees extracted from Orbis. The employee data includes all employees in a given company, even those employed beyond the country where the company is listed. The sample of the companies includes only companies listed on the stock exchanges in France, Italy, United Kingdom, and Sweden on March 2025, and does not account for delistings and new listings in the time period of 2018-2023. Total employment in a country looks at the age range of 20-64 years old.*

**Description.** Listed companies in Sweden employ over 41% of the national workforce, underscoring the deep integration of capital markets into the real economy, compared to just 6% in Italy. While France and the UK show moderate reliance on listed firms for employment, Italy stands out for its minimal equity market footprint, highlighting the dominance of private and bank-financed enterprises.

## 1.2 Total Revenues

The financial performance of listed companies on the European stock exchange plays a crucial role in shaping the national economies. In France, the revenue of listed companies represents a substantial portion of France's GDP, increasing in the recent years. It steadily increased from 72% of GDP in 2018 to 78% in 2023, rebounding from a downfall in 2020 due to economic disruptions. Similarly, Stockholm's equities contribute significant percentage to the national GDP and have shown growth in terms of their GDP contribution. Starting from 81% in 2018, the revenues of listed companies have peaked at 97% of Sweden's GDP in 2023. Strong financial performance of the listed companies reiterates the expanding influence of the listed companies in Sweden, not only shaping the financial markets but also the economic landscape.

Moreover, the London Stock Exchange shows a high contribution to the UK's GDP, comparable to the contributions seen in France and Sweden. However, in recent years the revenues of listed companies as a percentage of GDP have declined, from 90% in 2018 to 77% in 2023. Although the revenues have been increasing in absolute terms amounting to €2.4 billion in 2023, they have a declining contribution to the national GDP, emphasizing the prolonged decline of the London Stock Exchange in terms of its contribution to the national economy.

In contrast, Italy's listed companies contribute less to the national GDP compared to the other three countries. Although the revenues as a proportion of GDP are growing, from 33% in 2018 to 39% in 2023, this illustrates smaller contributions of the equity market to the national economy of Italy. A larger proportion of economic activity comes from activities beyond the listed companies.

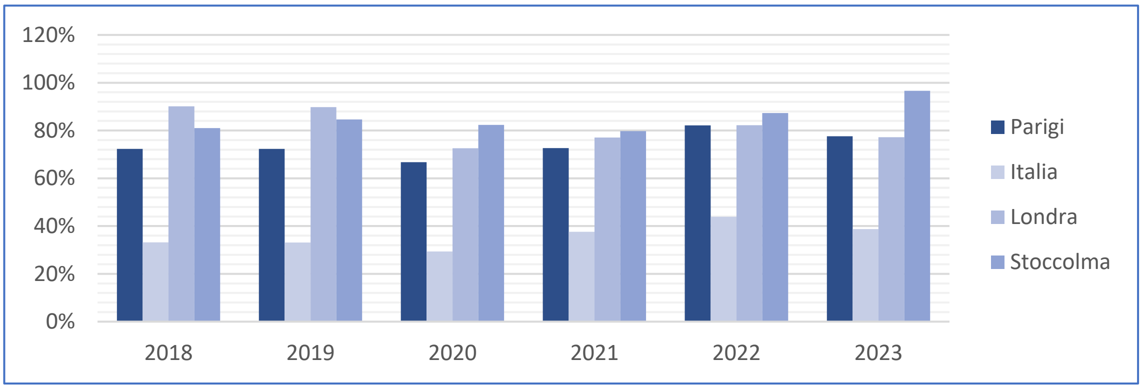
**FIG. 3. Total revenue of listed companies in millions or euros – Total revenue of listed companies as a % of GDP**

| Exchange | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Paris | 1 702 898 | 1 758 566 | 1 546 872 | 1 822 546 | 2 181 790 | 2 190 435 |
| *% GDP* | *72%* | *72%* | *67%* | *73%* | *82%* | *78%* |
| Italy | 589 750 | 597 398 | 490 820 | 692 734 | 877 150 | 825 246 |
| *% GDP* | *33%* | *33%* | *29%* | *38%* | *44%* | *39%* |
| London | 2 193 093 | 2 285 740 | 1 715 881 | 2 048 921 | 2 434 849 | 2 412 585 |
| *% GDP* | *90%* | *90%* | *73%* | *77%* | *82%* | *77%* |
| Stockholm | 378 521 | 402 270 | 394 471 | 429 646 | 481 797 | 522 411 |
| *% GDP* | *81%* | *85%* | *82%* | *80%* | *87%* | *97%* |

Source: Orbis, Eurostat

**Description.** Listed companies in Sweden generate revenues equivalent to 97% of GDP in 2023, up from 81% in 2018—highlighting the central role of equity markets in driving national output. France and the UK show similar scale (~77–78%), while Italy lags with listed company revenues making up just 39% of GDP, reinforcing its less market-oriented financial structure.

**FIG. 4. Total revenue of listed companies as a % of GDP**




*Notes: Data on revenues extracted from Orbis. The sample of the companies includes only companies listed on the stock exchanges in France, Italy, United Kingdom, and Sweden on March 2025, and does not account for delistings and new listings in the time period of 2018-2023. The revenue data includes total revenue in a given company, even revenue outside the country where the company is listed*

**Description.** Sweden stands out with the highest revenue-to-GDP ratio among listed firms, nearly doubling Italy's share. France and the UK remain closely aligned, while Italy's equity market continues to play a marginal role in the broader economy.

## 1.3 Market Capitalization

Over the past decade, European stock exchanges have experienced diverging trends, with Paris and Stockholm gaining prominence, while London has shown a marked decline. The Paris stock exchange has seen steady growth, reaching a peak market capitalization of €3.6 trillion in 2023, before slightly correcting to €3.0 trillion in 2024. As a share of GDP, it rose from 79% in 2013 to 128% in 2023, signalling France's increasing role as a European financial hub. This growth reflects strong domestic asset management, government intervention in key industries, and a steady flow of institutional investment into the equity markets. Meanwhile, Italy's market remains significantly smaller, fluctuating between 30% and 39% of GDP, reinforcing its continued reliance on bank financing rather than capital markets for corporate funding.

In contrast, the London Stock Exchange has been in a prolonged decline, with market capitalization dropping from £4.5 trillion in 2017 to £3.5 trillion in 2024. As a percentage of GDP, the decline is even more pronounced, falling from 239% in 2013 to just 125% in 2024. This reflects a combination of Brexit-induced uncertainty, reduced domestic investment in equities, and a growing trend of UK firms seeking listings in the U.S. or other European exchanges. On the other hand, Stockholm has emerged as a standout performer. The Swedish exchange's market capitalization has more than doubled since 2013, climbing from SEK 4.8 trillion to SEK 11 trillion in 2024, with its share of GDP surging to 178%. This impressive performance is largely attributed to Sweden's strong equity culture, high levels of household stock market participation, and tax-efficient investment vehicles like the ISK (Investeringssparkonto), which have encouraged long-term investment in equities. These trends illustrate the shifting dynamics of European financial markets, where regulatory environments, investor confidence, and government policies are playing a decisive role in shaping capital market leadership.

### FIG. 5. Market capitalization as a percentage of GDP - Market capitalization in local currency and % of GDP

| Exchange | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris (EUR mm) | | 1 669 898 | 1 723 784 | 1 911 228 | 2 049 209 | 2 294 842 | 2 067 131 | 2 574 155 | 2 476 956 | 3 195 240 | 2 821 844 | 3 609 183 | 3 016 241 |
| | *% GDP* | *79%* | *80%* | *87%* | *92%* | *100%* | *88%* | *106%* | *107%* | *127%* | *106%* | *128%* | *104%* |
| Italy (EUR mm) | | 465 458 | 482 438 | 573 602 | 525 050 | 640 028 | 542 362 | 644 429 | 606 505 | 769 362 | 625 689 | 761 872 | 810 613 |
| | *% GDP* | *29%* | *29%* | *34%* | *31%* | *37%* | *31%* | *36%* | *36%* | *42%* | *31%* | *36%* | *37%* |
| London (GBP mm) | | 4 250 505 | 4 036 522 | 3 949 277 | 4 578 351 | 4 520 179 | 3 780 938 | 3 920 053 | 3 635 987 | 3 989 969 | 3 770 608 | 3 534 492 | 3 515 039 |
| | *% GDP* | *239%* | *217%* | *206%* | *230%* | *217%* | *176%* | *175%* | *173%* | *175%* | *149%* | *130%* | *125%* |
| Stockholm (SEK bn) | | 4 826 | 5 323 | 5 770 | 6 141 | 6 650 | 5 943 | 7 730 | 8 764 | 12 395 | 9 248 | 10 514 | 11 024 |
| | *% GDP* | *127%* | *134%* | *136%* | *139%* | *145%* | *124%* | *154%* | *175%* | *227%* | *158%* | *169%* | *178%* |

*Notes: Market capitalization calculated in local currency, including capitalization of listed companies in both growth and main markets in the country. Market capitalization is calculated at the end of December of each year. GDP data is extracted from Eurostat at current prices. For London and Stockholm, ECB exchange rate data was used to compute GDP in the correct currency. Data extracted from monthly or annual reports from the stock exchanges*

**Description.** Sweden has surged ahead with listed market capitalization reaching 178% of GDP in 2024, outpacing the UK's post-Brexit decline to 125%. France has also gained prominence, rising to 128%, while Italy remains structurally constrained, fluctuating between 30–39%—underscoring its reliance on bank financing over capital markets.

# 2. IPO analysis

## 2.1 Amounts and their weight

Over the past decade, European stock exchanges have faced significant shifts in listings and IPO activity, with London experiencing the steepest decline. The number of listed companies on the London Stock Exchange has fallen from 2,386 in 2013 to 1,657 in 2024, driven by persistent delisting, which reached 192 in 2024. IPO activity has also collapsed, with equity issuance dropping from £19.8 billion (1.07% of GDP) in 2014 to just £873 million (0.03% of GDP) in 2024, reflecting post-Brexit challenges, reduced investor appetite, and competition from U.S. and EU markets.

Paris, while maintaining relative stability in financial markets, has struggled with weak IPO activity. The number of listed firms declined from 948 in 2013 to 813 in 2024, and IPO issuance has dropped from €4.5 billion in 2014 to just €699 million in 2024, accounting for a mere 0.02% of GDP. Despite the growth of France's broader financial sector, public equity markets have not kept pace. In contrast, Stockholm has demonstrated resilience, with listed companies rising from 758 in 2013 to a peak of 1,251 in 2022, before moderating to 1,174 in 2024. IPO activity, which soared to €11.9 billion in 2021, remains volatile but rebounded to €941 million in 2024. The Swedish market benefits from strong retail participation and tax-efficient investment schemes like ISK accounts, which continue to drive capital market growth.

Italy, while expanding its listed companies to 426 in 2024, remains less equity-driven, with IPO issuance struggling to exceed 0.3% of GDP. The country's reliance on bank financing over capital markets continues to limit the role of public equity in corporate funding. These trends highlight London's weakening status, Paris's IPO stagnation, and Stockholm's resilience, reflecting the ongoing transformation of European capital markets.

Listing procedures critically shape access to public equity markets. France's framework, centered on the AMF and Euronext Paris, is relatively efficient. The AMF typically reviews a prospectus within 10 business days, while Euronext completes eligibility assessments in six to eight weeks. For well-prepared issuers, a Fast Track option reduces the timeline further. Pre-filing discussions are standard practice, allowing for early alignment on timing and documentation. By contrast, Italy's IPO process remains comparatively slower and more cumbersome. CONSOB's review of a first-time prospectus averages around three months, and timeline flexibility is limited. The absence of a broad fast-track mechanism - outside uplisting from Euronext Growth Milan - disproportionately affects SMEs and dampens the appeal of public listings. This structural gap helps explain why Italy's IPO market remains shallow despite regulatory convergence at the EU level.

### FIG. 6. Number of listed companies

| Exchange | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | | **948** | **960** | **971** | **957** | **907** | **866** | **846** | **831** | **854** | **839** | **845** | **813** |
| | *New Listings* | 37 | 67 | 66 | 30 | 28 | 35 | 28 | 29 | 48 | 28 | 109 | 62 |
| | *Delisted* | *44* | *53* | *56* | *43* | *79* | *57* | *47* | *43* | *43* | *47* | *102* | *95* |
| Italy | | **290** | **306** | **320** | **321** | **339** | **357** | **375** | **377** | **407** | **414** | **429** | **426** |
| | *New Listings* | 21 | 28 | 33 | 19 | 39 | 38 | 41 | 24 | 49 | 30 | 39 | 22 |
| | *Delisted* | *17* | *12* | *17* | *18* | *18* | *15* | *22* | *21* | *19* | *23* | *24* | *29* |
| London | | **2386** | **2390** | **2301** | **2238** | **2221** | **2088** | **2006** | **1944** | **1979** | **1922** | **1810** | **1657** |
| | *New Listings* | 143 | 189 | 142 | 115 | 163 | 147 | 73 | 86 | 173 | 72 | 38 | 41 |
| | *Delisted* | *167* | *205* | *213* | *200* | *166* | *167* | *142* | *144* | *132* | *129* | *151* | *192* |
| Nasdaq Nordics and Baltics | | **758** | **791** | **852** | **900** | **984** | **1019** | **1040** | **1071** | **1237** | **1251** | **1218** | **1174** |
| | *New Listings* | 34 | 72 | 91 | 88 | 108 | 73 | 53 | 67 | 207 | 73 | 23 | 31 |
| | *Delisted* | *30* | *39* | *30* | *40* | *24* | *38* | *32* | *36* | *41* | *59* | *56* | *75* |

*Notes: Data extracted from monthly reports from Borsa Italiana (Italy), Euronext (Paris), Nasdaq (Nordics and Baltics), and London Stock Exchange (London). The number of listed companies included both the main and growth markets for Paris and London (including Paris, Paris Alternext, London Stock Exchange, London AIM). For the Nasdaq reports, the listed companies span all Nasdaq Nordic and Baltic Markets (Copenhagen Stock Exchange, Stockholm Stock Exchange, Helsinki Stock Exchange, Iceland Stock Exchange, Tallinn Stock Exchange, Riga Stock Exchange, and Vilnius Stock Exchange). New listings include IPOs, private placements, cross-listings, transfers, mergers, technical admission, among others.*

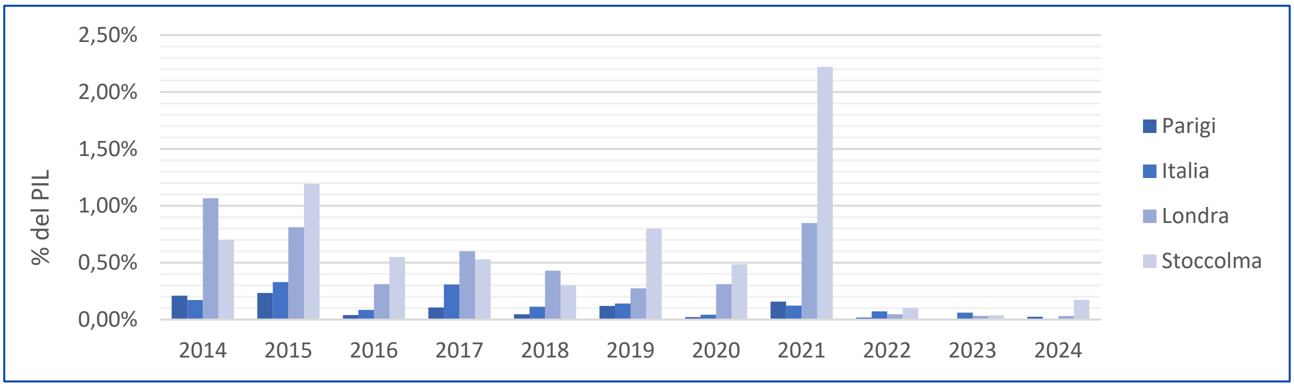
**Description.** IPO volumes across Europe have diverged sharply, with London experiencing a collapse from £19.8B in 2014 to just £873M in 2024. While France and Italy remain stagnant at ~0.02–0.3% of GDP, Sweden stands out with resilient issuance, supported by strong retail participation and favorable tax structures. The data highlights systemic weaknesses in Italy's public equity pipeline and the growing marginalization of the UK as a listing destination.

### FIG. 7. IPO equity issuance as a % of GDP – Equity issuance in millions of EUR, and % of GDP

| Exchange | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | | 4 513,15 | 5 139,33 | 899,20 | 2 433,23 | 1 094,11 | 2 928,12 | 493,57 | 3 972,53 | 473,83 | 61,30 | 699,97 |
| | *% GDP* | *0,21%* | *0,23%* | *0,04%* | *0,11%* | *0,05%* | *0,12%* | *0,02%* | *0,16%* | *0,02%* | *0,00%* | *0,02%* |
| Italy | | 2 819,76 | 5 470,43 | 1 441,99 | 5 369,25 | 2 017,80 | 2 536,53 | 699,32 | 2 260,34 | 1 425,09 | 1 282,63 | 198,32 |
| | *% GDP* | *0,17%* | *0,33%* | *0,08%* | *0,31%* | *0,11%* | *0,14%* | *0,04%* | *0,12%* | *0,07%* | *0,06%* | *0,01%* |
| London | | 19 866,79 | 15 556,83 | 6 209,72 | 12 500,65 | 9 230,45 | 6 132,71 | 6 535,06 | 19 389,05 | 1 189,16 | 896,83 | 873,34 |
| | *% GDP* | *1,07%* | *0,81%* | *0,31%* | *0,60%* | *0,43%* | *0,27%* | *0,31%* | *0,85%* | *0,05%* | *0,03%* | *0,03%* |
| Stockholm | | 3 044,34 | 5 395,67 | 2 558,03 | 2 516,78 | 1 405,59 | 3 801,80 | 2 326,30 | 11 964,48 | 571,73 | 200,38 | 941,11 |
| | *% GDP* | *0,70%* | *1,19%* | *0,55%* | *0,53%* | *0,30%* | *0,80%* | *0,49%* | *2,22%* | *0,10%* | *0,04%* | *0,17%* |

**Description.** London's IPO issuance as a share of GDP has fallen precipitously from over 1% in 2014 to just 0.03% in 2024, while Sweden maintains relatively stable issuance supported by consistent investor engagement. France and Italy lag behind with persistently low IPO intensity, underscoring limited market depth and weaker equity culture

### FIG. 8. Equity Issuance as a % of GDP




*Notes: To calculate GDP % for London, GDP was converted into euros using the exchange rate available on Eurostat for the given year.*

**Description.** Sweden led European IPO activity in 2024 with €941M in issuance, outpacing France (€699M), Italy (€661M), and the UK (£873M), despite its smaller economy. This reflects Sweden's vibrant retail investor base and tax-efficient equity participation tools like ISK, which continue to sustain capital formation through public markets.

## 2.2 Market Capitalization Distribution

The data on IPO market capitalizations across France, Italy, the UK, and Sweden reveals a consistent trend: newly listed companies remain overwhelmingly small. In all four ecosystems, the vast majority of IPOs are characterized by market capitalizations below €1 billion, often significantly below €500 million. This dynamic underscores a key limitation in European capital markets, the inability to attract or generate large-scale listings at the national level. The implications for liquidity, investor engagement, and index composition are significant, especially in light of global competition from deeper, more mature capital markets like those in the U.S.

In 2024, France experienced a rare shift. For the first time in a decade, large IPOs re-entered the scene: 50% of new listings were between €1 and €5 billion, however only 4 listings were made This signals a possible rebound in the appeal of French equity markets for sizable firms, likely driven by supportive industrial policy and improved market confidence. However, this improvement contrasts sharply with prior years- such as 2021–2023 - when every new IPO in France was below €1 billion, highlighting just how exceptional 2024 is. Even during more active periods like 2018 or 2019, the presence of IPOs above €1 billion remained marginal.

In Italy, the picture is starker. The IPO pipeline is exclusively composed of small-cap companies. From 2018 to 2024, 93–100% of newly listed firms had a market cap below €1 billion. There have been no IPOs above €5 billion in over a decade. This micro-cap bias reinforces Italy's chronic reliance on bank lending and private capital. The absence of scale in public equity listings reflects both demand- and supply-side challenges: a weak equity culture, regulatory friction, and the lack of deep-pocketed institutional investors willing to support larger floats.

The United Kingdom, despite its traditionally strong capital market infrastructure, has followed a similar trajectory. While the LSE hosted occasional larger listings prior to Brexit (notably in 2015–2017), IPOs since 2020 have overwhelmingly skewed toward the sub-€1 billion range. By 2024, 100% of new listings were under this threshold. This erosion of scale is reflected in the histogram data, where IPOs cluster between €50 million and €200 million, showing little distributional breadth. London's listing drought is not merely quantitative, it is also qualitative, with fewer global or "unicorn" listings choosing the UK as their platform.

Only Sweden maintains a consistent trend of numerous, though uniformly small, IPOs. Since 2014, over 95% of new listings have had market capitalizations below €1 billion. The ISK structure, strong retail participation, and local investor appetite for small-cap equities have this ecosystem. Histograms for 2014, 2021, and 2024 all reveal the same pattern: a dense cluster of sub-€250 million IPOs. While this has supported breadth and dynamism in the Swedish exchange, it may also limit the ability of Swedish markets to scale firms beyond the small-cap segment.

Across all four countries, the histogram distributions reinforce a highly right-skewed profile: most IPOs are very small, with few outliers in the higher capitalization ranges. The consequence is a thin top-end of the market, which weakens national stock indices, discourages global investor engagement, and impedes the development of robust domestic champions via public equity. Reversing this trend will require not only improved tax and regulatory incentives, but also deeper pools of domestic capital, particularly from pension funds and insurance institutions, to support and anchor larger IPOs.

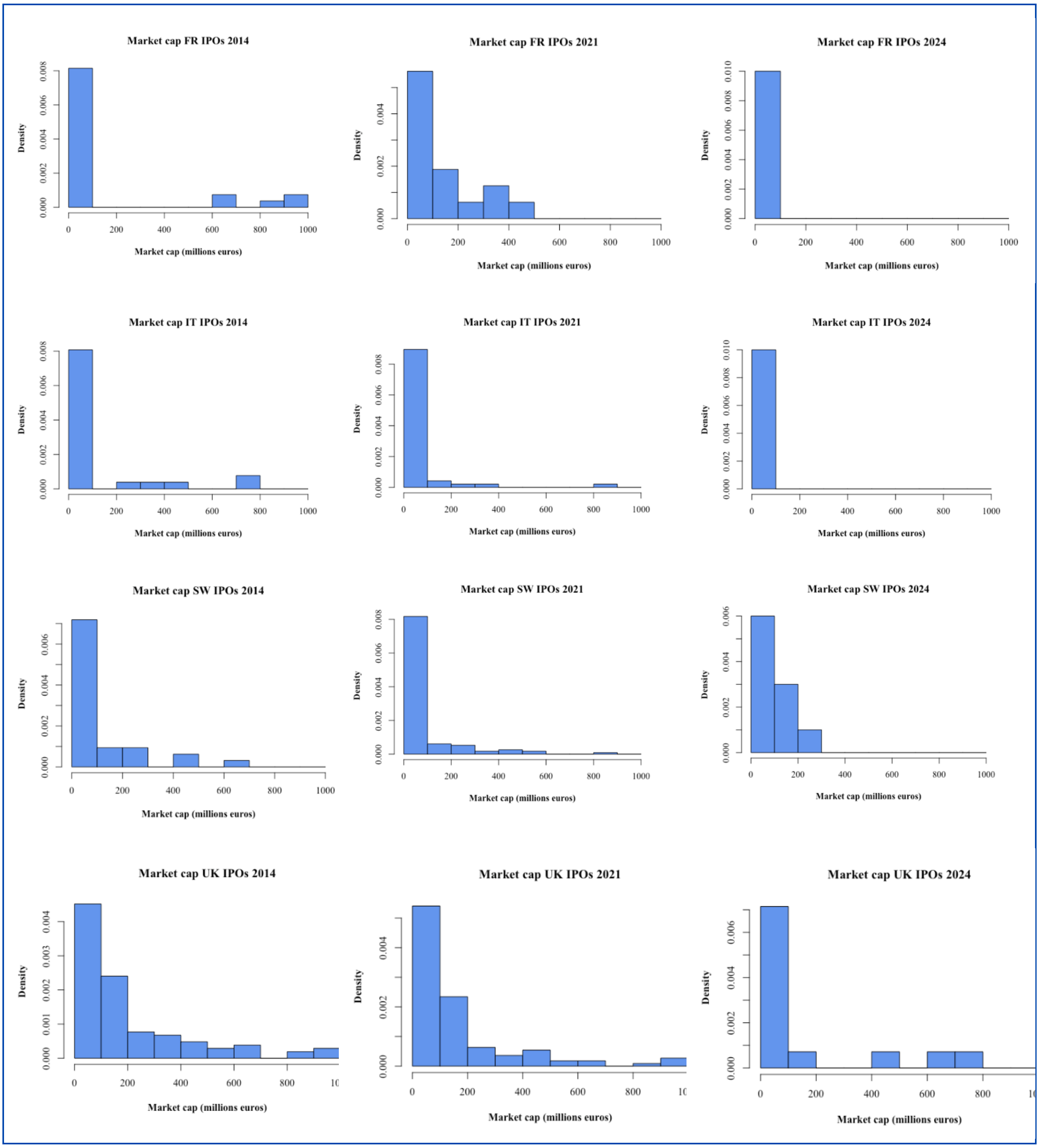
## FIG. 9. Distribution of marker cap of newly liested companies in EUR

| Country | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| France | | | | | | | | | | | |
| *below 1 billion* | 81% | 85% | 100% | 79% | 94% | 75% | 100% | 86% | 100% | 100% | 50% |
| *between 1 and 5 billion* | 19% | 11% | 0% | 14% | 6% | 25% | 0% | 14% | 0% | 0% | 50% |
| *above 5 billion* | 0% | 4% | 0% | 7% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Italy | | | | | | | | | | | |
| *below 1 billion* | 88% | 93% | 93% | 93% | 100% | 97% | 95% | 95% | 93% | 97% | 100% |
| *between 1 and 5 billion* | 12% | 4% | 7% | 3% | 0% | 0% | 5% | 5% | 7% | 3% | 0% |
| *above 5 billion* | 0% | 4% | 0% | 3% | 0% | 3% | 0% | 0% | 0% | 0% | 0% |
| United Kingdom | | | | | | | | | | | |
| *below 1 billion* | 87% | 92% | 93% | 93% | 88% | 83% | 88% | 90% | 98% | 100% | 100% |
| *between 1 and 5 billion* | 13% | 6% | 7% | 6% | 12% | 17% | 6% | 8% | 2% | 0% | 0% |
| *above 5 billion* | 0% | 1% | 0% | 1% | 0% | 0% | 6% | 2% | 0% | 0% | 0% |
| Sweden | | | | | | | | | | | |
| *below 1 billion* | 97% | 97% | 96% | 99% | 98% | 91% | 98% | 93% | 100% | 100% | 100% |
| *between 1 and 5 billion* | 3% | 3% | 4% | 1% | 2% | 0% | 3% | 5% | 0% | 0% | 0% |
| *above 5 billion* | 0% | 0% | 0% | 0% | 0% | 9% | 0% | 2% | 0% | 0% | 0% |

*Notes: Market value looks at the market value of a newly listed company at the date of the IPO in millions of euros.*

**Description.** New listings across Europe remain overwhelmingly small, with over 90% of IPOs in all four countries consistently under €1 billion in market cap. Italy shows the most concentrated micro-cap bias, while France saw a rare shift in 2024 with half of new listings above €1B, hinting at tentative recovery. This structural lack of scale in IPOs limits market liquidity, index inclusion, and institutional investor interest.

**FIG. 10. Market capitalization since IPO in 2014, 2021 and 2024 (breakdown per country)**




**Description.** Across all four ecosystems, the vast majority of IPOs fall below €1 billion in market cap, highlighting a persistent scale gap in Europe's public listings. While Sweden leads in frequency, its IPOs remain uniformly small; France showed a rare uptick in larger listings in 2024, but Italy and the UK continue to exhibit limited ability to generate sizable floats, limiting index impact and investor breadth.

## 2.3 Filing and Underpricing

IPO pricing mechanisms offer critical insight into the structure and credibility of a country's capital markets. Two indicators stand out: the filing range, which reflects the breadth of the price interval in the prospectus, and underpricing, which measures the deviation of the first-day trading price from the offer price. Together, they shed light on how companies, underwriters, and investors navigate information asymmetries, market confidence, and risk-sharing.

The average filing range, used to signal valuation uncertainty, varies widely across jurisdictions. France (Paris and Alternext combined) maintains relatively high average ranges, particularly in earlier years (e.g. Paris: 34.8% in 2015, Alternext: 31.5%). These wide bands suggest either elevated information asymmetry or greater negotiation between issuers and investors. However, Paris listings have shown more discipline post-2020, with filing ranges collapsing to 0% in 2023 and 2024, perhaps reflecting either growing regulatory constraints or issuer hesitation to list in volatile conditions. This decline may also be indicative of smaller, more standardized listings concentrated in niche sectors or via direct placements.

Italy shows a more erratic pattern. While the main board exhibits relatively wide ranges (21.9% average over 2014–2024), AIM Italia, focused on smaller firms, displays more modest ranges (8.6% on average). Interestingly, AIM's filing range jumped to 22.5% in 2024, possibly suggesting a cohort of less mature or more speculative companies entering the market amid revived risk appetite or looser listing standards. This volatility underscores the fragmented nature of Italy's IPO landscape, where listing quality and investor expectations are highly heterogeneous.

In contrast, the UK presents a picture of relative pricing restraint. London main market IPOs show average filing ranges of 10.9%, while the AIM segment records 0% across all years, suggesting either the use of fixed-price offerings or pre-arranged placements, possibly due to poor liquidity and low investor demand. The absence of meaningful price discovery raises concerns about transparency and investor engagement, particularly in AIM's current stagnant phase.

Sweden, especially through Stockholm and First North, illustrates an IPO ecosystem driven by small, retail-facing issues. The average filing range on the main Stockholm exchange is modest at 5.3%, while First North averages just 1.0%, reinforcing the narrative of highly standardized offerings. However, this tight pricing range does not imply low risk; rather, it suggests a mature, high-frequency IPO environment where issuers rely on existing retail demand and streamlined prospectus structures.

Turning to underpricing, we find a diverse set of market behaviors. Stockholm stands out with the highest average underpricing at 16.1%, peaking at 36.2% in 2022. This suggests a market fueled by retail exuberance and momentum-driven investing. The Swedish model, while successful in generating frequent IPOs, may reward initial investors disproportionately and raise questions about issuer pricing discipline.

Italy's main board underpricing remains low at 4.6%, but AIM again deviates with an average of 12.9%, pointing to higher volatility and a stronger need to entice investors in a relatively thin market. France remains more stable, with Paris (4.0%) and Alternext (3.2%) maintaining moderate underpricing, perhaps reflective of greater institutional participation and tighter control by lead underwriters.

The UK, both on the main exchange (10.9%) and AIM (11.0%), shows consistent underpricing, although with wide annual fluctuations. Notably, 2023 recorded a sharp rebound in London's underpricing (31.5%), indicating that selective IPOs may have been significantly discounted to re-attract investor interest after years of declining market appeal.

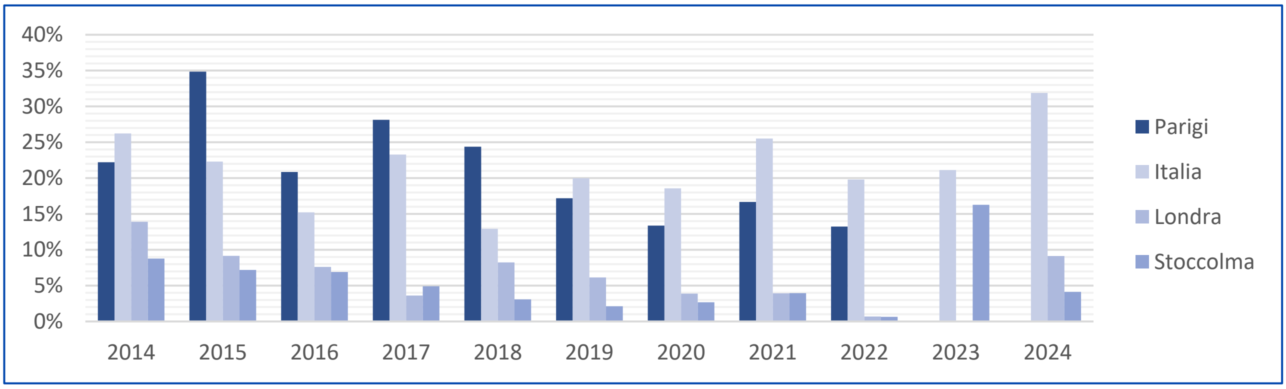
These patterns reveal structural distinctions across European ecosystems. Where underpricing is persistently high, it often correlates with a need to offset illiquidity, uncertainty, or weak institutional support. Conversely, tight pricing, particularly when accompanied by narrow filing ranges, may indicate either informational efficiency or systemic inertia. For Italy, the challenge lies in avoiding the worst of both worlds: wide uncertainty at listing (as reflected in recent filing ranges) coupled with weak post-listing performance.

### FIG. 11. Average of Δfilling range% ai IPO

| Exchange | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Overall |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | 22,2% | 34,8% | 20,9% | 28,1% | 24,4% | 17,2% | 13,4% | 16,7% | 13,2% | 0,0% | 0,0% | **20,7%** |
| Paris Alternext | 15,2% | 29,7% | 31,5% | 30,3% | 29,3% | 16,9% | 29,2% | 18,1% | 0,0% | 14,1% | | **24,2%** |
| Italy | 26,2% | 22,3% | 15,2% | 23,3% | 12,9% | 20,0% | 18,6% | 25,5% | 19,8% | 21,1% | 31,9% | **21,9%** |
| Italy - AIM | 3,2% | 3,3% | 7,8% | 3,6% | 7,1% | 15,4% | 13,6% | 7,0% | 7,3% | 4,8% | 22,5% | **8,6%** |
| London | 13,9% | 9,2% | 7,6% | 3,6% | 8,2% | 6,1% | 3,9% | 3,9% | 0,7% | 0,0% | 9,1% | **6,3%** |
| London - AIM | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | **0,0%** |
| Stockholm | 8,8% | 7,2% | 6,9% | 4,9% | 3,1% | 2,1% | 2,7% | 4,0% | 0,7% | 16,3% | 4,1% | **5,0%** |
| Stockholm - First North | 4,6% | 1,1% | 2,0% | 0,2% | 2,0% | 0,3% | 1,4% | 0,7% | 0,0% | 0,0% | 3,0% | **1,0%** |

**Description.** France and Italy's main markets display wide but declining filing ranges, suggesting improved pricing precision or tighter regulatory standards. AIM and Stockholm's First North exhibit extremely narrow ranges—often below 2%—reflecting either fixed-price placements or low valuation transparency. Volatility in Italy's AIM range in 2024 points to speculative listings and inconsistent investor demand.

### FIG. 12. Filing Range at IPO




*Notes: Fixed price IPOs and data points with missing values on the filing range were excluded from the calculations. The calculations for Stockholm included Stockholm Stock Exchange, Stockholm First North, and the Spotlight Stock Exchange. When excluding Spotlight Stock Exchange from calculations the average filing range for Stockholm is doubled.*

**Description.** In 2023, average IPO underpricing varied widely across European main markets. Milan and Stockholm saw the largest first-day pops—above 20%—suggesting either conservative pricing or retail-driven demand. Paris and London had more moderate underpricing, reflecting deeper institutional participation and more stable price discovery.

**FIG. 13. Average of IPO underpricing % 1 day – Negative percentages indicate overpricing (% deviation of stock price after first day of trading from offer pricing)**

| Exchange | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Overall |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | 0,2% | 14,1% | 0,3% | 3,0% | 1,0% | 3,6% | 13,9% | 2,7% | -2,5% | 8,9% | 17,5% | **4,0%** |
| Paris - Alternext | -0,5% | 7,3% | -0,6% | 0,4% | 1,6% | 10,9% | 0,5% | 8,1% | 0,3% | 0,5% | | **3,2%** |
| Italy | 1,5% | 5,4% | 2,7% | 5,3% | 6,1% | -1,7% | 21,7% | 12,4% | -1,6% | -4,4% | -0,3% | **4,6%** |
| Italy - AIM | 4,9% | 4,3% | 3,5% | 4,3% | 7,3% | 15,4% | 16,7% | 19,9% | 14,9% | 20,1% | 16,2% | **12,9%** |
| London | 2,8% | 7,7% | 12,3% | 7,4% | 6,9% | 27,3% | 7,7% | 16,8% | 14,2% | 31,5% | 11,2% | **10,9%** |
| London - AIM | 11,4% | 7,6% | 11,4% | 11,3% | 12,1% | 11,8% | 12,4% | 11,2% | 8,6% | 2,6% | 18,2% | **11,0%** |
| Stockholm | 6,0% | 20,8% | 20,6% | 10,4% | 5,1% | 29,8% | 16,9% | 15,9% | 36,2% | 1,5% | 15,7% | **16,1%** |
| Stockholm - First North | 6,4% | 10,9% | 9,8% | 6,8% | -5,6% | 13,2% | 9,2% | 7,6% | -8,7% | 3,1% | -1,9% | **6,1%** |

**FIG. 14. Average of IPO underpricing % 1 week – Negative percentages indicate overpricing (% deviation of stock price after first week of trading from offer pricing)**

| Exchange | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Overall |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | 1,4% | 22,5% | -1,2% | 4,7% | 0,5% | 1,6% | 2,3% | 5,1% | -3,8% | 8,9% | 19,0% | **5,4%** |
| Paris - Alternext | -1,6% | 11,1% | 1,4% | 3,1% | 1,9% | 11,9% | -4,5% | -1,4% | 0,0% | 15,0% | 0,0% | **4,2%** |
| Italy | 2,4% | 5,0% | 4,7% | 7,9% | 7,8% | -2,5% | 21,0% | 16,3% | -1,7% | -2,3% | -6,7% | **5,6%** |
| Italy - AIM | 5,9% | 4,7% | 2,8% | 4,1% | 9,0% | 19,1% | 30,1% | 29,9% | 15,9% | 35,5% | 38,2% | **19,5%** |
| London | 3,5% | 9,5% | 13,5% | 6,8% | 5,7% | 47,8% | 10,0% | 11,5% | 14,9% | 20,0% | 18,7% | **11,6%** |
| London - AIM | 11,6% | 15,5% | 15,4% | 13,3% | 16,5% | 14,3% | 25,1% | 16,0% | 9,2% | -0,1% | 33,1% | **14,7%** |
| Stockholm | 7,3% | 31,0% | 23,9% | 9,3% | 3,9% | 32,5% | 12,0% | 12,9% | 32,4% | 0,0% | 19,2% | **18,4%** |
| Stockholm - First North | 3,1% | 16,1% | 18,4% | 8,3% | -6,3% | 12,8% | 13,7% | 7,7% | -3,6% | 49,4% | 3,9% | **8,7%** |

**Description.** Sweden leads in average underpricing (~16.1%), peaking above 30% in 2022, driven by retail enthusiasm. The UK and Italy's growth markets also show double-digit underpricing, reflecting thin liquidity and issuer incentives to attract demand. France's low, stable underpricing points to stronger institutional participation and pricing control.

**FIG. 15. Average of IPO underpricing % 1 month – Negative percentages indicate overpricing (% deviation of stock price after first week of trading from offer pricing)**

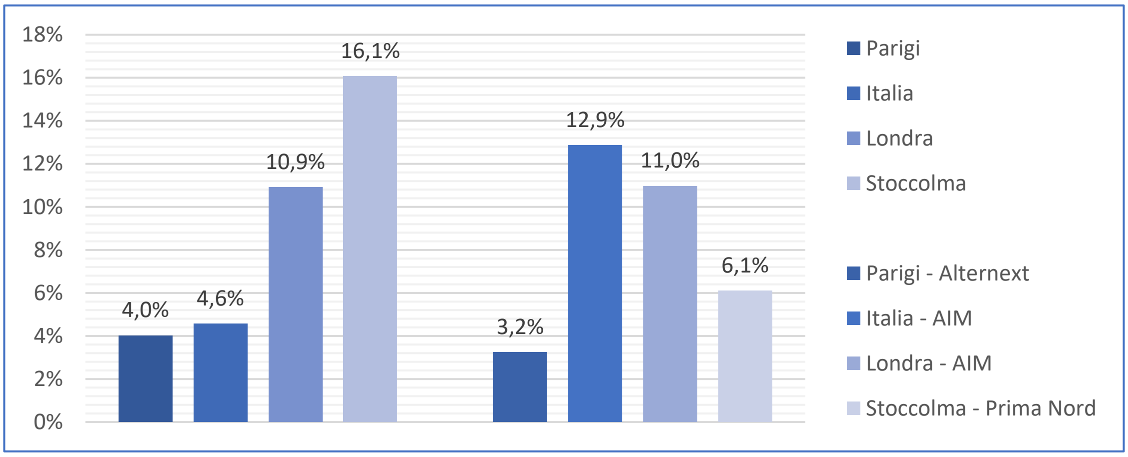
| Exchange | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Overall |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | -2,1% | 19,2% | -3,6% | 3,2% | 2,0% | 1,0% | -2,4% | 0,4% | -7,2% | 7,7% | 21,9% | **2,6%** |
| Paris - Alternext | -4,3% | 26,7% | -3,2% | 0,7% | 3,0% | 21,8% | -8,9% | 1,2% | -0,2% | -1,1% | 0,0% | **5,6%** |
| Italy | -2,4% | 9,1% | 8,8% | 9,6% | 6,7% | 2,9% | 31,8% | 11,2% | 0,2% | -7,9% | 0,7% | **6,4%** |
| Italy - AIM | 1,1% | 6,9% | 0,0% | 3,8% | 8,7% | 24,1% | 26,7% | 30,2% | 14,4% | 26,5% | 37,0% | **18,3%** |
| London | 3,2% | 12,1% | 18,3% | 6,1% | 3,8% | 83,0% | 41,2% | 11,2% | 3,1% | 28,4% | 13,5% | **15,1%** |
| London - AIM | 11,9% | 58,5% | 19,6% | 11,0% | 17,3% | 14,2% | 28,2% | 21,4% | 5,2% | 1,9% | 54,4% | **20,5%** |
| Stockholm | 12,5% | 33,0% | 23,6% | 11,1% | 5,3% | 61,5% | 17,3% | 19,7% | 20,1% | 4,9% | 13,4% | **22,4%** |
| Stockholm - First North | -2,0% | 19,9% | 28,5% | 10,2% | -7,9% | 10,5% | 19,7% | 9,8% | -10,2% | 24,5% | -0,5% | **10,7%** |

**FIG. 16. Average of IPO underpricing % 1 year – Negative percentages indicate overpricing (% deviation of stock price after first month of trading from offer pricing)**

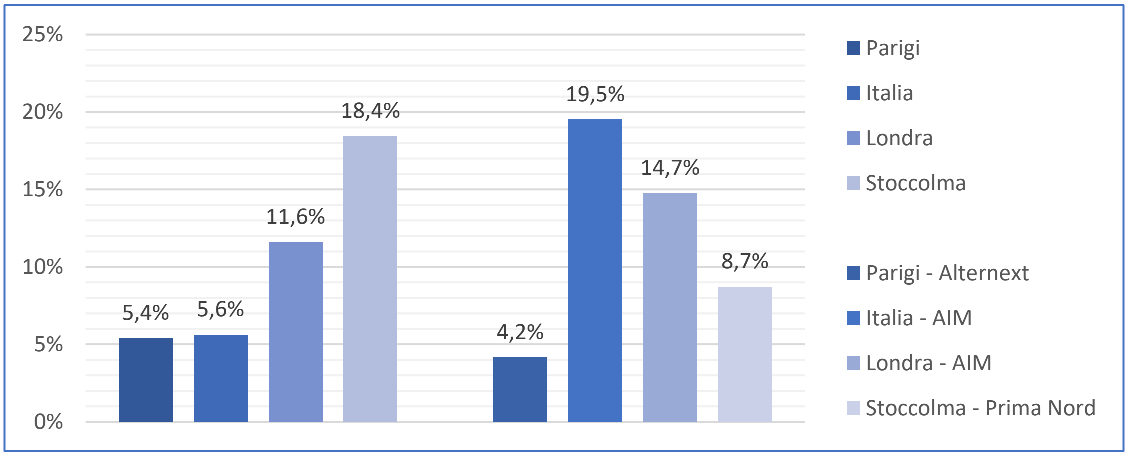
| Exchange | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Overall |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paris | -12,5% | -4,6% | 15,5% | -13,1% | -19,0% | -9,7% | 15,1% | -33,2% | -10,7% | 303,1% | | **-11,3%** |
| Paris - Alternext | -35,8% | -14,0% | 18,3% | -12,0% | -32,7% | 11,4% | -22,2% | -13,1% | 17,9% | -38,7% | | **-15,9%** |
| Italy | 51,2% | -1,9% | 35,7% | 8,4% | 18,7% | 1,3% | 69,4% | -2,0% | 12,6% | -7,7% | | **12,6%** |
| Italy - AIM | 4,8% | -19,2% | 35,0% | -4,0% | 13,7% | 12,8% | 87,4% | 13,9% | 15,7% | -2,3% | | **14,9%** |
| London | 17,7% | 5,5% | -4,3% | -2,9% | 9,6% | 5,2% | 74,0% | -22,0% | -10,6% | 12,2% | | **4,7%** |
| London - AIM | 22,5% | 2,4% | 58,6% | 15,3% | 7,1% | -1,0% | 79,5% | -19,4% | 0,0% | -14,3% | | **14,6%** |
| Stockholm | 64,2% | 65,0% | 52,8% | 21,6% | 22,4% | 74,2% | 50,9% | -12,1% | 25,3% | 74,4% | | **41,8%** |
| Stockholm - First North | 0,0% | 53,2% | 53,0% | 17,0% | -8,3% | 33,2% | 99,5% | -30,1% | -28,4% | 236,3% | | **14,2%** |

**Figures 13-16 - Description.** Across all time horizons, Sweden and Italy show the highest IPO underperformance volatility, with underpricing widening further at the 1-month and 1-year marks—indicating weak aftermarket support and speculative dynamics. France and the UK maintain more consistent pricing across time, reinforcing their stronger institutional investor base and greater post-listing stability.

### FIG. 17. Average Underpricing (%) at IPO after 1 day between 2014-2024




### FIG. 18. Average Underpricing (%) at IPO after 1 week between 2014-2024




### FIG. 19. Average Underpricing (%) at IPO after 1 month between 2014-2024

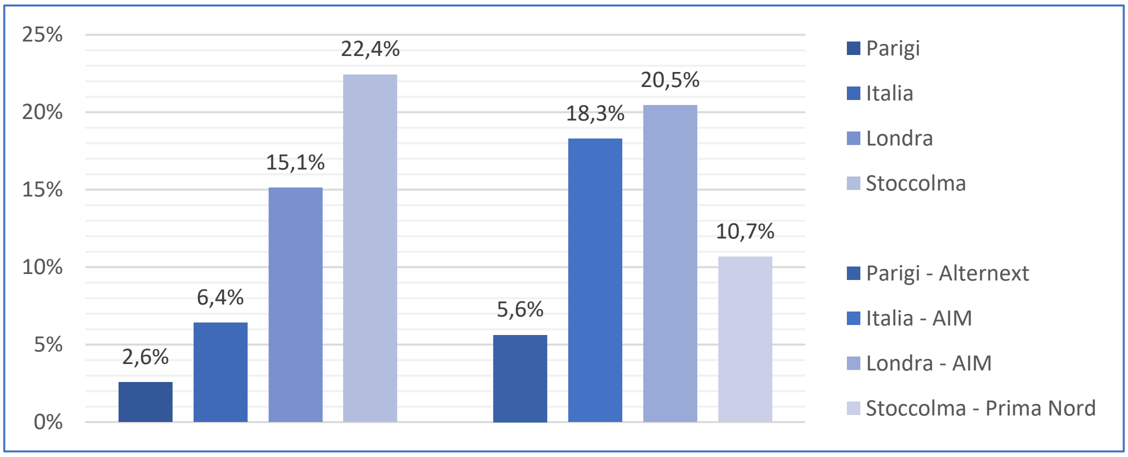
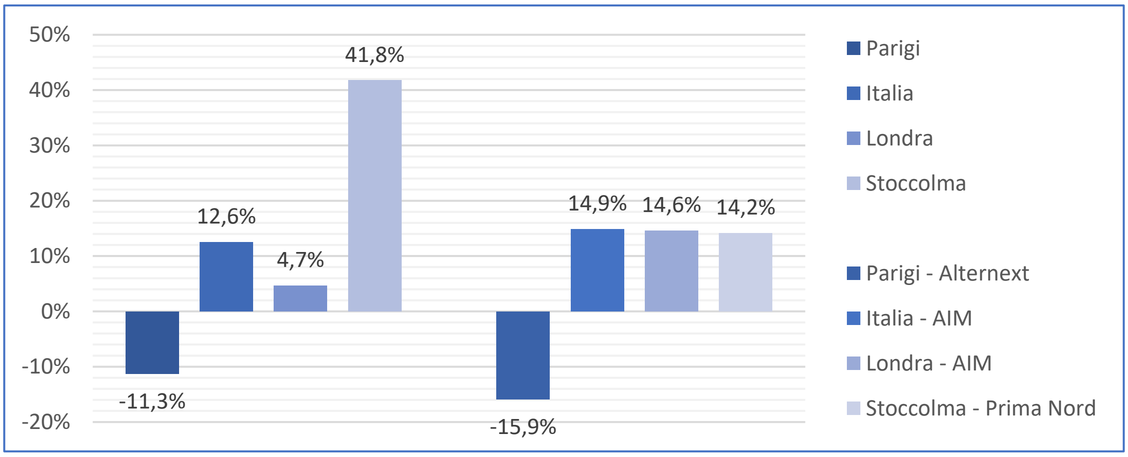


**FIG. 20. Average Underpricing (%) at IPO after 1 year between 2014-2024**




*Notes: Calculations do not include datapoints which do not have a price after the first day of trading.*

**Figures 17-20 - Description.** Filing ranges have tightened across European IPO markets, with Sweden consistently showing the narrowest spreads—reflecting standardized pricing and reduced valuation uncertainty. France and Italy historically featured wider and more volatile ranges but have converged toward more disciplined pricing. Growth boards such as First North and Alternext exhibit especially narrow filing bands, signaling pre-arranged pricing or lighter investor negotiation relative to main market listings.

# 3. Investors' analysis

A closer look at the ownership data across France, Sweden, the United Kingdom, and Italy reveals significant structural divergences in the composition, origin, and orientation of capital within each financial ecosystem. These divergences have important implications for equity market resilience, investor behavior, and the capacity to scale innovative or high-growth enterprises through public equity.

Ownership concentration is a defining characteristic of institutional maturity. The UK leads with €1.6 trillion in institutional equity ownership, followed by France (€769 billion), Sweden (€367 billion), and Italy (€216 billion). Yet in relative terms, institutional ownership dominates in the UK (88%) and Sweden (78%), whereas France (51%) and Italy (48%) exhibit a nearly even split between institutions and insiders. Italy's particularly high insider share is indicative of a market still shaped by family-controlled firms and limited public float, reducing secondary market liquidity and dampening index effectiveness.

France and Italy display a strong degree of international diversification in institutional ownership. Only 16% and 6% of institutional investors, respectively, are domestic, while 42% in both countries originate from North America. This reflects both the openness of their markets and a relative weakness in home-grown institutional capacity. By contrast, Sweden (34%) and the UK (32%) show a stronger balance between domestic and regional (European) capital. The UK particularly benefits from being a global financial hub, attracting capital across jurisdictions. However, the near absence of domestic institutional anchoring in Italy suggests that its capital markets remain peripheral to both domestic institutional portfolios and broader European investment flows.

Among insider holders, defined to include controlling shareholders, founders, and private entities, the home country dominance is striking in Sweden (89%) and France (84%), while it remains high in Italy (71%). This reflects the persistence of concentrated ownership structures in continental Europe. In the UK, by contrast, insiders are more geographically distributed, with only 23% from the UK and 25% from

Europe, and significant shares from North America, Africa/Middle East, and APAC. Such fragmentation may enhance market contestability but can also weaken long-term governance alignment.

Passive investment strategies dominate mutual fund and ETF ownership across all four countries, comprising between 64% and 68% of aggregate fund assets. France and the UK show the largest volumes, with €484 billion and €715 billion in passive holdings respectively. While this supports market liquidity and reduces costs, it also poses challenges for price discovery and corporate governance. Passive investors tend to vote uniformly and engage less with management, potentially reinforcing the influence of dominant insiders or state actors in less contested markets.

Disaggregating institutional ownership by holder type further clarifies the structural weaknesses in Italy. In France and the UK, hedge funds, insurance firms, and public entities account for the majority of institutional capital. In Italy, wealth managers and real estate vehicles dominate institutional ownership, with banks and pension funds contributing marginally, therefore underscoring the bank-centric nature of Italy's ecosystem and its underdeveloped institutional investor base. Sweden stands out for its relatively higher proportion of pension-driven institutional capital, in line with its social-democratic financing model.

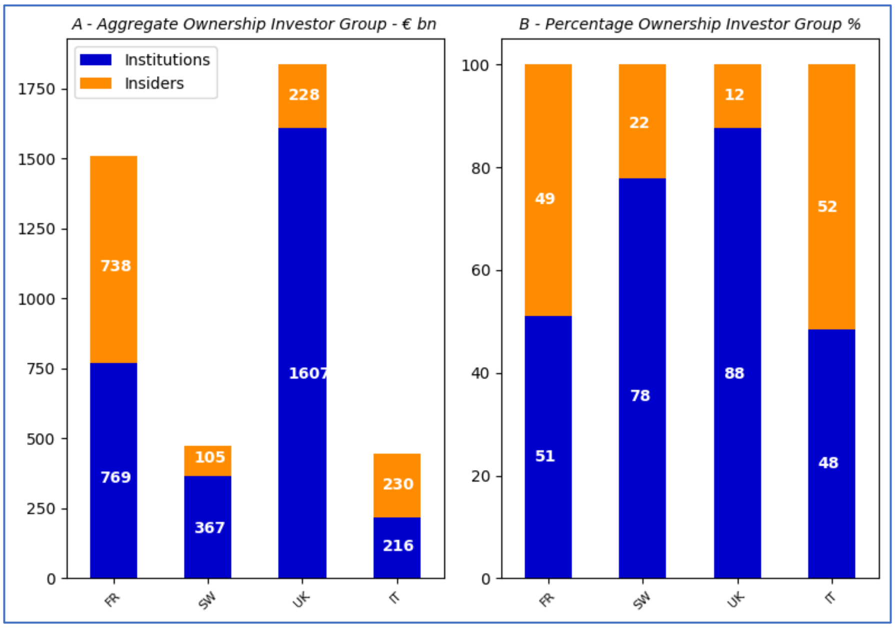
Among insiders, the prevalence of individual and private company ownership is particularly high in Sweden (87%) and the UK (78%), where entrepreneurial cultures and SME-heavy indices shape capital structures. France's insider base is more evenly distributed, with 59% held by individuals or private companies and 41% by government and public entities, a legacy of dirigiste interventionism. In Italy, the insider landscape is fragmented, with individuals holding 54% and wealth managers 37%

Pension funds reflect long-term strategic capacity. France and the UK allocate significant shares to international markets, whereas Sweden remains domestically anchored, with 69% of its pension capital invested at home. Italy lags behind in both dimensions. Only 10% of Italian pension ownership is domestic, and allocations are skewed toward traditional income strategies, with limited exposure to growth or aggressive growth profiles. Value and yield dominate, reflecting conservative mandates that underutilize capital market instruments for long-term national development.

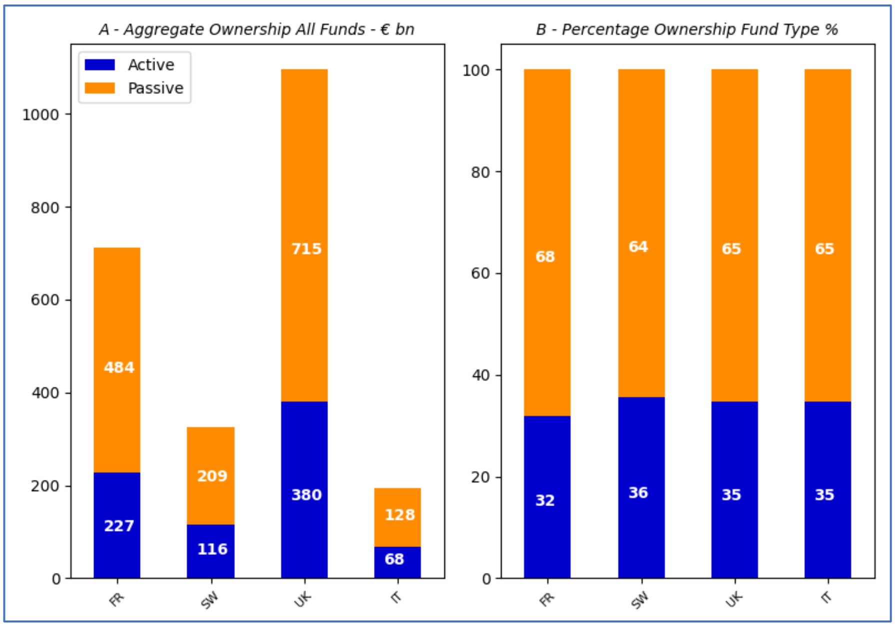
The final set of graphs highlights the integration, or lack thereof, of EU pension funds in cross-border equity ownership. The UK's pension funds hold €78 billion in EU equities, predominantly concentrated in Sweden and France. Italy, by contrast, barely features as a target or source of EU pension investment. Only 23% of foreign EU pension fund ownership in Italy originates from France, and overall aggregate holdings remain minimal. This marginality within the European pension capital network further isolates Italy's financial ecosystem from continental investment dynamics.

Pension taxation plays a defining role in shaping long-term capital formation. France's Plan d'Épargne Retraite (PER) enables individuals to deduct contributions from taxable income, defers taxation on returns, and allows for both annuity and lump-sum withdrawals at retirement. As of early 2024, PER accounts held over €100 billion in assets. Italy's system is notably more constrained: while pension fund returns are taxed at a favorable 20% rate, contribution deductibility is capped at €5,164.57 per year. These limits restrict pension savings capacity and reduce the sector's systemic relevance as a capital market anchor. Broadening these thresholds and linking tax treatment more directly to capital market exposure, particularly equity investments, would better align Italy's pension incentives with the needs of a modern financial ecosystem.

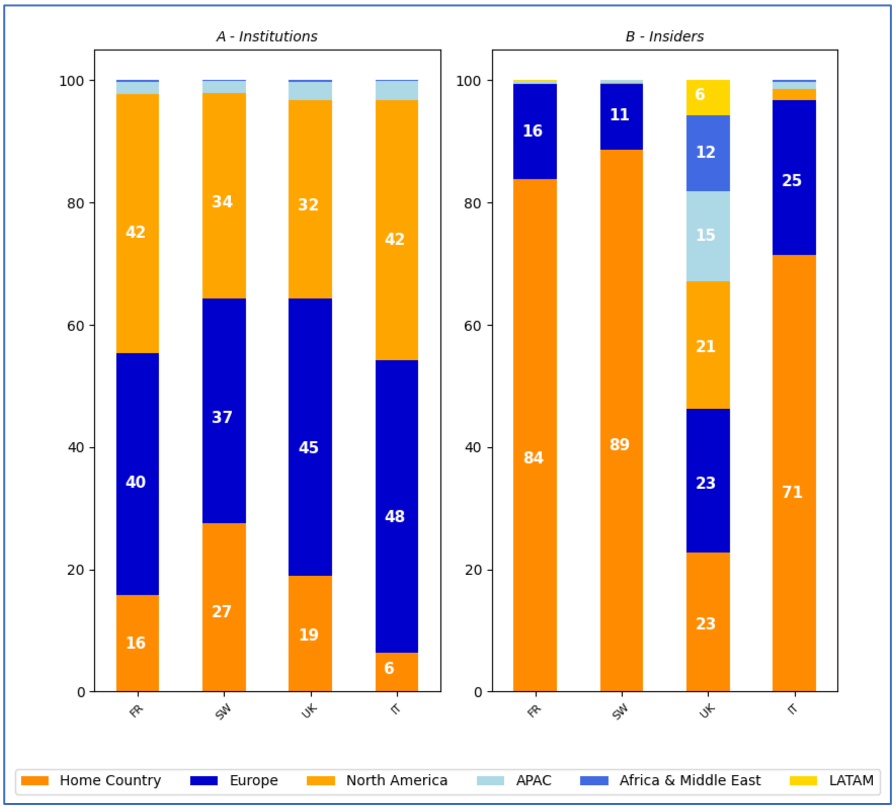
## FIG. 21 Aggregate ownership by investor group



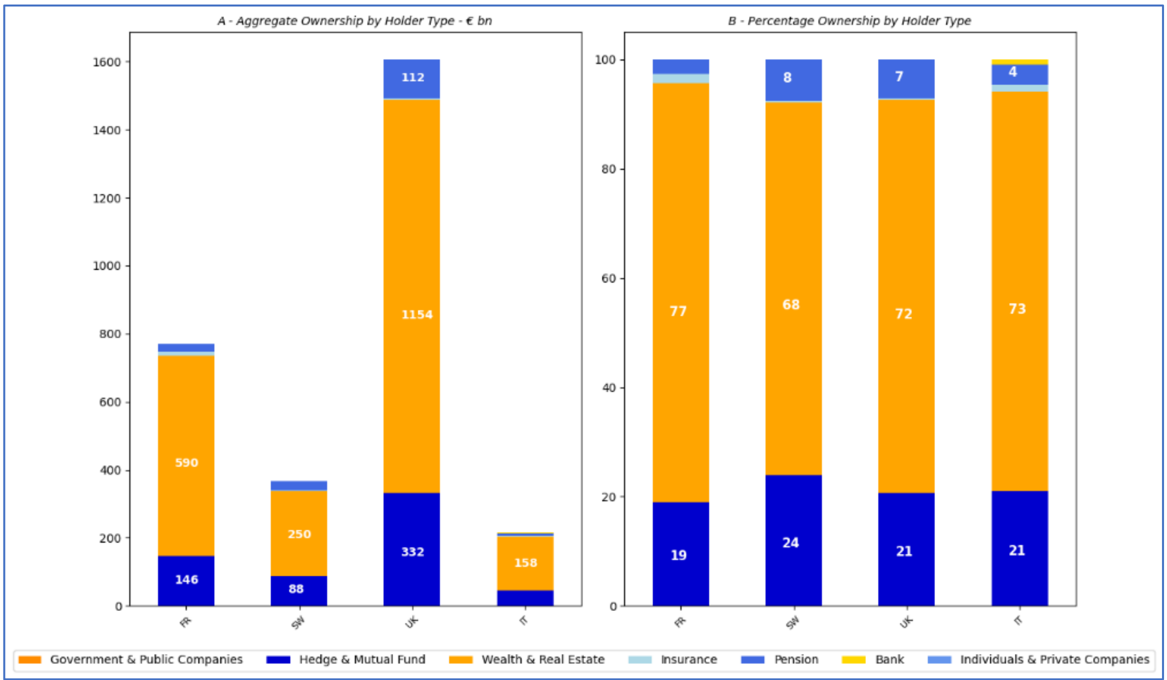

## FIG. 22. Aggregate Ownership Mutual Funds- ETFs by Fund type



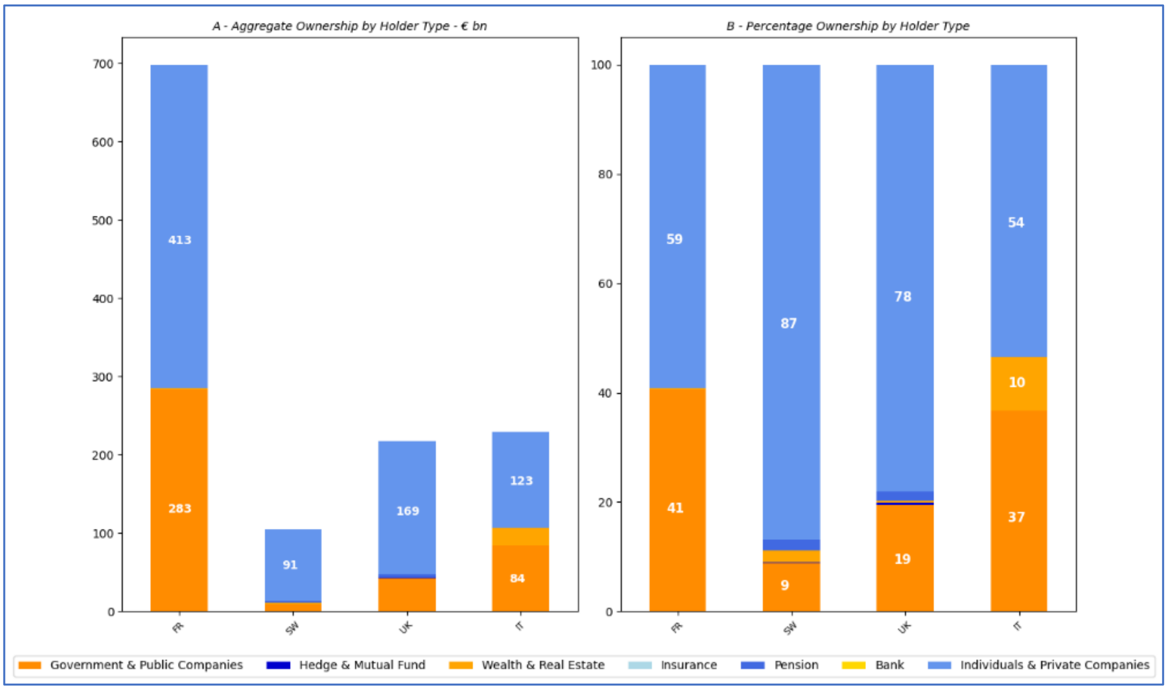
## FIG. 23. Percentage Ownership by Country %



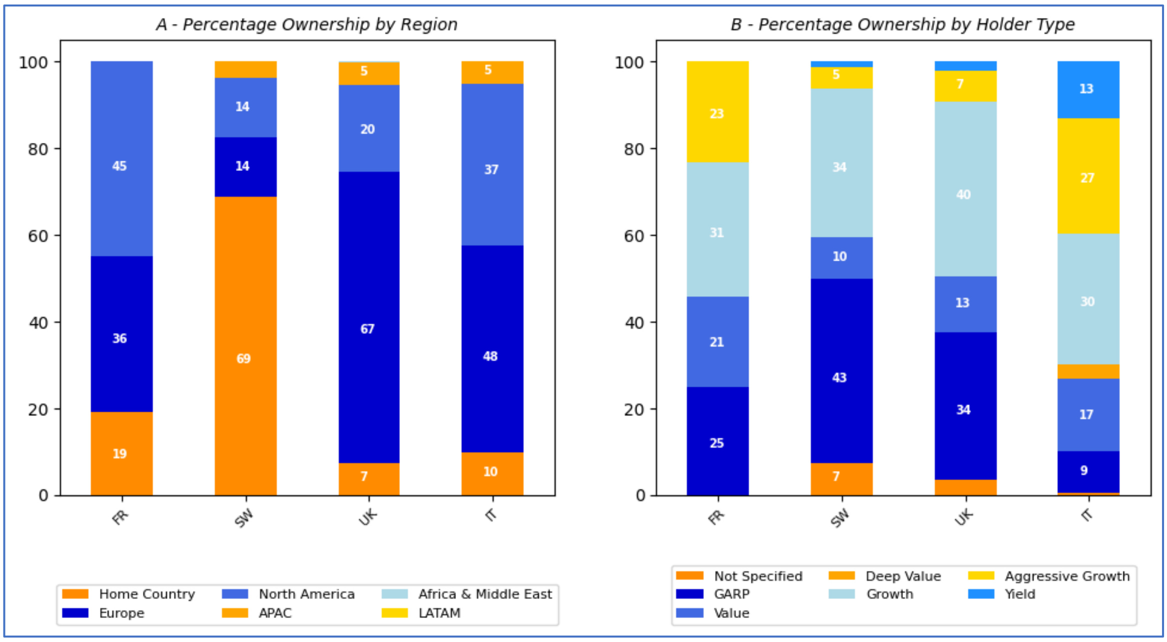

## FIG. 24. Institutions



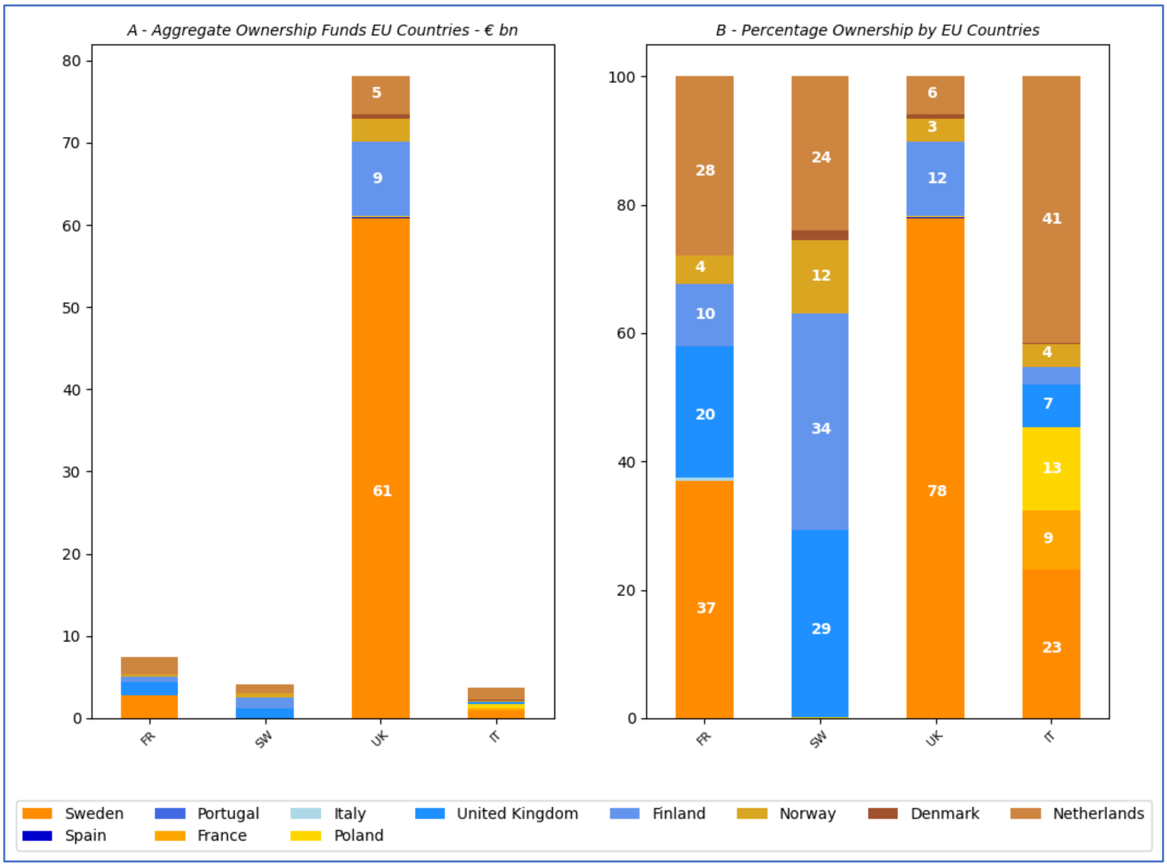
## FIG. 25. Insiders




## FIG. 26. Pension Funds



### FIG. 27. EU country Pension Fund Ownership




**Description.** Ownership structures vary sharply across markets: institutional investors dominate in the UK and Sweden, while France and Italy retain high insider ownership—much of it tied to individuals or public entities. France and Italy also rely heavily on foreign capital, especially from North America, whereas Sweden and the UK benefit from stronger domestic institutional anchors. Passive strategies comprise over 65% of fund assets across all four markets, dampening engagement and price discovery. Pension funds in Sweden allocate the majority of capital domestically, while UK and French pensions invest more cross-border. Italy remains peripheral, with limited inbound or outbound pension flows and a fragmented ownership landscape dominated by individuals, wealth managers, and real estate vehicles.

# 4. Broker Analysis

The presence and activity of brokers, measured here through the number of estimates per company and the percentage of listed firms under coverage, offer a critical window into the health, transparency, and institutional engagement of a financial ecosystem. These metrics reflect not only the level of market interest but also the ecosystem's ability to generate price discovery, reduce information asymmetries, and attract investor participation, especially in public equity markets.

Across the board, the UK continues to lead in terms of broker coverage, with a consistently high proportion of listed companies covered - above 95% from 2020 to 2022, slightly decreasing to 91.4% in 2023. The average number of estimates per company has also remained strong, hovering around 60 over the period. This dense broker ecosystem reinforces London's traditional strength in financial services and underlines the infrastructure depth that supports its equity markets, even as listings decline. Robust analyst coverage provides confidence to both domestic and international investors, ensuring liquidity and reducing the cost of capital.

Sweden, perceived as a smaller market, shows a moderate broker footprint. Its percentage of companies covered remains lower than that of the UK, peaking at 68.3% in 2022 and dipping slightly to 66.8% in 2023. It ranks last in estimates per company (e.g., 31 in 2021), suggesting a less engaged analyst community and especially in the environment for small- and mid-cap firms. This suggests a market structure where a core set of firms, often innovative, high-growth companies – attract some coverage, while a long tail remains underserved. The implication is twofold: Sweden offers some depth for selected firms, but additional efforts may be needed to extend analytical reach across the broader market.

In France, we observe a consistently stable and relatively high coverage rate, between 78.9% and 81.7%, paired with a strong estimate count, averaging 66-58 estimates per firm. This reflects a balanced ecosystem, where institutional brokers cover a broad swath of the market and generate an even higher forecasting intensity than seen in the UK. France maintains a high level of transparency and analyst engagement, supporting investor confidence and providing broad coverage with high institutional attention.

Italy presents both positive momentum and persistent gaps. Between 2020 and 2023, the share of listed companies under analyst coverage rose from 79.3% to 86.5%, outpacing France by the end of the period and reflecting increased market transparency and research interest, possibly due to reforms, digital brokerage growth, or increased foreign institutional interest. However, the number of estimates per company steadily declined from 53 in 2020 to just 47 in 2023. This suggests a dilution effect: more companies are being covered, but with fewer individual forecasts. The result is thinner information per company, which may limit the benefits of expanded coverage in terms of price discovery or trading efficiency.

One of the underlying forces shaping broker coverage across Europe is the structural impact of MiFID II, the regulatory framework introduced in 2018 to increase transparency and reduce conflicts of interest in financial markets. A core feature of MiFID II was the mandatory unbundling of research and execution costs: asset managers are now required to pay separately for research, rather than bundling it with trading commissions. While well-intentioned, this reform led to unintended consequences, especially in markets with a high concentration of small and mid-cap firms. Research coverage became increasingly concentrated on large, liquid stocks, as brokers found little commercial incentive to continue producing research on less traded companies. The reduction in sell-side coverage has been particularly acute in countries like Italy and France, where the equity culture is less developed and the research market more fragile. As a result, SMEs, the backbone of these economies, often face reduced visibility, less efficient price discovery, and weaker investor engagement, all of which translate into higher cost of capital.

In contrast, the UK has been more insulated from these effects, not because it avoided MiFID II, but because of the structural presence of corporate broking, a longstanding institution in the British financial ecosystem. Corporate brokers are appointed by listed companies and play a proactive role in maintaining investor relations, providing research, and ensuring continuous engagement with the market. Crucially, corporate broking is a relationship-driven model that is not dependent on trading volumes or direct monetization of research, thus shielding mid-cap and smaller firms from the adverse effects of unbundling. This institutional buffer has allowed the UK to maintain high levels of broker coverage and estimate density even as other European markets have seen a sharp decline in the analytical attention given to non-blue-chip stocks.

Recognizing the limitations imposed by MiFID II, the European Commission has proposed targeted reforms through the EU Listing Act, currently under negotiation. One of the Act's key objectives is to enhance the attractiveness of public markets, particularly for SMEs, by improving research coverage and reducing administrative burdens associated with listing. Among its proposals is the reintroduction of more flexible bundling rules for research on SMEs, effectively allowing research costs to be included with execution fees under certain conditions, alongside provisions to promote the creation of independent research platforms and public co-financing schemes. These reforms reflect an acknowledgment that the current framework has inadvertently undermined market transparency for smaller firms and that restoring a sustainable research ecosystem is essential to deepening European capital markets.

For Italy, where research coverage is expanding in breadth but thinning in depth, these reforms are highly relevant. Without targeted action, either through regulatory adaptation or public-private incentive schemes, the country risks perpetuating a two-tier equity market, where only large firms receive sufficient investor attention, while SMEs remain in the shadows. Integrating a model akin to the UK's corporate broking or subsidizing SME research coverage through public institutions or listing incentives would significantly improve transparency, support liquidity, and enhance the effectiveness of capital markets in serving the real economy.

# 5. Liquidity Analysis

Liquidity is the oxygen of public equity markets, it determines price efficiency, investor confidence, and ultimately the ability of capital markets to serve the real economy. The comparative data across the CAC 40 (France), FTSE 100 (UK), FTSE MIB (Italy), and OMXS 30 (Sweden) reveals striking differences in both the structural and behavioral dimensions of liquidity, particularly in terms of free float composition, trading velocity, and institutional investor engagement.

France's CAC 40 exhibits a structurally robust equity market with a relatively high mean free float (77%) and meaningful institutional ownership of free float (50%). The median market capitalization (€36.8 billion) and free float (€25.2 billion) are the highest among peers, underscoring the large-cap nature of the French benchmark. However, liquidity velocity remains moderate: free float velocity (0.77) and turnover velocity (0.58) trail behind the UK and Sweden, pointing to a more stable, long-hold investor base. This is consistent with France's institutional investor profile, anchored in insurance, pension, and sovereign-linked entities, which typically exhibit lower trading frequency. Sectorally, the CAC 40's strong tilt toward consumer and industrial stocks (63%) reinforces this dynamic, as these sectors are less prone to speculative trading than tech or financials.

The UK's FTSE 100 combines breadth with liquidity. It shows the highest free float held by institutions (83%) and strong turnover metrics, with a mean free float velocity of 1.16 and turnover velocity of 1.00. Despite a lower median free float value (€13.2 billion) compared to France, the UK has the largest number of institutional investors (203), reflecting its global investment hub status. Sector distribution is balanced, with finance accounting for 30% of weight, likely contributing to relatively active trading patterns. The UK's capital markets remain structurally sound, although its IPO pipeline has slowed. Liquidity remains concentrated in legacy blue chips, with limited generational renewal, a feature typical of mature but less innovation-driven public equity markets.

Sweden's OMXS 30 offers a strikingly different liquidity profile. Despite a relatively modest median market cap (€8.9 billion), its velocity indicators are remarkably strong: free float velocity is 1.44 and turnover velocity 1.14, the highest among the four indices. Sweden's market is characterized by retail engagement, tax-advantaged investment accounts (e.g., ISK), and dynamic secondary trading, supported by high transparency and digital brokerage penetration. Institutional ownership of free float (61%) is high in relative terms, but not dominant, allowing for greater trading dynamism. Sectorally, OMXS 30 has the most diversified composition across consumer, industrial, and finance segments, enabling resilience and adaptability in trading cycles.

Italy's FTSE MIB, by contrast, remains structurally constrained. The index has the lowest mean free float (48%) and the smallest median free float value (€5.5 billion). Free float and turnover velocity are the weakest in the comparison group (0.42 and 0.20, respectively), reflecting subdued trading activity and limited investor engagement. Institutional ownership is low (47% of free float), and the number of institutional participants is the lowest among peers (144). This suggests persistent reliance on family ownership, bank-affiliated investors, and limited analyst coverage, features that together discourage liquidity formation. Although sectoral weights are more balanced than in France or Sweden, with consumer, industrial, and finance each contributing roughly one-third, this diversification has not translated into trading dynamism. The high ratio of median CVT to free float (1.55) suggests that when shares do trade, they circulate within a small base of available stock, potentially exacerbating volatility and price inefficiency.

A final layer of insight comes from sectoral tilt: across indices, consumer and technology sectors are more likely to generate turnover. France's 63% exposure to consumer/tech partially offsets its slower turnover rate, while Italy, despite a comparable 35% weight in consumer/tech, underperforms in turnover metrics, suggesting other structural barriers such as post-IPO liquidity gaps or weak investor incentives. Sweden, with a lower sectoral concentration in tech, still outperforms, confirming the enabling role of institutional design and retail access.

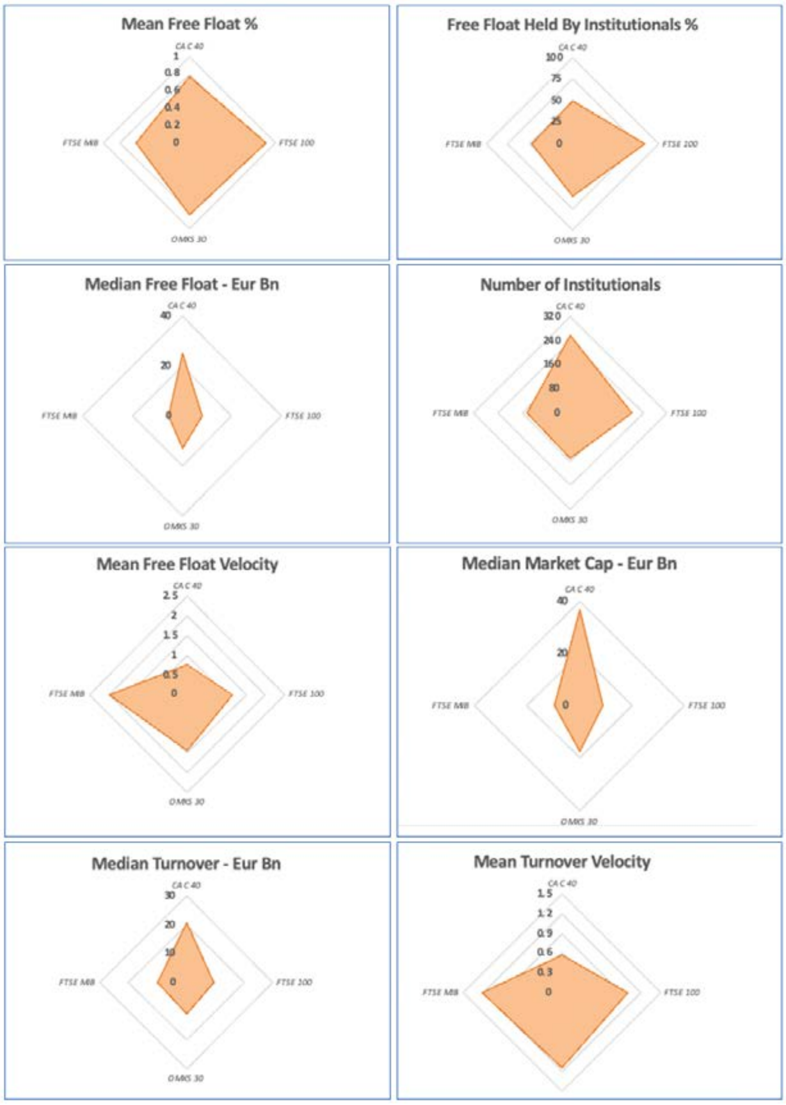
In sum, France and the UK exhibit institutionalized liquidity underpinned by large-cap stability and global investment reach. Sweden showcases participatory, retail-driven dynamism with high turnover efficiency. Italy, however, continues to reflect structural inertia, with constrained float, shallow trading, and limited institutional depth. For Italy to enhance its market function, reforms must address both supply- and demand-side barriers: increasing free float through divestitures and public listings, lowering frictions for domestic and foreign institutional investors, and stimulating retail trading via tax-incentivized long-term accounts. As the data show, liquidity is not merely a function of capital, it is a reflection of how that capital is structured, deployed, and trusted.

### FIG. 28. Liquidity metrics across equity markets

| | CAC 40 | FTSE 100 | OMXS 30 | FTSE MIB |
|---|---|---|---|---|
| **Median CVT / FF** | 0,70 | 1,07 | 0,86 | 1,55 |
| **Median MktCap** | 36.755,25 | 8.932,80 | 17.641,97 | 9.522,82 |
| **Median CVT** | 20.583,30 | 9.528,17 | 11.014,84 | 10.003,85 |
| **Median CVT (bn)** | 20,58 | 9,53 | 11,01 | 10,00 |
| **Median Daily CVT** | 23,21 | 10,77 | 12,56 | 11,37 |
| **Agg CVT** | 994.357,73 | 2.032.173,49 | 349.843,11 | 776.454,20 |
| **Mean FF %** | 0,77 | 0,88 | 0,83 | 0,62 |
| **Median FF** | 25.233,72 | 8.014,89 | 13.200,76 | 5.513,12 |
| **Avg FF Velocity** | 0,77 | 1,16 | 1,44 | 2,00 |
| **Avg Turnover Velocity** | 0,58 | 1,00 | 1,14 | 1,22 |
| **FF of Inst (%)** | 0,50 | 0,83 | 0,61 | 0,47 |
| **FF of Inst %** | 13.225,97 | 83,45 | 60,86 | 47,28 |
| **Median FF of Inst** | 258,80 | 6.694,63 | 7.604,23 | 2.692,69 |
| **Number of Inst** | 25,23371938 | 203,17 | 150,12 | 144,18 |
| **Mean MktCap Billion** | 36,76 | 8,93 | 17,64 | 9,528 |
| **Mean FF Billion** | 25,23 | 8,01 | 13,20 | 5,51 |

**Description.** Liquidity conditions vary sharply across European equity markets. Sweden's OMXS 30 shows the highest trading velocity (1.44x free float turnover), driven by strong retail activity and digital brokerage access. The UK's FTSE 100 combines broad institutional ownership (83%) with high turnover, reflecting its role as a global investment hub. France's CAC 40 is more stable, with lower velocity but the highest median market cap and free float. Italy's FTSE MIB remains structurally illiquid, with the lowest float share (48%) and weakest turnover metrics, underscoring limited market depth, family-dominated ownership, and weak investor incentives.

### FIG. 29. Details of liquidity conditions




**Description.** Sweden's equity market stands out for its high velocity and retail-driven dynamism, with OMXS 30 showing both the highest turnover and strong dispersion across sectors. The UK combines deep institutional ownership with balanced sectoral trading and broad market engagement. France exhibits a large-cap, low-velocity profile anchored by stable institutional holders, while Italy's liquidity is structurally constrained by low free float, weak trading volumes, and high concentration in a few names. Across all markets, sectoral differences are pronounced: consumer and tech stocks tend to trade more actively, while finance and industrials see lower relative turnover.

### FIG. 30. Breakdown of most relevant sector indices

| | Consumer and Tech | Industrial and Infrastructure | Finance |
|---|---|---|---|
| CAC 40 | 0.63 | 0.23 | 0.15 |
| FTSE 100 | 0.49 | 0.21 | 0.30 |
| FTSE MIB | 0.35 | 0.30 | 0.35 |
| OMXS 30 | 0.40 | 0.37 | 0.23 |
| Mean | 0.47 | 0.28 | 0.26 |

**Description.** Consumer and tech sectors consistently exhibit the highest turnover ratios across all indices, with France and Sweden leading in consumer stock liquidity. In contrast, financial stocks show lower trading activity, particularly in Italy and the UK, suggesting sectoral drag on overall market velocity. Sweden displays the most balanced liquidity across sectors, while France's market is top-heavy but stable.

# 6. Insurances & Pension Funds

## 6.1 Pensions

The allocation of pension fund assets across France, Italy, Sweden, and the UK reflects distinct investment strategies shaped by national regulatory frameworks, economic conditions, and risk preferences. While bonds remain the dominant asset class, their relative importance varies, and the growing share of alternative investments and cash holdings suggests a broader trend toward diversification and liquidity management.

In France, pension fund allocations are highly concentrated in bonds, accounting for 70% of assets in 2023, while equities make up only 8%. The low equity exposure underscores a conservative approach, consistent with France's state-heavy pension system, where capital preservation takes precedence over high-risk, high-return strategies.

Italy exhibits a more balanced allocation, with bonds comprising 49% of assets in 2023, while equities account for 24%, showing a stronger tolerance for stock market exposure compared to France. However, the decline in "Other Investments" category from 24% in 2020 to 21% in 2023 suggests a shift away from non-traditional assets in favor of core holdings in fixed income and equities. The relatively stable cash allocation at 6% indicates a moderate liquidity preference, possibly as a buffer against market volatility.

Sweden presents the most equity-heavy pension structure, with equities making up 49% of total assets in 2023, down slightly from 52% in 2021. The decline in equity exposure coincides with a reallocation toward bonds, which rose to 35% in 2023, suggesting a gradual risk reduction strategy. The steady decrease in "Other Investments" from 19% in 2020 to 13% in 2023 reflects a concentrated shift away from alternative assets, possibly due to changing market conditions or regulatory influences. Unlike France and Italy, Sweden's pension system remains significantly invested in stocks, reinforcing a long-standing cultural preference for equity market participation.

The UK pension fund allocation, while still dominated by bonds at 68.9% in 2023, has seen a persistent decline in equity exposure, falling from 20.4% in 2020 to 18% in 2023. This aligns with the broader trend of UK pension funds reducing their domestic equity holdings, which has contributed to liquidity challenges in the UK stock market. Notably, the share of "Cash + Other" investments has risen from 8.9% in 2022 to 13.1% in 2023, suggesting a growing preference for liquidity and alternative assets, possibly private equity, infrastructure, or hedge funds.

While the data suggest that Italy allocates a larger proportion of pension fund assets to equities (24%) than France (8%), this comparison can be misleading if taken at face value. In practice, Italy remains one of the least equity-oriented pension systems in Europe when one considers both the absolute size of the pension fund industry and its strategic function within capital markets. Italian pension funds are highly fragmented and risk-averse, with equity allocations often limited to passive exposure or foreign markets, offering little support to the domestic stock exchange or to growth-oriented enterprises. Moreover, despite the nominal share, Italy lacks the governance frameworks and long-term mandates that characterize the equity holdings of Swedish AP funds or UK occupational schemes. In Sweden, for instance, nearly half of all pension assets are invested in equities, primarily domestic and European, reflecting both scale and strategic purpose. By contrast, Italian equity exposure remains conservative in nature, driven more by necessity than conviction, and contributes only marginally to capital market depth or corporate financing. This highlights a critical gap in Italy's financial ecosystem: the underutilization of pension capital as a long-term anchor for domestic equity markets and a missed opportunity for productive investment.

Tax treatment also influences institutional portfolio allocations. In France, PER contributions are tax-deductible and returns are tax-deferred, supporting long-term investment in capital markets. Italy's pension funds face a 20% substitute tax on returns, with contribution deductibility capped at €5,164 per year.

**FIG. 31. Allocation breakdown of pension funds' portfolios**

| **FRANCIA** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|
| Cash | – | – | – | 1% |
| Bonds | – | – | – | 70% |
| Equity | – | – | – | 8% |
| Other investments | – | – | – | 21% |
| | | | | 100% |
| **ITALIA** | **2020** | **2021** | **2022** | **2023** |
| Cash | 7% | 7% | 7% | 6% |
| Bonds | 48% | 46% | 47% | 49% |
| Equity | 21% | 24% | 22% | 24% |
| Other investments | 24% | 23% | 23% | 21% |
| | 100% | 100% | 99% | 100% |
| **SVEZIA** | **2020** | **2021** | **2022** | **2023** |
| Cash | 1% | 1% | 2% | 2% |
| Bonds | 35% | 31% | 32% | 35% |
| Equity | 45% | 52% | 51% | 49% |
| Other investments | 19% | 16% | 14% | 13% |
| | 100% | 100% | 99% | 100% |
| **UK** | **2020** | **2021** | **2022** | **2023** |
| Bonds | 69.20% | 72.00% | 71.60% | 68.90% |
| Equity | 20.40% | 19.00% | 19.50% | 18.00% |
| Cash + Other | 10.40% | 9.10% | 8.90% | 13.10% |

**Description.** Sweden's pension system is the most equity-oriented, maintaining close to 50% allocation to equities throughout 2020–2023, while also increasing exposure to alternatives. The UK remains bond-heavy (68.9% in 2023) but shows a growing shift toward cash and other assets. Italy is more balanced, with a stable mix of bonds (~49%) and equities (~24%), yet lacks the scale and centralization of Sweden or the UK. France remains the most conservative, with 70% in bonds and only 8% in equities, reflecting a state-led, capital-preserving pension model with limited public market exposure.

## 6.2 Insurances

The allocation of insurance assets across France, Italy, Sweden, and the UK presents a revealing picture of how these financial systems structure their investments. While bonds remain the dominant asset class in many markets, the growing allocation to "Other" investments suggests a shift toward alternative assets, real estate, private equity, and infrastructure.

In France, insurance asset allocation has undergone a significant transformation. While bonds once comprised over 55% of portfolios, their share declined to 40.6% in 2023, indicating a reallocation of capital. Equities, by contrast, have remained low and stable, at around 2.7%, reflecting the historical preference for fixed-income assets and structured investment vehicles. The most striking change is in the "Other" category, which rose from 41.3% in 2016 to 55.8% in 2023. This increase is largely driven by higher allocations to collective investment undertakings (CIUs), loans, mortgages, and alternative investments, as evidenced by the Banque de France balance sheet data.

Italy follows a similar trend, with a declining bond allocation (from 58.7% in 2016 to 46.3% in 2023) and a limited presence of equities, which peaked at just 1.5% in 2022 before falling to 1.3% in 2023. The "Other" category, which includes real estate, infrastructure, and alternative assets, has risen from 39.1% in 2016 to 51.3% in 2023. This suggests a gradual diversification away from traditional fixed-income investments toward higher-yield, long-term assets.

Sweden presents a unique case among these markets. Historically, Swedish insurers have held substantial equity positions, with allocations as high as 13.9% in 2016. However, this figure has declined dramatically, reaching just 6.2% in 2023, marking a major strategic shift. Bond allocations have also fallen, from 25.9% in 2016 to 15.6% in 2023. Meanwhile, the "Other" category has surged from 57.8% to 76.2%, signaling a pronounced move toward alternative investments, real estate, and private market assets. This aligns with Sweden's pension model, where state-backed AP funds have increasingly pursued diversification into infrastructure and private equity.

The UK insurance sector, while still heavily bond-focused (49.1% in 2023), has also experienced a decline in equity allocations, dropping from 7.7% in 2020 to just 5.1% in 2023. This reflects a wider trend of UK insurance funds reducing exposure to domestic equities, which has fallen from over 50% two decades ago to just 4-6% today. At the same time, the "Other" category has steadily risen, accounting for 36.0% of allocations in 2023, suggesting a growing preference for private assets, infrastructure, and alternatives.

The key takeaways are the following: 1) Bonds remain the largest asset class across all four countries, but their share has declined significantly as investors seek higher returns elsewhere. 2) Equities are increasingly marginalized, particularly in France and Italy, while Sweden—despite its historical equity exposure—has also reduced its allocation. 3) "Other" investments are surging, reflecting a shift towards private equity, infrastructure, and real estate, particularly in Sweden and the UK. 4) The declining domestic equity exposure in the UK is particularly noteworthy, as pension funds have moved capital away from UK-listed companies, raising concerns about market liquidity and long-term investment flows.

These trends illustrate a broader structural transformation in European pension and insurance investment strategies, as funds seek to balance stability with long-term growth opportunities in an evolving economic landscape.

**FIG. 32. Allocation breakdown of insurance companies' portfolios**

| **FRANCE** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|
| **Equity** | 2.9% | 2.9% | 2.8% | 3.0% | 2.8% | 3.3% | 3.0% | 2.7% |
| **Bonds** | 55.1% | 52.8% | 52.9% | 51.6% | 50.7% | 46.9% | 41.5% | 40.6% |
| **Cash** | 0.7% | 0.7% | 0.8% | 0.8% | 0.8% | 0.7% | 0.8% | 0.9% |
| **Other** | 41.3% | 43.6% | 43.5% | 44.6% | 45.7% | 49.1% | 54.7% | 55.8% |
| **ITALY** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **Equity** | 1.1% | 1.2% | 1.2% | 1.3% | 1.0% | 1.3% | 1.5% | 1.3% |
| **Bonds** | 58.7% | 56.5% | 56.0% | 55.3% | 55.5% | 52.0% | 48.1% | 46.3% |
| **Cash** | 1.2% | 1.0% | 1.0% | 0.7% | 0.8% | 1.0% | 1.1% | 1.1% |
| **Other** | 39.1% | 41.2% | 41.8% | 42.6% | 42.7% | 45.7% | 49.4% | 51.3% |
| **SWEDEN** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **Equity** | 13.9% | 11.6% | 10.6% | 10.6% | 10.7% | 11.5% | 6.4% | 6.2% |
| **Bonds** | 25.9% | 24.8% | 25.5% | 22.7% | 20.8% | 17.3% | 16.7% | 15.6% |
| **Cash** | 2.4% | 2.0% | 2.2% | 2.0% | 2.3% | 1.9% | 1.9% | 2.0% |
| **Other** | 57.8% | 61.6% | 61.8% | 64.7% | 66.2% | 69.3% | 75.0% | 76.2% |
| **UNITED KINGDOM** | | | | | **2020** | **2021** | **2022** | **2023** |
| Cash | | | | | 9.4% | 9.3% | 10.1% | 9.8% |
| Bonds | | | | | 49.6% | 48.9% | 45.7% | 49.1% |
| Equity | | | | | 7.7% | 6.7% | 7.8% | 5.1% |
| Other | | | | | 33.2% | 35.1% | 36.4% | 36.0% |

**Description.** Insurance portfolios across Europe have steadily shifted away from bonds toward alternative assets. France and Italy maintain extremely low equity exposures (~2.7% and 1.3%, respectively) while expanding "Other" allocations to over 50%, reflecting growing interest in real estate, private equity, and structured products. Sweden, once equity-heavy, has drastically reduced its stock holdings to just 6.2% by 2023, reallocating toward private markets. UK insurers mirror this trend, with equity allocations falling below 6% and a growing share of assets moving into alternatives—highlighting a continent-wide transformation in insurance investment strategy toward illiquid, long-duration assets.

# 7. PEA PIR ISK ISA

The comparison of retail investment instruments across different jurisdictions highlights the varying levels of success in stock market participation, largely driven by regulatory frameworks, tax incentives, and investor behaviors. The table and graphs indicate significant disparities in adoption rates, total financial wealth allocation, and the effectiveness of different schemes in mobilizing household savings towards equity markets.

Among the investment vehicles analyzed, Sweden's ISK (Investeringssparkonto) emerges as the most successful in fostering retail stock market participation. With a adoption rate of 47% and 12% of total financial wealth allocated to ISK accounts, Sweden demonstrates a strong retail investment culture. This success can be attributed to a combination of historical tax incentives, cultural familiarity with equities, and integration with the pension system. The early introduction of tax-free equity investment schemes in the 1980s coincided with a period of strong market performance, embedding equity investment habits in Swedish households. Additionally, Sweden's Premium Pension System, which allocates 2.5% of an individual's salary into investment funds, has further normalized participation in capital markets.

France's PEA (Plan d'Épargne en Actions), while effective compared to other European schemes, exhibits a adoption rate of 13.4% and holds a modest 2.3% of total financial wealth. The PEA's tax benefits, which exempt capital gains from income tax after five years, have contributed to its stability. However, its impact is somewhat constrained by regulatory limits on eligible investments, as it requires at least 75% of assets to be allocated to European stocks, reducing its flexibility compared to Sweden's ISK. The French preference for life insurance as a savings vehicle further limits PEA participation, as highlighted in the document.

The UK's ISA (Investment Savings Account) remains a key component of the British savings system, with a adoption rate of 52%, demonstrating a broad adoption of tax-efficient investment vehicles. The Stocks and Shares ISA, in particular, facilitates equity market participation by exempting capital gains and dividends from taxation. However, the report highlights a recent trend of declining allocations to equity-based ISAs, partly due to concerns over market volatility and shifts toward safer assets. To counter this, the UK government introduced the British ISA in 2024, adding a £5,000 tax-free allowance specifically for domestic investments, aiming to reinvigorate UK equity market participation.

Italy's PIR (Piani Individuali di Risparmio or Individual Savings Plans), introduced in 2017, has struggled to gain traction, with a adoption rate of only 1.5% and a 0.5% share of financial wealth. While it offers full tax exemption on gains, its requirement to allocate 70% of assets to Italian securities limits diversification and has likely dampened investor enthusiasm. The lack of a strong retail investment culture and the dominance of government bonds in Italian portfolios further contribute to its limited success.

France, the UK, and Sweden have all implemented tax-sheltered retail investment schemes that meaningfully shift household savings toward equity markets. France's PEA and PEA-PME accounts offer full exemption from income tax on dividends and capital gains after five years, subject only to social contributions. These accounts have attracted over €115 billion in assets and represent a critical pillar of retail market participation. Italy's PIR scheme offers comparable tax treatment - income tax exemption after five years for qualifying investments in domestic SMEs - but imposes stricter portfolio composition rules and investment thresholds. Despite offering additional benefits for insurance-based PIRs and innovative start-up investments, Italy's adoption remains limited, in part due to lower awareness and weaker equity culture. Aligning retail incentives with long-term fiscal benefits, as Sweden's ISK or the UK's ISA also demonstrate, remains essential to broadening the domestic investor base.

Targeted tax incentives are critical to strengthening SME equity finance. France's PEA-PME, FCPI, and FIP structures all combine preferential income tax deductions with full capital gains exemptions after a minimum holding period, channeling private capital into high-growth firms. Italy has responded with enhancements to its PIR framework, including expanded investment thresholds and tax credits for investments in innovative start-ups and SMEs—rising to 65% in some cases. However, uptake has been modest. Fragmented execution, limited awareness, and rigid allocation constraints have hindered the scaling of these instruments. By contrast, France's layering of SME-focused schemes with a supportive public investment architecture (e.g., CDC Croissance) ensures alignment between tax incentives and actual capital deployment. Italy could replicate this by coupling tax benefits with state co-investment programs or simplified retail access to SME-focused investment vehicles.

Overall, the degree of success of these investment vehicles correlates strongly with tax incentives, regulatory flexibility, and cultural factors. Sweden's ISK benefits from historical tax policies and ingrained investment habits, while France's PEA and Italy's PIR face constraints from strict eligibility requirements and competing savings vehicles. The UK's ISA remains robust but is undergoing policy adjustments to sustain its impact. These findings reinforce the importance of policy-driven incentives and market accessibility in shaping retail investor participation across different financial ecosystems.

**FIG. 33. % Share of Household Financial Wealth**

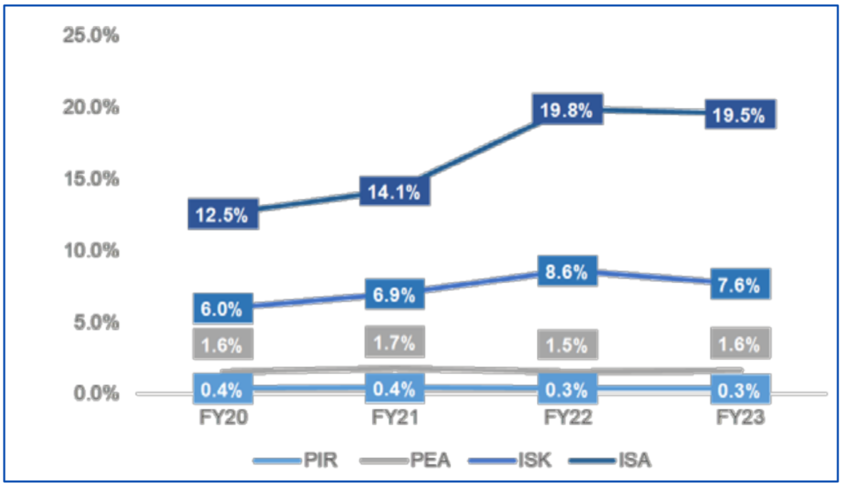


**FIG. 34. Adoption Rate**

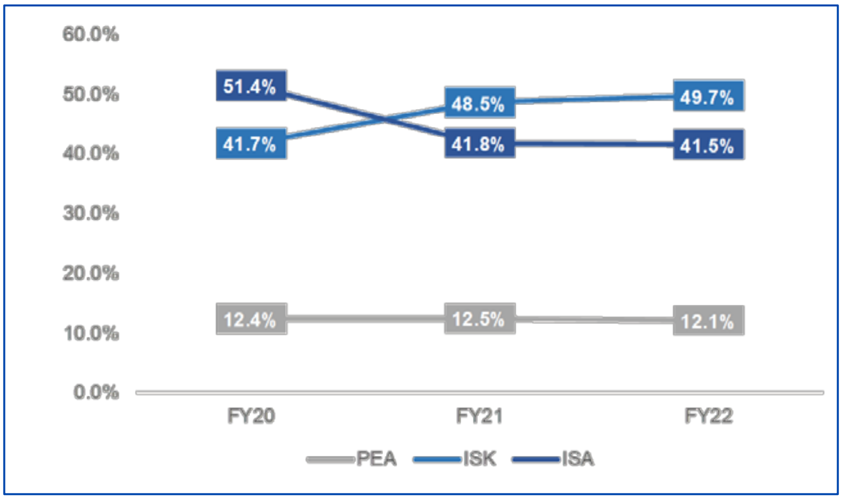



**FIG. 35. Inflows / AUM**

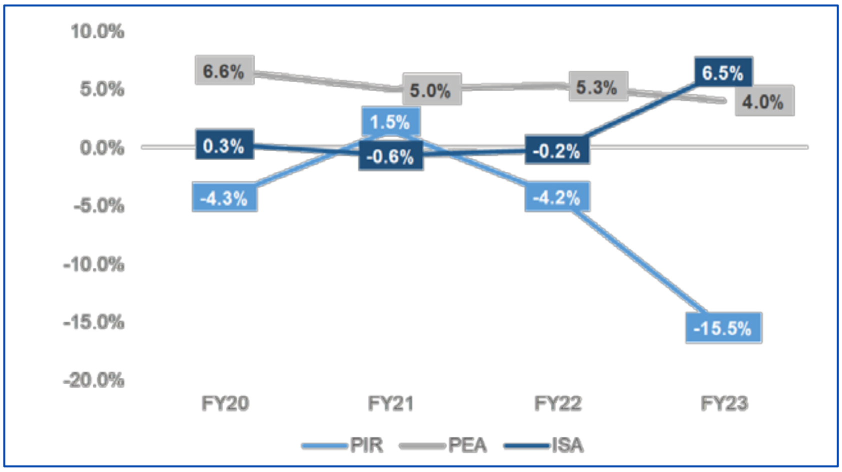
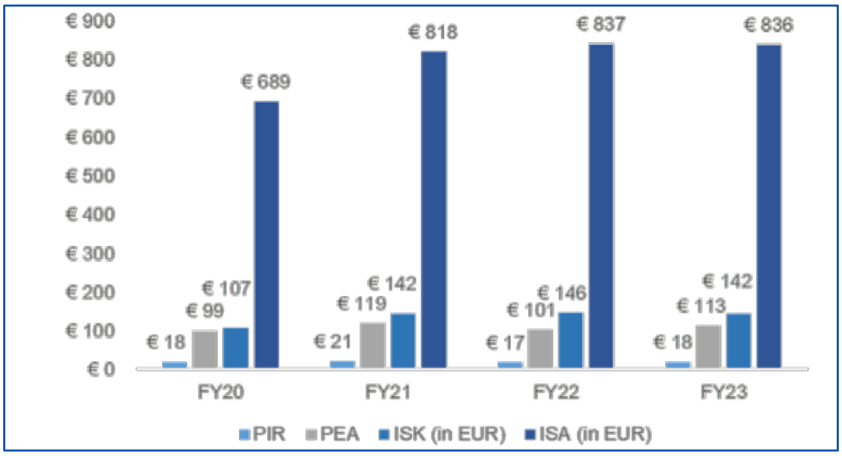



**FIG. 36. AUM** *(€ in bln)*




**Description.** Sweden's ISK stands out for its widespread adoption and deep integration into household investment behavior, supported by automatic tax treatment and ease of use. The UK's ISA also demonstrates strong retail penetration and sizable accumulated assets, though recent momentum has slowed. France's PEA benefits from long-standing tax incentives and moderate uptake among wealthier households. Italy's PIR, despite generous tax treatment, has seen limited adoption, reflecting broader structural challenges in retail investor engagement and low equity market participation.

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