FESE Discussion Paper - “Removing Barriers to Public Listings and Growth in EU Capital Markets”

28th April 2026

Strong primary markets are a strategic asset for the European economy. They enable companies to raise long-term capital, scale, and remain anchored in Europe as they grow, while giving investors transparent access to value creation. Vibrant public markets are also essential to delivering the EU’s broader ambitions, from strengthening competitiveness and advancing the Savings and Investment Union to financing the green and digital transitions.

While recent reforms have laid important groundwork, Europe must continue to focus on creating the conditions for a truly attractive and sustainable listing environment. This requires removing barriers to going public and reinforcing the broader market ecosystem.

In this context, this discussion paper calls for renewed political attention to primary markets and suggests potential actions to build on the Listing Act, with the objective of strengthening the attractiveness and effectiveness of EU primary markets as a cornerstone of growth, investment and competitiveness.

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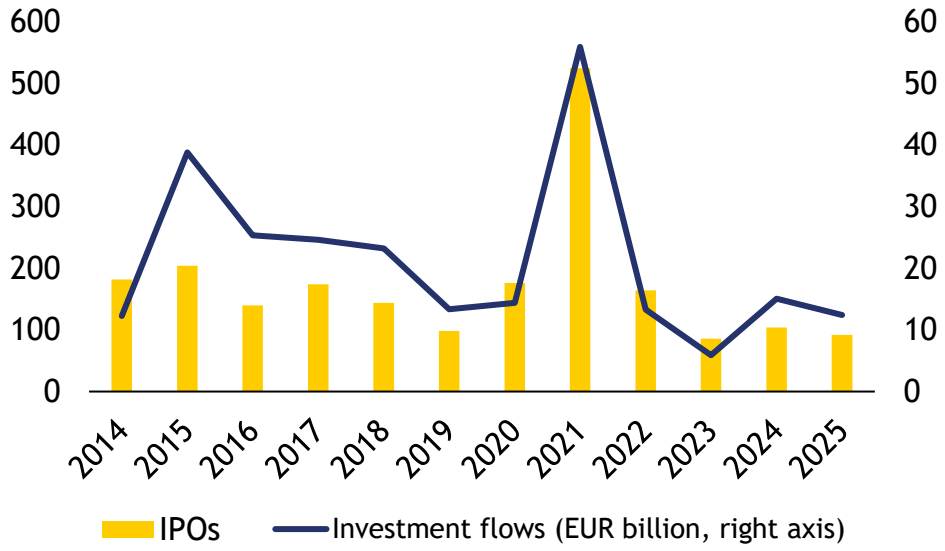
1. Introduction

Primary markets are vital for capital formation, company growth, and long-term economic development. An attractive and accessible public market ecosystem is essential to achieving the EU's strategic objectives, such as enhancing competitiveness, deepening the Savings and Investment Union (SIU), and enabling companies to scale and lead the green and digital transitions. Public markets represent the natural progression after venture capital and private equity, providing continuity across the corporate funding journey.

The Draghi Report highlights that Europe still falls short of providing the deep and dynamic primary markets needed to support innovative companies, although important changes were introduced through the Listing Act.[1] New Financial's report reveals that, over the past decade, 130 European companies, with a combined market value of $676 billion, have shifted their primary listings to the US. While these account for only 2% of all listed companies in Europe, they are among the region's most progressive.[2] Meanwhile, the rise of private capital has enabled companies to scale outside public markets or to delist following acquisition by private equity firms. FESE statistics also confirm an increase in delistings in 2024 compared to 2023 on both regulated markets (RMs) and SME-focused MTFs.[3]

Europe's IPO market remains subdued[4]



Despite these trends, European public markets are showing signs of recovery, with IPO activity recently picking up, alongside an increase in demand from retail investors. FESE's Annual Statistical Report indicates that, while IPO activity remained subdued compared to previous years, it gained momentum in 2024, particularly in the second half, recovering from

[1] The Draghi Report on *The Future of European Competitiveness* (here), p. 284.

[2] New Financial report, *A Reality Check on International Listings* (here).

[3] FESE Listed Equity Database enlarged edition for 2023 and 2024 (here).

[4] Source: FESE Monthly Statistics and Annual Statistical Report 2025 (here).

the low level observed in 2023.[5] In Q1–Q3 2025, its total activity over the three quarters held relatively steady compared to the same period in 2024, with Q3 showing some modest signs of improvement.[6] This renewed momentum, coupled with the political focus on EU competitiveness and SIU, presents a good opportunity to build on the Listing Act's progress.

The Listing Act is a key step towards reducing administrative burden and simplifying listing procedures, but it should be regarded as a starting point. Strengthening Europe's public markets therefore requires not only regulatory simplification but also measures that enhance liquidity, broaden the investor base, and improve the overall attractiveness of listing within Europe.[7] Deep, transparent, and liquid secondary markets are essential for attracting IPOs, which in turn calls for a necessary review of EU's market structure.[8] Without an overarching roadmap, Europe risks continued erosion of its capital-market depth and the long-term loss of high-growth companies to other jurisdictions. Therefore, further reforms are needed to make the EU's primary markets more efficient, accessible and dynamic.

This paper presents additional proposals for regulatory relief and changes to the EU's primary markets framework, complementing upcoming reforms under the Listing Act.

Key messages:

- **Ensure harmonised implementation of the Listing Act:** Avoid gold-plating, uniformly apply the €12M prospectus exemption, clarify the scope of the new prospectus exemptions, accept English-language public offering submissions, reduce the free float to 10%, move to machine-readable prospectuses and their associated documents.
- **Align the transposition and implementation of other frameworks:** Ensure better alignment in the transposition of the Transparency Directive and the Shareholder Rights Directive, and harmonised implementation of the Market Abuse Regulation.
- **Simplify ESG obligations:** Ensure a well-calibrated ESRS framework that seeks relevant ESG data without overburdening reporting companies.
- **Introduce listing incentives:** Member States to consider introducing an "IPO Bonus" (e.g. tax relief and subsidies), complemented by demand-side incentives, and encourage the use of EU based financial market infrastructures (FMIs) when securities are issued, sold, or distributed within Europe.
- **Tailor the Market Abuse Regulation (MAR):** Adapt MAR requirements to bond-only issuers by introducing proportionate disclosure requirements.
- **Support the development of retail bond markets:** Assess the effects of the recent move to a single disclosure standard in the UK to determine whether a similar adjustment could be considered in the EU Prospectus Regulation (PR).
- **Continue targeted regulatory relief for SMEs to support their growth toward IPOs:** the Commission initiatives for SMEs and scale-ups should also recognise the importance of listed companies and public capital markets in driving EU competitiveness.

[5] FESE Annual Statistical Report 2024 (here).

[6] FESE Capital Markets Fact Sheet Q3 2025 (here).

[7] Oliver Wyman Report 'The Liquidity Matrix – Addressing fragmentation in European equity markets'(here).

[8] Better Finance & FESE joint statement: Call to action for the market integration package (here).

2. General recommendations on facilitating entry to regulated markets and MTFs

2.1. Harmonised implementation of the Listing Act

As an immediate priority, it is crucial to ensure the consistent and harmonised implementation of the Listing Act across Member States. A key concern is the risk of gold-plating, adding national requirements beyond EU legislation, which could undermine the Act's core objectives of simplifying and harmonising listing procedures. National transpositions must adhere to the intended framework and avoid imposing additional burdens for issuers.

Priority areas for harmonisation include, as introduced by the Listing Act:

- **Prospectus Exemption Threshold**: Uniform adoption of the €12 million threshold for prospectus exemptions following the introduction of the dual-threshold system in Article 3 of the PR. This will ensure predictability for cross-border issuers.
- **Scope of New Prospectus Exemptions:** Provide further clarification on the scope under the Listing Act, Article 1(4) (da), (db) and (5)(ba) of the Prospectus Regulation. We welcome ESMA's recent statement aimed at ensuring the smooth implementation of the Listing Act.[9] However, additional clarifications are still required, especially regarding the following elements:
    - The Listing Act simplifies capital increases by eliminating the prospectus requirement for certain cases, but the extent of these exemptions remains unclear. A compliance declaration (Annex IX, IV) in the 11-page document is required. It is not certain if issuers with previous compliance violations can also use these exemptions and whether all violations must be remedied.
    - Uniform interpretation of the terms "restructuring" and "insolvency proceedings" as used in Article 1(4)(da) and (db) and Article 1(5)(ba) of the PR is essential, confirming that the concept of restructuring refers to formal, legally regulated restructuring processes — including those governed by national law — rather than any type of remedial or recovery actions.
- **Summary Document Requirements:** Where a prospectus exemption applies, national legislation should refrain from requiring specific local obligations. If national laws require such documentation, it should be standardised and contain the same content as a prospectus summary.
- **Language Flexibility:** Member States should accept English for public offering documentation, as introduced by the Listing Act, Article 27(1) of the PR. Despite the opt-out provision in Article 27 for domestic offers, we encourage Member States to accept documentation in English, at the choice of the issuer.
- **Risk Factors**: The current requirements regarding the ranking and presentation of risk factors, including the limited number of categories and prescribed ordering, are burdensome and do not align with international practices. Compared to US regulation, compliance with EU risk factor rules is significantly more complex, creating unnecessary administrative effort for issuers. Following the targeted amendments in the Listing Act, specifically Article 1(15), which amends PR Article 16(1) on risk factors, issuers now have slightly greater flexibility in ordering and presenting material risk factors. Continuing

[9] ESMA statement on the implementation of certain changes to the Prospectus Regulation introduced by the Listing Act (here).

simplifying the EU risk factor regime should be a key priority to ensure that EU capital markets remain competitive internationally while maintaining investor protection.

- **Free Float Requirement:** The free float threshold should be reduced to 10% and applied in a harmonised manner across all Member States, following the repeal of the Listing Directive and the introduction of this requirement in Article 51a(4) of MiFID II, as amended under the Listing Act.
- **Digitalisation:**
    - First, adopt a digital-first approach, in line with the Listing Act changes, to move away from the paper format of prospectuses.[10] Digitisation and standardisation should lower costs for issuers and make information clearer for investors, provided it does not impose complex tagging requirements like the European Single Electronic Format (ESEF). Requiring iXBRL tagging for prospectuses would negate the intended regulatory relief by introducing significant compliance costs, especially since the development of Artificial Intelligence makes complex, manual data-tagging largely redundant for data extraction and analysis.
    - Second, adopt a digital-first approach for documents to be provided based on the prospectus exceptions under Article 1(4) and (5) PR, since the rules on the format of prospectuses, such as downloadable, printable and in searchable electronic format that cannot be modified, are not applicable for non-prospectuses.
- **Incorporation by Reference**: While the PR permits the incorporation by reference of documents stored in an OAM, practical application is constrained by strict conditions. The Listing Act amended PR Article 19 to allow, in certain cases, incorporation of annual and interim financial information without issuing a supplement. Greater flexibility in the use of incorporation by reference would allow issuers to avoid duplicating information already publicly available, thereby reducing administrative burdens while preserving the transparency of information provided to investors.

Suggested actions:

- **Member States:** ensure a consistent, gold-plating-free implementation of the Listing Act by uniformly applying the €12 million prospectus exemption threshold, avoiding additional national documentation requirements, accepting English-language offering materials, applying the 10% free-float threshold consistently, and supporting digital-first processes without imposing burdensome tagging or iXBRL-style formats.
- **Commission:** ensure harmonised implementation of the Listing Act by monitoring Member State transposition, and clarifying the scope of new prospectus exemptions, including definitions of "restructuring" and "insolvency". It should also continue simplifying the EU risk-factor regime to align with international standards.
- **ESMA:** ensure supervisory convergence by monitoring national practices, identifying divergences, and promoting consistent implementation of the Listing Act across Member States.

[10] Recital 51 in the Listing Act amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 (here).

2.2. Harmonisation of other frameworks & consistent implementation

Fragmentation in national regulations continues to deter private companies from listing. FESE welcomes the Commission's objective of promoting alignment in the transposition of Directives and harmonisation of national laws.

2.2.1. Shareholder Rights Directive (SRD)

One notable area of divergence across Member States relates to the Shareholder Rights Directive. In particular, **divergent approaches to "say on pay" provisions,** which outline shareholders' right to vote on the remuneration policy, create uncertainty and complexity for issuers, as some Member States have introduced requirements that go beyond the EU Shareholder Rights Directive. Greater convergence in this area would help ensure legal certainty and predictability for issuers.

2.2.2. Transparency Directive

Enhanced alignment at the EU level in the transposition of the Transparency Directive would also improve issuer confidence and predictability. The implementation of the Transparency Directive remains fragmented across Member States, leading to divergent supervisory approaches by national competent authorities. This results, for example, in inconsistent enforcement of disclosure obligations, particularly regarding delayed publication of annual financial reports by listed companies. While some NCAs require immediate trading suspensions, others rely on financial penalties or judicial procedures, or may consider delisting only after prolonged non-compliance. FESE Members observe that, in many jurisdictions, NCAs initially rely on non-public supervisory measures, whereas in others issuers may face a direct trading suspension on a T+1 basis.

Furthermore, a broader review of the Transparency Directive could identify outdated or overly burdensome obligations that no longer reflect market realities. In particular, the system for major holdings notifications should be harmonised. A model whereby the shareholder notifies only the competent authority, which then publishes the information and informs the issuer and relevant databases, would reduce administrative duplication. Issuers should not be obliged to separately notify the market or authorities. Several Member States already apply such a model, which could serve as best practice at EU level.

2.2.3 Market Abuse Regulation (MAR)

Even harmonised EU rules, such as the Market Abuse Regulation requirements on inside information, are often interpreted differently by NCAs, highlighting the need for harmonised implementation to ensure a level playing field for issuers, particularly SMEs. For example, the Swedish FSA considers MAR transparency requirements to apply as soon as a company begins discussing a potential listing with a market operator, which is especially burdensome for SMEs with few shareholders and many exploratory discussions that may never lead to a listing. This strict interpretation of MAR rules seem to differ from the general practice in most other EU jurisdictions. SMEs also have far fewer resources than large-cap companies, often lacking full-time investor relations (IR) staff, yet must still disclose inside information immediately, even for small but material events, sometimes at impractical times. Since SME shares cannot be traded outside their primary venue, there is no risk of trading on undisclosed information, so allowing publication before the next trading day should be sufficient. **EU policymakers could also consider establishing a simplified MAR regime tailored to SME issuers**, as a more proportionate set of obligations would help reduce administrative burdens that fall disproportionately on smaller companies.

A further example is the requirement in some jurisdictions to use exclusively local languages for ongoing disclosures under MAR. This has created challenges for international companies that have asked whether disclosure in English would be acceptable. Allowing English-language disclosure under MAR would facilitate cross-border investor access.

Suggested actions:

- **Member States:** focus on consistent transposition and application of EU rules, avoiding gold-plating, particularly in the SRD, Transparency Directive, and MAR frameworks.
- **Commission:** consider reviewing the Transparency Directive to identify outdated or burdensome obligations, in particular related to major holdings notifications; assess whether a simplified MAR regime for SMEs is needed.
- **ESMA:** ensure supervisory convergence and consistent interpretation across NCAs, particularly in the SRD, Transparency Directive, and MAR frameworks.

2.3. ESG requirements

FESE welcomes the removal of the distinction between listed and non-listed undertakings in the recently adopted Sustainability Omnibus, as stipulated in the new employees and net turnover thresholds. This reflects a longstanding FESE position that corporate obligations should be based on company size and impact, rather than the source of funding. This change is essential not only to reduce significant administrative burdens and compliance costs, on top of the already high requirements faced by listed companies, but also to avoid deterring SMEs from going public and to curb the risk of increased delistings.

Looking ahead, FESE supports the simplification of European Sustainability Reporting Standards (ESRS), as initiated by EFRAG, and the corresponding voluntary reporting standards for SMEs (VSME) to be developed in accordance with the final Omnibus outcome. To meaningfully advance this process, **we underscore the relevance of a well-calibrated ESRS that strikes an appropriate balance between the need for ESG data and the risk of overburdening companies.** In this context, ensuring interoperability among reporting frameworks, including from a global perspective, and alignment within the EU sustainable finance framework (e.g. SFDR, BMR) is of utmost importance to ensure consistency of legal obligations and avoid duplicative requirements.

The upcoming VSME should contain all relevant basic KPIs needed for financial products (e.g., SFDR, MiFID II), adequately reflect the value chain cap foreseen in CSRD, and take into account the resource constraints of companies with fewer than 1000 employees. These are important considerations in the context of advancing the SIU and simplification agendas, as well as in enhancing the attractiveness of the EU's primary markets.

Suggested actions:

- **Member States**: adequately transpose the Sustainability Omnibus to ensure the removal of the distinction between listed and non-listed undertakings in terms of sustainability reporting.
- **Commission:** ensure interoperability across EU sustainable-finance legislation (e.g., SFDR, BMR) with global reporting frameworks to avoid duplication.

2.4. Additional incentives

2.4.1. Supply-side incentives

Member States should consider introducing additional incentives to encourage companies to list on EU public markets, and encouraging the use of EU based FMIs when securities are issued, sold, or distributed within Europe. Where compatible with the overarching EU framework, consideration could be given to more binding measures.

One potential proposal is an "**IPO Bonus**" in the form of a partial tax exemption or regional subsidy covering IPO-related costs incurred during the first two years of listing, provided the listing take place on an EU regulated market or MTF. This would lower financial barriers and make listing more accessible for a broader range of companies, particularly SMEs.

2.4.2. Strengthening retail demand

We also would like to emphasise the need **to develop long-term investment products, supported by incentives,** to increase demand. FESE welcomes the recently published Recommendation on Savings and Investment Accounts and believes that granting tax incentives is an important step for the success of such an account and for the overarching goal of mobilising private capital and increasing retail investor participation.

2.4.3. Mobilising pension capital and institutional demand

In addition, we **welcome the recently published review of the IORP II Directive, as well as the review of the PEPP Regulation,** aimed at mobilising pension fund capital and creating an effective pan-European personal pension product. Pension funds are key investors that channel capital from households into the capital market. They are also key players and long-term, stable investors in publicly traded companies, representing strong demand side for equity capital market transactions, both primary and further follow-ons.

To further strengthen the demand side of EU capital markets, it is also essential to remove barriers that limit institutional investment in equity. With respect to Solvency II, **FESE welcomes the review of the Solvency II framework and its alignment with Capital Requirements Regulation** to remove regulatory barriers and enhance insurers' capacity to invest in equity, particularly in SMEs.

2.4.4. Targeted incentives for sustainable and digital bonds

Finally, drawing on the recommendations of both the Commission High-Level Expert Group (HLEG) on Sustainable Finance and the Technical Expert Group (TEG), which highlight the importance of market incentives to scale up sustainable financial products, the EU could consider adopting grant schemes similar to those implemented in Hong Kong and Singapore.[11] By **introducing targeted financial incentives for the issuance and listing of debt instruments, particularly sustainable and digital bonds**, the EU could attract high-quality financial instruments and associated global capital flows to its markets. This approach would not only enhance the EU's status as a leading financial centre worldwide but also support the growth of its sustainable and digital finance ecosystems, aligning with the objectives of the EU Green Bond Standard and other relevant regulatory frameworks.

Suggested actions:

- **Member States:** consider introducing additional incentives, such as an "IPO bonus" to encourage companies, especially SMEs, to list on EU public markets; support the rollout of long-term investment products by adopting national tax incentives aligned with the EU Recommendation on Savings and Investment Accounts.

[11] For instance, Hong Kong has introduced the Green and Sustainable Finance Grant Scheme, which provides subsidies to cover expenses related to bond issuance, such as external review costs and bond arrangement fees. Meanwhile, Singapore has launched the Sustainable Bond Grant Scheme, which offers grants to issuers of green, social, and sustainability bonds to offset the costs of obtaining external reviews and certifications.

- **Co-legislators:** continue reviewing and updating the IORP II Directive, and PEPP Regulation to strengthen pension-fund participation in capital markets.
- **Commission:** continue assessing other legislative barriers that may prevent institutional investors from investing in equity; explore EU-level grant schemes for sustainable and digital bond issuance, drawing on models from Hong Kong and Singapore.

3. Barriers to bond issuance & retail investor access

3.1. Market Abuse Regulation and bond issuance

The current requirements in the Market Abuse Regulation (MAR) are a key factor contributing to the growing number of both EU and non-EU issuers either delisting their bonds from EU markets or choosing to list new issuances on non-EU venues. MAR applies uniformly to issuers of all financial instruments, without distinguishing between different types of securities.

Originally drafted with equity markets in mind, MAR's "one size fits all" approach fails to reflect the specific characteristics of debt instruments. Equity prices are more volatile and thus more susceptible to market manipulation and market abuse risks. In contrast, bond prices are more stable and driven primarily by market, liquidity, and credit risks, none of which bondholders can control. Applying equity-oriented compliance requirements to bond-only issuers is therefore disproportionate and misaligned with market realities.

FESE believes that MAR provisions should be more appropriately tailored for issuers that exclusively issue bonds, to better reflect the nature of debt instruments and their market dynamics. While we welcome the Listing Act targeted amendments, such as exemptions for intermediate steps in protracted processes and simplified disclosure obligations, these changes alone are insufficient to enhance the competitiveness of EU bond markets.

FESE proposes the following additional measures:

- **Proportionality:** Introduce exemptions or a simplified MAR regime for non-traded or infrequently traded bonds, such as periodic rather than continuous disclosure, drawing inspiration from the US rules. In parallel, MAR requirements could be more proportionately calibrated to the economic nature and risk profile of the financial instruments concerned, ensuring that obligations are appropriately tailored and do not impose unnecessary burdens where market integrity risks are limited.
- **Inside information:** The current test in Article 7(4) MAR to determine "significant effect on the prices of financial instruments" is difficult to apply to the debt markets, which are generally less liquid and less volatile than equities. We recommend limiting disclosure obligations to information that directly affects an issuer's ability to meet its debt repayment obligations.
- **Principle-based approach**: MAR could benefit from adopting a more principle-based approach, supplemented by interpretative guidance, similar to the US SEC's practice of issuing no-action letters, to foster harmonisation and provide clarity without constant legislative amendments.

3.2. Supporting the development of retail bond markets

EU bond markets are dominated by institutional investors, limiting diversification and retail access. Generally, the number of tradable corporate bonds on the market is declining, with even fewer accessible to non-professional investors.[12]

Following the introduction of the new Public Offers and Admissions to Trading Regulations 2024 (POATRs) as well as the new sourcebook on Prospectus Rules to Admission to trading (PRM), the UK recently removed the existing dual disclosure standard for 'retail' and 'wholesale' non-equity securities, as the FCA considers that this distinction has hindered the development of a retail bond market in the UK.[13] Therefore, the FCA introduced a single disclosure standard based on the existing requirements for wholesale non-equity securities which entered into force on 19th January 2026.

Given the importance of improving retail investors' access to corporate bonds in the EU, **FESE recommends further assessing the effects of this recent change in the UK over the coming months to determine if it delivers any positive improvements for non-equity markets and whether a similar adjustment should be considered for the EU framework.** Work in this direction could help foster access for retail investors in Europe to these investment opportunities.

3.3. Boosting EU market attractiveness for sovereign bond issuance

To strengthen the competitiveness of EU capital markets while maintaining appropriate investor protections, **EU policymakers could consider exempting third-country sovereign issuers from the prospectus requirement when seeking admission to trading on a regulated market for bonds targeted at wholesale investors**. Such an approach would align the EU framework more closely with the UK's POATR regime, where non-equity securities issued by public international bodies are already exempt from the prospectus requirement, thereby simplifying issuance processes for low risk public sector borrowers and enhancing the overall attractiveness of EU markets in the global landscape.

Suggested actions:

- **Commission:** assess whether MAR's "one-size-fits-all" approach remains appropriate for bond-only issuers and propose legislative amendments to introduce proportionality for debt markets; monitor the UK's recent move to a single disclosure standard for non-equity securities in the Prospectus Regulation; consider exempting third-country sovereign issuers from the prospectus requirement for wholesale bond admissions, aligning the EU framework with the UK POATR regime.

4. Supporting SME scale-up and transition to public markets

The EU's renewed focus on strengthening the role of SMEs within the Single Market is both welcome and timely. Recent legislative simplification packages signal a clear commitment to creating a more supportive environment. Initiatives such as InvestEU and the Omnibus II play a key role in unlocking capital and empowering SMEs to scale and innovate toward IPO

[12] EuropeanIssuers & FESE Joint Position Paper: Unleashing Retail Investor Participation in the Corporate Bond Market (here).

[13] The Public Offers and Admissions to Trading Regulations 2024 (here); FCA Policy statement on the new rules for the public offers and admissions to trading regime (here).

readiness. In this context, the introduction of a 28th regime could further streamline the path for SMEs seeking to grow and eventually list. Complementing these efforts, the Commission's initiatives, like the European Competitiveness Fund (ECF) and the Scale-up Europe Strategy, will help reinforce pre-IPO financing frameworks by providing targeted support to scale-ups and SMEs, ultimately enhancing their preparedness for public listings.

FESE believes that **these initiatives should also acknowledge the vital contribution of listed companies and public capital markets** to Europe's innovation, competitiveness, and scale-up capacity. Rather than concentrating exclusively on private financing, the Commission could consider additional measures to help companies bridge the gap between private and public markets, positioning listings as a complementary funding opportunity. With numerous VC-focused initiatives already established across Europe, public markets are the natural next step in the growth journey of innovative companies. Yet institutional investors often remain cautious toward young firms with limited track records and early-stage profiles. Therefore, FESE suggests:

- **Establishing a public-private fund to support SMEs' IPOs:** Structured as a fund of funds (FoF) fuelled by a group of strategic partners, including EU and development agencies, and encouraging the use of EU based FMIs when securities are issued, sold, or distributed within Europe, it could provide direct capital and cover a part of listing and service costs, easing access to capital markets. Benefits include smoother exit pathways for VC funds, improved access to growth capital for innovative companies across the region, incentives to stimulate innovation and R&D within the startup ecosystem. Start-ups could benefit from better capital raising, improved capital market access, higher valuations and increased visibility for investors. The fund would participate in the book-building during the IPO phase and act as an anchor investor and trusted partner with flexible holding periods. A sufficient fund size would be necessary to allow also large financing rounds for unicorns. The fund should be able to invest at all stages with a particular focus on late-stage (pre-IPO), at the IPO and post-IPO funding and in all sectors. This fund could reduce the late-stage financing gap, strengthen the transition from private to public capital market to enable innovation, value creation and growth and build new EU-based global champions.
- **Bridge between private markets and public markets:** A European marketplace for direct secondary transactions in late-stage startups may enable existing shareholders of private companies to transact their shares with accredited investors and improve pre-IPO liquidity. Early-stage investors and founders would be incentivised to invest as they have better exit options. Accredited investors are mostly institutional investors. However, with an appropriate but limited regulatory framework, the advantages of a secondary market for private capital should be opened to a broader base of investors. Also, retail investors could profit from the opportunities by investing in ETFs and funds that are directly invested in private companies, but ensuring investor protection. Better access offers more liquidity and better price formation. Solutions with fund-of-funds with retail focus could also be considered.
- **Potential "EU PISCES":** The potential development of an EU platform similar to the UK Private Intermittent Securities and Capital Exchange System (PISCES) could provide investors with more opportunities to inject capital in private companies and offer increased secondary market liquidity to facilitate an exit. In this context, we welcome the Commission's consultation exploring the establishment of a platform for secondary trading of private company shares at EU level, as it reflects a constructive effort to strengthen Europe's capital markets ecosystem. That said, it is critical to ensure that any such framework works as a complement to and not as a replacement of public markets.

4. 1. New SMCs definition

The Commission's introduction of the Small Mid-Caps (SMC) definition under Omnibus IV, covering nearly 38,000 EU companies that fall between SMEs and large enterprises, could have the potential to support scale-up and alleviate the regulatory "cliff-edge" effect by extending certain SME-type benefits to a broader group of growing firms.

We look with interest at the proposal to allow SMCs to use the EU Growth issuance prospectus introduced by the Listing Act, which could help reduce the complexity and cost of listing. We also support easing the criteria for MTFs to qualify as SME growth markets if at least 50% of issuers are SMCs, and suggest renaming these as "SMC Growth Markets." Other proposals, such as extending GDPR simplifications to SMCs could also offer meaningful relief.

At the same time, it will be important to consider the risk of added complexity from creating a separate SMC category with similar alleviations, especially given the varying adaptations of SME definitions across EU legislation and the potential confusion which may originate if both frameworks are mixed. While extending the existing SME definition may offer a streamlined route to granting similar benefits to SMCs, the SME frameworks must remain unaffected to serve their original purpose. To ensure future clarity, flexibility and proportionality, SMEs and SMCs should continue to be referenced as distinct categories within the same overall regulatory framework. This allows targeted alleviations to be applied to SMCs where appropriate, without diluting SME-specific measures tailored to their needs.

We encourage co-legislators to ensure consistency across EU frameworks and establish clear, predictable criteria. In this regard, FESE proposes the following additional measures:

- **Refine SMC definition through multi-year averaging:** To avoid abrupt eligibility changes caused by year-on-year fluctuations, we propose basing SMC classification on a three-year average of number of employees, turnover, and balance sheet. This would mirror the approach used for SME calculations in the context of a SME Growth Market and supports more predictable planning for growing companies.
- **Broaden SMC alleviations across EU frameworks:** Extend simplification measures to other regulatory frameworks, notably ESG reporting obligations under CSRD. Depending on the outcomes of the Sustainability Omnibus, it could also be considered to extend the simplified ESG reporting standards to SMCs or to develop a tailored "SMC module" within the European Sustainability Reporting Standards.
- **Expand state aid eligibility:** SMEs benefit from favourable treatment under the General Block Exemption Regulation (GBER).[14] We recommend extending these provisions and other state aid rules to SMCs, especially for innovation, environmental protection, and access to finance, to ensure continued support as firms scale beyond SME thresholds without triggering a sudden loss of eligibility for critical public support.

Suggested actions:

- **Commission:** continue implementing and expanding initiatives to support SMEs; develop additional measures to bridge private and public markets, ensuring listings are positioned as a complementary funding route; explore establishing an EU-level public-private fund of funds to support SME IPOs; evaluate the potential development of an EU PISCES-type platform; ensure consistent implementation of the new SMC

[14] In certain cases, it allows Member States to grant aid up to €7.5 million without prior notification to the Commission.

definition, while maintaining clarity between SME and SMC categories to avoid regulatory overlap or confusion.

- **Co-legislators:** consider refining the SMC framework by basing eligibility on a three-year average to avoid abrupt year-to-year changes; broaden SMC alleviations across EU rules, including exploring simplified or tailored ESG reporting under CSRD; extend state-aid provisions such as GBER to SMCs so companies do not lose essential support as soon as they grow beyond SME thresholds.

5. Conclusion

The growing political momentum around EU competitiveness presents a timely opportunity to reinforce and modernise the primary markets ecosystem. The Listing Act marks a critical step forward, but it must be viewed as the beginning of a broader reform agenda.

To fully unlock the potential of EU capital markets and deliver on SIU, further targeted regulatory adjustments are needed to simplify access to regulated markets, reduce administrative burdens, and support scaling companies. By implementing the proposals outlined in this paper, from further harmonisation and MAR tailoring to listing incentives and SME/SMC support, the EU could take a step further and continue building deeper, more dynamic capital markets that serve the needs of companies and investors alike.