

EU equity markets at a turning point to restore competitiveness and strengthen capital markets

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The European equity market landscape is approaching a critical juncture. Recent developments under the Market Integration and Supervision Package (MISP) signal an opportunity to address long-standing structural weaknesses in the functioning of equity markets and restore the EU's competitiveness.

Data highlight a concerning trend: the EU continues to lose attractiveness for both new and existing listings. Today, less than 10% of global IPOs take place in the EU, while the number of listed companies has declined by approximately 25% since 2007. Over the same period, competing global markets such as the US have significantly expanded their leadership, with higher IPO activity and greater market depth.

Listed companies play a vital role in Europe's economy. They support around 60 million jobs, representing over 30% of employment in the business sector, and contribute more than 50% of corporate tax revenues. This underscores the direct link between well-functioning and competitive public markets and the EU's capacity to finance growth, innovation and its strategic priorities.

Fragmentation and declining transparency: a structural challenge

A key issue affecting EU equity markets is the evolution in the fragmentation of liquidity. According to Oliver Wyman, the share of primary (lit) venues has decreased from 38% in 2020 to 30% in 2025. Recent ESMA data, excluding non-EU flows, also point to an ongoing shift in activity away from primary markets towards alternative execution mechanisms, with systematic internalisers recording the largest proportional increase in turnover and nearly doubling in number, from 26 in 2018 to 50 in 2025.

This trend is particularly significant because primary (lit) markets serve a public function that extends beyond trade execution. Despite accounting for less than one third of European equity trading, they remain critical to price discovery, transparency and market integrity. As the principal IPO venues, they invest substantial resources in developing the capital market ecosystem—supporting SMEs, enhancing issuer visibility, promoting financial literacy and encouraging retail participation. These activities underpin efficient capital formation and the long-term competitiveness of European public markets.

Against this backdrop, it is legitimate to question whether the evolution of the European equity market structure, which has intensified competition among execution venues, has moved beyond the point at which it supports efficient capital formation and vibrant public markets, instead contributing to increased market and liquidity fragmentation.

While competition can deliver benefits, excessive fragmentation may weaken price formation, reduce transparency and disperse liquidity, ultimately undermining investor confidence and the attractiveness of public markets as a source of financing for companies.

MISP: a unique opportunity to address fragmentation of trading at a functional level

Recent political momentum offers grounds for cautious optimism. The E6's political statement, now taken under the leadership of the Irish Presidency, and the European Parliament's draft report by *rapporteur* Markus Ferber propose important adjustments aimed at addressing market inefficiencies and rebalancing the competitive landscape.

As outlined in our [MISP position](#), FESE strongly supports reforms that:

- **Reinforce transparency** by improving data quality in bilateral and dark trading, while supporting the role of transparent trading venues within a diverse ecosystem.
- **Address regulatory asymmetries across execution models** to ensure fair and balanced competition.
- **Strengthening price formation and execution quality** through well-calibrated requirements, including price improvement and robust quoting practices for SIs.

Such measures are essential to restoring efficient and credible price formation under transparent markets, which underpins investor trust and lowers the cost of capital for issuers.

In addition to the important market structure adjustments present in the EP's draft report, and considering the risk that the extension of the equity consolidated tape (CT) foreseen in the Commission proposal would open the door to a "trading tape" with further consequences on market structure, it is crucial to support the pragmatic approach proposed by MEP Ferber on the CT topic on a review clause, as there is a need to fully assess experience of operations with the CT before considering any potential changes.

A strategic priority for Europe's future: call to action

The success of broader initiatives under the Savings and Investments Union will depend on the EU's ability to revitalise its public markets and create an environment that attracts companies to list and grow within the EU.

FESE calls on policymakers to seize the momentum created by the MISP process and deliver bold, structural reforms that:

- **Reduce excessive liquidity fragmentation**
- **Strengthen transparency and price formation**
- **Foster a competitive and attractive ecosystem for IPOs and capital raising**

Only through decisive action can Europe reverse current trends and ensure that its capital markets continue to support growth, jobs, and long-term prosperity.

FESE will continue supporting the negotiations with co-legislators and reaffirms its commitment to promoting targeted measures that enhance the ability of capital markets to serve the European economy and be competitive globally.

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Notes to editors:

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About FESE

The [Federation of European Securities Exchanges \(FESE\)](#) is the unique voice of European exchanges, advocating for fair, transparent and efficient capital markets to support growth and prosperity in Europe. We are committed to financing the economy, ensuring financial stability, and fostering sustainable development.

FESE represents 17 full Members and 1 affiliate Member from 32 countries. Exchanges operate both transparent regulated markets for securities and exchange-traded derivatives, and specialised SME growth markets that allow small and medium-sized companies to access public capital markets.

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