To:
Ministers of Finance of the EU Member States (ECOFIN)
Members of the European Parliament, Economic and Monetary Affairs Committee (ECON)
European Commissioner [redacted]

15th September 2026

Subject: Securing Europe's Strategic Autonomy and Competitiveness: Why Vibrant Primary Equity Markets and Robust Lit Trading Must be Anchored in MISP

Dear Ministers, Honorable Members of the European Parliament, Commissioner,

In light of the current geopolitical and economic realities, the European Union (EU) and its Member States are facing unprecedented structural challenges. Developments over recent months have brought into sharp focus the existential urgency of advancing Europe's strategic autonomy agenda.

Bold, decisive reforms are required to reignite sustainable economic growth and competitiveness in an increasingly fragmented and polarized global landscape. This is even more important considering the significant pressure on fiscal and monetary policy to avoid a continuation of the current negative spiral that runs the risk of creating systemic shocks and prolonged recession or stagnation trends, while also resulting in an increasingly challenging pressure point for democracies across the EU.

Alongside broader single market integration initiatives — such as the *"One Europe, One Market Roadmap"* — the transition from a fragmented Capital Markets Union to an effective Savings and Investments Union (SIU) represents a non-negotiable imperative for our collective future.

Therefore, the Market Integration and Supervision Package (MISP), acting as a critical key pillar of the SIU agenda, must be used as an opportunity to boost the growth and competitiveness agenda structurally. It remains critical to realise that strong primary equity markets and a healthy IPO ecosystem are necessary pre-conditions to attract business, jobs, tax income. Equally, deep and liquid primary debt markets remain a critical complement in channeling long-term financing to European businesses and sovereigns.

Why primary equity markets matter: >30% of all jobs, >50% of all corporate tax

Public equity markets are not an abstract financial construct. They are the bedrock of Europe's social market economy:

- **Employment & Public Revenues:** Publicly listed companies in the EU account for more than 30% of total non-financial private employment and generate over 50% of aggregate corporate tax revenues across Member States.
- **Closing the Fiscal-Monetary Squeeze:** As sovereign balance sheets face structural limits under reinstated fiscal frameworks, rising defense expenditures, and normalized interest rates, public finances alone cannot absorb Europe's €750–800 billion annual investment gap. Only public equity markets can provide a viable transmission mechanism to fund our societal future.

Yet, despite this vital role, European public equity markets are steadily losing global relevance.

The EU divergence: An alarming gap in equity market vitality

A comparison of key proxy indicators[1] across major economic zones demonstrates the scale of Europe's structural equity deficit:

Metric	EU27	US	Asia	Strategic Implication for Europe
Total Market Capitalisation (% of GDP)	~55% - 60%	~160% - 180%	~100% - 130%	Chronic under-capitalisation of European enterprises relative to economic size
Share of Global IPO Capital Raised (10-Yr Avg.)	< 10%	~40% - 45%	~35% - 40%	European scale-ups increasingly bypass domestic bourses to list in New York or Asia
Median Forward P/E Valuation Multiples	~12x - 14x (30-35% discount)	~20x - 22x	~15x - 18x	Depressed domestic valuations directly incentivize European corporate takeovers and foreign relocations
Equity Turnover Velocity	~65% - 70%	> 130%	~90% - 110%	Fragmented liquidity pools reduce depth, widening spreads for long-term institutional and retail investors

This dynamic creates a vicious cycle: Depressed liquidity generates lower valuations, prompting European high-growth companies to migrate abroad. This deprives European retail savers and pension funds of domestic wealth generation, while entrenching Europe's strategic dependency on foreign financial infrastructure and non-EU underwriting syndicates.

The root cause: Secondary market fragmentation and unfair competition have cannibalised primary liquidity

While our international peers have preserved centralised, high-conviction liquidity pools, European secondary equity market structure has evolved in the opposite direction.

Following the pure competition focus initiated under MiFID, the European landscape has fractured into over 500[2] competing execution venues — notably driven by an expansive network of Systematic Internalisers (SIs), dark pools and bilateral arrangements. As a result, the share of trading executed on primary exchanges, which perform the essential capital formation function by supporting listings and IPOs, has declined from its overwhelmingly dominant position prior to MiFID I to around 38% in 2020 and approximately 30%[3] today. This evolution illustrates the significant dispersion of liquidity across Europe's equity market ecosystem. Notably, Europe's largest equity trading venue by market share is now a multilateral trading facility (MTF), a venue that facilitates secondary market trading but does not support the primary capital-raising function of public markets through IPOs.

[1] Calculations based on data sourced from international institutions and market data providers, such as World Bank, OECD, European Commission, ECB, FESE, WFE, EY, PwC and MCSI among others

[2] ESMA database

[3] Oliver Wyman « The Liquidity Matrix — Rebalancing European Fragmentation » (July 2025)

This extreme fragmentation coupled with the declining share of primary exchanges that underpin capital formation through listings and IPOs has produced severe negative externalities:

1. **Erosion of valuations**: Less lit liquidity supporting primary market ecosystem directly translate into lower valuations. This directly translates into a structural loss of companies to other jurisdictions, and with that a structural loss of jobs, tax income, innovation, growth and competitiveness.
2. **Erosion of transparent price discovery and reference prices:** Since the MiFID I introduction in 2007, the EU has structurally eroded the price discovery in transparent markets. Nowadays, only about 30% of the market form the price, meaning that about 70% of the market selectively siphon off uninformed "clean" retail and institutional flow, running the risk of leaving lit multilateral order books to process residual, toxic flow. Lit order books establish the public reference prices that off-book venues rely upon without contributing to the cost of pre-trade price formation. This also results in a question of structural integrity and stability.
3. **Erosion of fair competition - different rules for the same trading activity:** Due to the fact that alternative execution venues, such as SIs, are subject to fundamentally different rules or no rules compared to a regulated market, there is no fair competition with an artificially tilted playing field in favor of dark trading.
4. **Knock-on effects, from index non-inclusion to non-engagement with stakeholders:** This also results in significant unintended consequences that further damage the EU's equity market ecosystem. For example, companies risk falling below index inclusion thresholds because the transparent liquidity which is used to measure eligibility is eroded. This drops their index eligibility, which in turn reduces passive investment, weakens free-float liquidity, and further undermines valuation. At the same time, listed companies lose visibility over where and how their shares are traded, limiting their ability to monitor their shareholder base and engage with investors.

Flawed Narratives Around MISP and Consolidated Tape Design

While many market participants asked for a consolidated tape, European exchanges are the only party effectively delivering through a democratic set-up of EuroCTP, including EBBO and real-time post-trade information.

The recent launch of the EU's first consolidated tape is a significant step forward for the SIU development and covers a broad and highly relevant range of use cases. Any discussion on expanding the tape should be evidence-based and carefully assess the implications for market functioning.

If the perimeter is eventually broadened, SI and other data from alternative execution venues must be included on equal footing to mitigate the existing transparency asymmetries due to their size and relevance in the market. However, at this stage, the EU should first learn from the recently agreed and implemented consolidated tape before considering material changes to the set-up, in-line with the better regulation agenda.

Policy recommendations: The path towards a successful MISP

FESE strongly welcomes the constructive leadership demonstrated by the **"E6" group of Member States in the Council** and the clear, balanced vision set out in the draft report by **MEP Markus Ferber**. Their positions correctly recognise that a competitive single market requires structural discipline:

1. **Re-anchoring liquidity in multilateral light venues:** Regulatory frameworks must explicitly support robust price formation through pre-trade transparent trading where all market participants interact on equal, non-discriminatory terms.
2. **Closing regulatory arbitrage in the SI regime:** Systematic Internalisers must operate under a true level playing field. This requires:
    - Mandatory price improvement for each executed transaction of at least one tick of the reference market of the instrument concerned.
    - Strict adherence to the tick-size regime across all trade sizes to prevent artificial price-stepping.
    - Meaningful pre-trade quoting size obligations that reflect genuine commercial risk.
    - Robust boundaries to prevent SIs from functioning as de facto unregulated multilateral trading networks or crossing networks through sub-delegation.
    - Enforcing the authorization and registration regime, advancing supervisory practices around SIs, and ensuring operational transparency must also be ensured.
3. **Reducing complexity:** The current MiFID framework is overly complex and should be streamlined. Concretely, the number of waivers should be reduced. Exemptions to the transparency regimes must be limited. Deferrals should be shortened or abandoned, except for Large-In-Scale trades.

Conclusion

Europe’s ambition for geopolitical resilience, technological sovereignty, and economic vitality will remain unattainable if its capital markets architecture continues to dilute its own foundation.

Public exchanges serve the economy: They incubate issuers, provide rigorous supervisory standards, secure transparent valuation benchmarks, and democratize investment opportunities for European citizens at a critical juncture of our democracies.

We urge co-legislators during the upcoming interinstitutional negotiations to prioritise market transparency, level the regulatory playing field between multilateral lit exchanges and bilateral SIs and ensure that Europe's primary equity markets are empowered to support financing our collective future while simultaneously fostering the democratization of the participation of our citizens in their value creation on a daily basis.

The coming months provide a crucial opportunity to build a capital markets framework capable of supporting Europe's long-term economic ambitions. Exchanges stand ready to continue contributing constructively to this discussion and to support efforts that strengthen the competitiveness, resilience and global standing of European capital markets.

We remain at your disposal to share technical analyses and granular market data to support your deliberations.

Yours sincerely,

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President of the Federation of European Securities Exchanges (FESE)