There is a growing sense of unease around the trends in European primary equity markets. The number of listed companies has been declining and continues to decline, and initial public offerings by European firms are now regularly done in the United States.

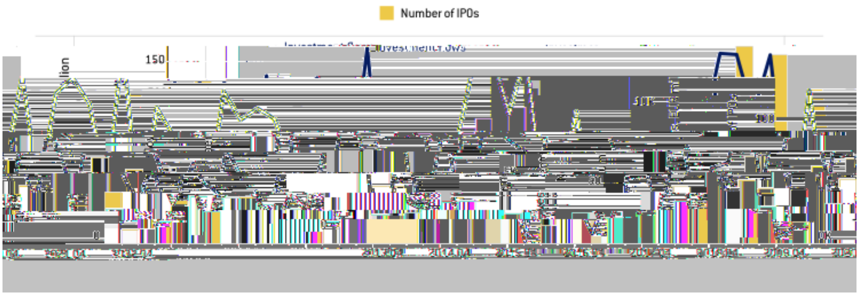
This is the opposite of what European Union regulators want. They emphasise regularly that public equity should play a bigger role in funding innovative companies, and would allow a variety of retail and institutional investors to share in the risks and growth of the corporate sector.

Capital raised on European equity markets in 2022 was the lowest since 1995, at only €89 billion (Suarez, 2023). First-time public offerings (IPOs) are a diminishing subset of this total and within the EU amounted to only €16 billion (more than half of which was accounted for by one large transaction in Germany). Equity issuance on so-called junior markets, where small and medium-sized enterprises (SMEs) benefit from a lower regulatory burden, fell by roughly two-thirds, while the volume of new listings is now minuscule.

The rebound in primary listing activity in 2021 following the COVID-19 pandemic appears to have been transient. Volumes of capital raised and offic

Private equity investors, which do little to foster the benefits of market liquidity and suffer from other shortcomings (Lehmann, 2020a), continue to step into the fold. Notwithstanding the disappointing issuance volumes in EU public equity markets, equity investments registered their second-highest level ever, at €130 billion [1], while fundraising broke a new record.

F gur 1: IPO volum s and numb r of firms n wly l st d on Europ an xchang s



Source: Federation of European Exchanges.

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Eight years on from the publication of the EU’s capital markets union plan, and despite the undoubted progress with several legislative projects, the role of EU equity markets seems in fact to have diminished. This ongoing eclipse of public equity, and of the listed company itself, has several important ramifications for the European economy, and is now the focus of new regulation in both the EU and the United Kingdom.

The European Commission in December 2022 proposed a reform of the regime that governs the listing of companies, including a ‘Listings Act’ [2]. This is inching forward in the legislative process and has been promoted as a step to revive activity in EU primary equity markets. In essence, the proposed measures seek to make life as a listed company more attractive for owners, while reducing red tape and other administrative burden involved in the l

absence of SME IPOs and called for a much greater differentiation of listing rules by issuer size (Fernandez , 2021).

Given the scarcity of listings, most of the compromises in the proposed Listing Act seem justified by the objective of attracting companies into the public market and boosting market liquidity, in particular where such changes benefit SME listings. For instance, the amendments to the prospectus rules, which govern what information is published at the time of a firm's listing, should not materially reduce information obtained by investors (documents need to observe a 300-page limit). Companies that are already admitted to trading are to be given a more straightforward path to raise additional g

more fully, recognising the central role the CMU could play in addressing Europe's various financing shortfalls, and boosting its growth and sustainability plans.

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