

## BOOSTING THE COMPETITIVENESS OF CAPITAL MARKETS



### HANZO VAN BEUSEKOM

Member of the Executive Board – Dutch Authority for the Financial Markets (AFM)

### Strengthening Europe's Capital Markets: Time to deliver

Despite years of initiatives, Europe's capital markets remain too fragmented and shallow. The EU accounts for just over 10% of global market capitalization, less than a quarter of the United States. The European Commission's strategy for the Savings & Investments Union (SIU) identifies the core challenges facing Europe and offers a constructive path forward. These plans provide a solid foundation for creating the integrated capital markets needed to boost competitiveness.

Implementation is the real test. To finance the green and digital transitions, support SMEs, and attract global capital, the EU must simplify and integrate its market structures, by reducing regulatory complexity, enabling more coordinated supervision and establishing a central data hub. Without decisive action, the SIU risks becoming another strategy that falls short in practice.

#### Evolving Market Patterns and the case for more coordinated supervision

In its *State of the Capital Markets 2025*, the Dutch Authority for the Financial Markets (AFM) highlights persistent frictions that hinder EU market integration. Trading clusters increasingly at the end of the day, while major price movements are often driven by overnight developments outside the EU. Liquidity is concentrated in a few large players and venues, particularly in less-traded stocks, and retail orders are mostly executed on a handful of platforms. Meanwhile, a large share of trading in Dutch-listed equities is conducted by firms based outside the Netherlands. These trends reflect markets that are more cross-border, yet supervision remains fragmented and national. Diverging supervisory mandates and approaches result in inconsistent rule application, hinder oversight of cross-border activity, and increase compliance costs.

#### Supervision must align

One possible avenue to enhance supervisory consistency is a gradual shift of certain responsibilities to the European level, starting with systemic entities and large entities with cross-border activities. Further exploration of this option within the SIU context is warranted, provided it is accompanied by adequate resources, a risk-based mandate, and a clear governance framework.

#### Shared data is essential

To support such a shared supervisory model, effective and consistent access to data is essential. However, Europe's current reporting landscape remains fragmented, with national authorities operating separate systems and formats. While the creation of the European Single Access Point (ESAP) is a welcome development, it targets public disclosures but not the broader inefficiencies in supervisory data collection and use. The AFM therefore sees merit in a more ambitious approach to data centralization. This includes developing a common data dictionary, establishing a central EU data hub, and using shared supervisory tools. Hosting these at the European level, ideally within ESMA, could promote harmonized reporting, reduce duplication, and enhance timely, risk-based oversight.

#### Simplification is key

The objective should not be deregulation, but smarter and more effective regulation. The AFM has consistently emphasized the importance of proportionality in EU rulemaking, particularly for small and mid-sized entities that do not pose systemic risks. Regulatory frameworks should be tailored to the size, complexity, and risk profile of firms, with clearer thresholds and more targeted requirements. A single rulebook, combined with consistent supervisory interpretation and implementation across Member States, is essential to ensure a level playing field. Further alignment of reporting regimes, such as under AIFMD and UCITS, as well as greater harmonization of insolvency and tax rules, would help reduce legal and operational barriers to cross-border activity and improve the overall functioning of EU capital markets.

**EU Capital markets need action: aligned supervision, integrated data, bold implementation.**

#### Europe's moment of truth

The SIU strategy rightly identifies the core challenges facing Europe's capital markets: limited scale, low retail participation, and regulatory complexity. But recognizing these issues alone is not enough. Meaningful progress requires coordinated action to centralize data collection, modernize market infrastructure, align regulatory frameworks and supervision. These are not radical shifts, but necessary steps to create capital markets that are competitive, resilient, and capable of financing Europe's long-term priorities. The AFM remains committed to supporting this process.