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Open Letter to EU Finance Ministers and the European Commission

Europe Needs to Keep Its Best Tech IPOs at Home

Honourable European and national decision-makers,

BioNTech. Spotify. On. Criteo. These names are flag bearers of European tech success, founded on the continent and worth billions of dollars. Yet they chose to go public across the Atlantic, in the United States. It is not a question of loyalty, patriotism or lack of trust in Europe's workforce. The logic is purely economic: the US offers deeper and broader pools of capital, with an integrated capital markets ecosystem which does not exist in Europe.

Consequently, the US represents 45% of the global market capitalisation, dwarfing the EU's 11%, driven by the attractiveness of the NASDAQ and NYSE, rather than European stock exchanges. The situation is alarming: in 2021 alone, the US experienced more Tech IPOs than Europe did over the entire period from 2015 to 2023, and 50 European-founded companies have done an IPO in the US since 2018, including UK-based companies. It may not be seen as a significant number, but these "lost" IPOs add up to a total economic loss of 439 billion USD (defined as market cap at IPO, plus increase in market cap post-IPO) in total since 2015, according to a report published by McKinsey in June 2024. And that is not even counting the companies relocating pre-IPO to address the US market.

Now that Europe's most promising scaleups are considering IPOs, how can we make sure that the next listings stay in Europe, along with the jobs, patents and economic return they create?

Our leaders believe European initiatives can make a difference, as proven by the report of Enrico Letta and expected contribution from Mario Draghi. French President Emmanuel Macron and German Chancellor Olaf Scholz made it a clear priority in a late May EU Summit, calling for a **"truly integrated European financial market with the banking and the Capital Markets Union at its core"**. Ministers in the Eurogroup have committed to move this forward.

However, while political calls for the Capital Markets Union are mounting up, concrete proposals and implementing initiatives are still missing. Consequently, leading European stock exchanges and representatives of the most innovative companies on our continent are joining forces to call on European policymakers to finally complete the Capital Markets Union as a means to boost the European IPO market, and in particular to;

1. **Strengthen investment upstream of the stock market by boosting growth stage venture capital**. The funding value chain in Europe is still distorted and underdeveloped.
    a) Scale-ups, once they have grown, are lacking sufficient funding to scale. Recent examples have shown that they still rely on non-European money for later rounds of funding.
    b) While this is not a problem *per se*, in the absence of consequential European VCs, 1 out of 4 startups raising more than 100 million euro in Europe ends up relocating outside of the continent.

    c) Having deeper pockets at the pre-IPO stage would therefore enhance our sovereignty and create a vibrant European tech ecosystem preparing for successful European IPOs.

2. **Accelerate investment of retail and institutional investors in listed European companies**: we need to deepen the liquidity pool and mobilise the immense wealth we have in Europe to reinforce the primary and secondary tech markets.

    a) Every year 300 billion EUR of European savings are invested in US companies instead of funding the EU economy.

    b) European policymakers should ensure their citizens are encouraged to invest a portion of their savings in long-term equity instruments rather than low-yield deposits and guaranteed funds, by eliminating tax incentives for the latter and making sure their distribution networks, and the European retail investment strategy, do not excessively discourage risk-taking.

    c) Institutional investors such as pension funds and insurers should be better incentivized to invest in tech at pre-IPO and post-IPO stages (crossover funds), for instance through a dedicated pan-European label for trusted VCs and/or a dedicated European network of fund-of-funds.

3. **Eliminate cross border transaction costs for equity investment**. Outlawing roaming charges on cell phone calls was one of the most popular decisions of the EU in recent years. Similarly, we call the EU to lower barriers to cross border transactions in financial equity, and to reduce European structural and supervisory-induced fragmentation, with a view to decrease transaction costs.

    a) Indeed, it is staggering that today most European investors have to pay more when buying a European share than when buying a national one, or even worse, an American share.

4. **Knowledge is key**. Even if we have the best conditions for European investors to invest in groundbreaking technologies, it is crucial for Europe’s future resilience and prosperity to increase financial literacy.

    a) Today, 72% of European citizens are not investing in any financial products, and most choose to stay away from riskier investments.

    b) European governments, stock exchanges and entrepreneurs must craft together a compelling narrative and develop appropriate financial products for retail and institutional investors to trust investments in technological advancements.

    c) Conversely, European policymakers should make sure their savings tax incentives are consistent in promoting long-term investments rather than low-yield deposits and guaranteed instruments, and that their distribution frameworks, including the European retail investment strategy, does not excessively discourage risk-taking. These investments are not only instrumental in driving the EU’s twin transition, but also in creating prosperous European savings.

We have successful initiatives that have been in place in Europe to draw from the best practices and create a pan-European push for a less fragmented Capital Markets Union, or Saving and Investment Union, as renamed by Enrico Letta.

From the Swedish equity pension contributions to a well-functioning capital market, to the French Tibi initiative, German Wachstumsfonds and the European Listing Act, we believe that policies can help us push the European ecosystem towards more tech success stories.

We commit to a pledge for Europe — where our talents and capital could remain invested — as we share a vision of a strong, united, and flourishing European economy. Now that the European elections are behind us, let’s roll up our sleeves and make it work.