

Building a stronger European capital market – some lessons from Sweden

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Through domestic listings, Swedish companies have during the past 25 years raised almost three times as much equity capital in relation to GDP as the EU average. Many smaller companies have first listed their shares on a multi-lateral trading facility as a stepping stone to a listing on a regulated market. Furthermore, private and public equity financing seem to complement each other. Between 2019 and 2023, nearly 30 per cent of all private equity exits in Sweden were in the form of an initial public offering, compared to less than 10 per cent in France, Germany, and the UK. In a European context, Sweden also stands out with respect to secondary public offerings, with companies having raised more than twice as much equity capital as the EU average during the past two and a half decades. Today, Sweden has almost 1,000 listed companies; more than any other European market except the UK. The market capitalisation as a percentage of GDP exceeds that of both Germany and France. This article illustrates how the Swedish policy agenda and regulatory approach has facilitated the success of the Swedish equity market, providing possible lessons for how reforms at national level can contribute to building a stronger European capital market.

Introduction

In the economic press and in reports by international organisations such as the OECD, Sweden has been referenced as a success story with respect to the size and functioning of its capital market.¹ Consequently, the Swedish

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¹ See for example: *How Sweden's stock market became the envy of Europe*, Financial Times, April 18, 2024, <https://www.ft.com/content/edc1bba0-25ca-4148-96f6-d67e30f11a2e>.

experience has received considerable attention in discussions how to advance the European Commission's Savings and Investment Union initiative. The Commission's stated goal with the initiative is to create better financial opportunities for EU citizens and improve the financial system's ability to connect savings with productive investments.² A key lesson from Sweden is that Member States already can make significant progress towards these goals by undertaking reforms at national level that do not require any lengthy processes of EU harmonisation of uncertain quality.

In order to inform about the Swedish experience and provide some practical policy input towards the goal of building a stronger European capital market, this article highlights three policy objectives that have guided Swedish national efforts to build a stronger and more efficient capital market.

- The *first* policy objective has been to facilitate the connection between public, collective and private savings and the public equity market.
- The *second* objective has been to create incentives and means for owners and companies to oversee this capital and allocate it to its best possible use.
- The *third* objective has been to design a regulatory framework that supports market-compatible outcomes. Ensuring that standard setting, interpretation and supervision, whenever possible, is carried out close to the market and smoothly adapted to new ways of doing business among companies and investors.

Connecting savings to equity investments

More than fifty years ago, in 1974, a new public pension fund was created for the sole purpose of providing equity to publicly listed companies. The title of the government bill was straightforward: "*The supply of risk capital to the business sector from the public pension funds*".³ Since then, all buffer funds in the public pension system have been permitted to invest in public equity.

Learning from Sweden: A blueprint for building resilient capital markets, CEPS 2025, <https://www.ceps.eu/ceps-publications/learning-from-sweden-a-blueprint-for-building-resilient-european-capital-markets/>. SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, and *What Sweden can teach the world about stock market success*, Financial Times, October 6, 2025.

² See https://finance.ec.europa.eu/publications/savings-and-investments-union-strategy-enhance-financial-opportunities-eu-citizens-and-businesses_en.

³ See Government Official Report SOU 1972:63, Supplying the business sector with ven-

From the very outset, these funds have operated with a mandate and a firm ambition to do their job as professional fund managers without any political interference. Today almost 50 percent of the public buffer funds' assets are allocated to public equity, of which about half is invested in Swedish equities.⁴

A distinct Swedish characteristic that has contributed greatly to the supply of equity financing is the long tradition of centrally coordinated collective bargaining. Almost 90 percent of all blue-collar workers and 75 percent of white-collar workers are covered by a centrally coordinated collective wage agreement.⁵ Over the years, the collective bargaining between employers and unions have also come to include agreements on occupational pension schemes that now cover between 90–95 percent of all employees. As a result, the two main institutions administrating occupational pension funds (Alecta and AMF) have more assets under management than the four public pension buffer funds combined. The Swedish occupational pension funds are large also from an EU perspective, with considerably more assets allocated to listed equities than occupational schemes in other Member States.⁶

In addition to public and collective savings, there has also been a long-standing policy objective to connect household savings to the equity market. In 1978 the government introduced tax advantages for dedicated savings accounts, where one option was to save in equity funds.⁷ In 1984 these dedicated savings accounts were made tax-exempt.⁸ Again, households could choose between ordinary bank deposits or equity funds on equal terms. Six years later, 1.7 million individual fund accounts had been opened.⁹

Another important reform that created a direct link between households and the equity market was the public pension reform of the mid-1990s,

ture capital from the general pension fund (Näringslivets försörjning med riskkapital från allmänna pensionsfonden).

⁴ See Government Communication 2024/25:130 *Report on the activities of the AP Funds up to and including 2024 (Redovisning av AP-fondernas verksamhet t.o.m. 2024)*.

⁵ See Medlingsinstitutet (2025), *Kollektivavtalstäckning och arbetsmarknadens organisationer*, available at <https://www.mi.se/forhandling-avtal/kollektivavtalstäckning-och-organisationsgrad/>.

⁶ See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 49.

⁷ See Act 1978:423 on tax relief for certain forms of saving.

⁸ See Government bill 1983/84:30.

⁹ Swedish Investment Fund Association, *How Sweden became a world leader in fund savings*, https://www.fondbolagen.se/en/Facts_Indices/sweden-a-world-champion-in-fund-savings/.

which introduced personal pension accounts in the form of investment funds. As payments into the system are automatic and mandatory and participants can only withdraw their savings as a monthly payment from the age of 63, the system may be characterised as a de facto mandatory saving system. But, with the important difference that individuals are free to allocate their savings between different types of funds and asset classes, depending on their age, economic circumstances and risk attitude.

One final example of connecting savings and equity investments is the very popular Investment Savings Accounts (ISA), which is designed to simplify for retail investors to manage their financial product holdings, including listed shares. By 2023, more than 3.8 million unique accounts had been opened, with a fairly even gender distribution.¹⁰

Although the portion of the Swedish population with direct ownership stakes in listed companies has fallen during the past 25 years, their holdings of investment funds has increased fivefold during the same period, from 250 billion SEK to about 1.2 trillion SEK.¹¹ And if political reforms to any extent have contributed to a rational equity culture among Swedish households, it is probably manifested in the fact that they hold a much greater portion of equity-oriented funds than households in many other European countries do.

Creating incentives and means for informed ownership and capital allocation

While the reforms just mentioned have facilitated for public as well as collective and household savings to reach the public equity market, a second – but much less discussed – policy objective has been to ensure that market participants can perform the all-important task of allocating the capital that is made available to its best possible use.

A good illustration of this objective was when the social democratic government in the mid-1980s asked the parliamentary committee on Ownership of Swedish Business to identify if there were “*any obstacles that may hinder a rapid transfer of capital from stagnant industries to expanding industries*”

¹⁰ See <https://www.fondbolagen.se/globalassets/faktaindex/studier-o-undersokningar/isk/isk-rapport-okt-2024.pdf>.

¹¹ See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 59–60.

and companies”.¹² The committee agreed that the ease with which capital could be reallocated was essential for competitiveness. From this perspective, the committee identified impediments such as protective cross-ownership and takeover defence mechanisms, which could hinder the ability of shareholders and the markets to scrutinise performance and allocate resources to their most productive use.

Following the Swedish Ownership Commission’s report, the importance of shareholder influence in business dynamics has been reflected in numerous changes in legislation. Most notably was the modernisation of the Swedish Companies Act in 2005 that followed the work of the Ownership Commission mentioned above, and which in many ways strengthened shareholder influence in corporate governance.¹³

The clearest example of the importance placed on shareholder oversight and control is that Swedish company law recognises the general meeting of shareholders as the supreme corporate body, granting it almost unreserved powers over corporate decisions and in the control of the board of directors and the management. Although, it is extremely rare that the general meeting issues decrees regarding the everyday business, the mere fact that it *can* has important consequences for the governance system and the incentives of owners and management.¹⁴

However, in order for shareholders to carry out their important functions to monitor and allocate capital in a way that benefits the company and the economy at large, they need to be informed. Gathering and processing such information is costly, and the investment strategies that many investors have chosen, do not justify that they accrue such costs. For these shareholders, it may be perfectly rational not to vote their shares. Uninformed voting may even be detrimental to their investment strategy and to their ultimate beneficiaries when they are managing other people’s money. This means that in modern markets, with a variety of investment strategies and investment

¹² See Government Official Report SOU 1988:38, The Swedish Ownership Commission (Ågarutredningen), p. 19. The text in original Swedish: “I den sista delen av utredningens uppdrag reses frågan om vilken betydelse förändringarna i ägar- och inflytandestrukturen haft för effektiviteten i enskilda företag, för näringslivets kapitalförsörjning och för fördelningen av kapital mellan olika företag och branscher. Utredningen skall särskilt beakta om förändringarna givit upphov till inlåsnings effekter som kan hämma en snabb överföring av kapital från stagnerande till expanderande företag eller branscher.”

¹³ See Government Official Report SOU 2001:1, A new companies act (En ny aktiebolagslag), and Government bill prop. 2004/05:85.

¹⁴ See further Lekvall (2014), *The Nordic Corporate Governance Model*, SNS Publishing.

techniques, there is room and need for different levels of shareholder engagement. Some large shareholders assume a very active role, investing a lot in information and making themselves available to serve on the board of directors. Others, including a number of the largest Swedish institutional investors, exercise informed ownership through voting and by providing certain key services such as participating in the committees that nominate the board of directors. Other institutions remain more passive.^{15 16}

In order for these different approaches to ownership engagement to co-exist, and indeed to complement each other, it is essential that *all shareholders* can be certain about the corporate purpose. Such assurances are therefore provided by the Swedish Companies Act, which states that the company has an unambiguous legal obligation to maximise the return on equity, and that all company organs must act in accordance with this stated purpose. Needless to say, within the boundaries of environmental law, labour law, etc.

It is, and has always been, alien to Swedish company law to stipulate multiple company objectives. This focus does not only make it easier to hold the board of directors and the management accountable but it also, and most importantly in this context, aligns the interests of active and passive shareholders.¹⁷

Providing a market compatible and dynamic regulatory framework

Just as important as the letter of the law is how rules and regulations are implemented. This is particularly important with respect to modern capital markets, where one should expect a steady stream of innovative market practices with regards to deal structures, ownership arrangements, capital structures, the design of financial instruments and contracts. Such innovations constantly push the boundaries of existing practices and are an important part of a dynamic capital market, since they sometimes lead to more efficient market outcomes.

¹⁵ See Lidman (2020), *Kontrollägande och uppköpsreglering*, Corporate Governance Forum p. 62 ff (in Swedish).

¹⁶ OECD (2013) *Institutional Investors as Owners – Who They Are and What They Do*, OECD Publishing.

¹⁷ See Skog (2015), *The Importance of Profit in Company Law – a Comment from a Swedish Perspective*, *European Company and Financial Law Review* 12(4), pp. 563–571.

With this in mind, a third Swedish policy objective has been to delegate important parts of standard-setting, interpretation and supervision to the Swedish Association for Generally Accepted Principles in the Securities Market, which is an integral part of the Swedish regulatory framework. The Association hosts five executive bodies with different responsibilities, ranging from financial reporting to the Swedish Corporate Governance Code.¹⁸

Among these executive bodies is the Swedish Securities Council (Aktie marknadsnämnden), which is a good example of how a delegated regulatory framework can work in practice. The Swedish Securities Council (the Council), which was established in 1986, is modelled on the UK Takeover Panel, but has a broader mandate. The members of the Council are highly qualified individuals with diverse experience from various sectors of Swedish business and society. The Council is currently chaired by a former Supreme Court judge, and the vice-chair is a serving Supreme Court judge. Much of the Council's work is carried out under government mandates, giving it a semi-public role that includes representing Sweden in ESMA's work on takeover matters.¹⁹

The Securities Council issues rulings, gives advice and provides information on good practices in the Swedish stock market, including issues related to the EU takeover directive and national takeover-regulation; incentive schemes; mergers; stock issuances; repurchase programs; changes in corporate statutes and corporate information to the market. The rulings of the Council on these matters are binding.

In today's business world, speed is often of essence and the ability to provide rapid, clear and informed rulings that market participants can rely on legally is of great value to business and to the economy as a whole. To meet these needs of modern capital markets, the Council's availability for consultations as well as formal cases is essential. The processing times are generally very short, varying from one day to maximum a couple of weeks. The mandate and workings of the Securities Council thus save companies and investors months and maybe years of uncertainty and costly legal processes. In 2024, the Securities Council issued 81 rulings, and in 2025, 70 rulings. None of the rulings has been appealed. Since the Council was established, it has issued almost 1,500 rulings.

¹⁸ These bodies are the Swedish Securities Council, Swedish Corporate Governance Board, the Swedish Stock Market Regulation Committee, the Board for Financial Reporting Supervision, and the Swedish Corporate Reporting Board.

¹⁹ See https://aktiemarknadsnamnden.se/startpage__3662.

Has the Swedish approach paid off?

The Swedish corporate governance model, regulatory framework and the different policies discussed in this note seem to have served the economy well. Through domestic listings, Swedish companies have during the past 25 years raised almost three times as much equity capital as the EU average, relative to GDP.

Many smaller companies have first listed on a multilateral trading facility (MTF), which later has been used as a steppingstone for listing on the regulated market. During the past decade, an average of 45 per cent of the companies that listed on a regulated market came from an MTF.²⁰ Another source of initial public offerings (IPOs) is from the private equity firms. Between 2019 and 2023, almost 30 per cent of all private equity exits in Sweden came in the form of an IPO compared to well below 10 per cent in France, Germany and the UK. Thus, Sweden's private equity industry, one of the largest in Europe, has become an integral part of the capital market ecosystem. The notion that private equity growth causes public equity market to shrink does not seem to be the case in Sweden.²¹

However, an IPO is not the only way for equity markets to provide companies with capital. Another important way is through secondary public offerings (SPO) where companies that are already listed are given immediate access to the pool of public equity investors. Sweden stands out in a European context in this respect as well with companies raising more than twice the amount of equity capital from SPOs compared to EU average during the past two and a half decades.²² There may be different reasons for making a secondary offering. But one important reason is when otherwise viable companies need to bridge a temporary crisis caused by external factors. Looking at the timeseries from 2000, shows that during the two crisis periods around 2009 and 2020 when many economies came to a near halt because of the financial crisis and the Covid pandemic, Swedish companies that were *already* listed raised record amounts of equity from the stock market. Again,

²⁰ See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 29.

²¹ See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 34.

²² See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 25.

showing that closeness to the market can be important in times of financial stress and the unique role of equity as the ultimate backstop.²³

Today, Sweden has almost 1,000 listed companies, which is more in absolute terms than any other European markets except the UK, and the market capitalisation as percent of GDP exceeds that of both Germany and France. In absolute terms, Sweden has the 3rd largest equity market in the EU in terms of market capitalisation.

Conclusions

Developing a dynamic capital market is a complex process in which different countries may find different paths. Sweden's experience shows that significant progress can be achieved through consistent national reforms in some key areas, without any need for European harmonisation or standardisation. In fact, much of Sweden's national reform work has for a long time been driven by the ambitions now formulated by the EU Commission to create better financial opportunities for its citizens and improve the financial systems ability to savings with productive investments. An important prerequisite for Sweden's achievements in this respect has been a firm understanding that the purpose of investment is to create rather than preserve, that equity allocation plays a unique role in this process of business dynamics and that a market compatible regulatory framework is essential in order to support the evolving needs of market participants. It is these insights that have guided consistent reforms in the three different policy areas discussed in this note.

Governments of all colours have tried to facilitate the flow of capital from public as well as collective and household savings into the public equity market, while the market participants have been trusted with the responsibility for allocating this capital to its best possible use. Furthermore, the regulatory framework has been designed to provide informed shareholders with the incentives and powers to carry out their role in scrutinising business and allocating capital. The agreed benchmark for this scrutiny, as formulated in company law, has always been an unambiguous legal obligation for companies to maximise the return on equity. Last but not least, the Swedish experience is that standard setting, interpretation and supervision, whenever possible, should be close to the market and market participants. It is generally under-

²³ See SCGI/OECD (2025), *The Swedish Equity Market: Institutional Frameworks and Trends*, OECD Publishing, p. 24.

stood that the delegation to bodies such as the Securities Council represents the kind of enabling, adaptable and responsive regulatory framework that modern capital markets require.