

KEY FEATURES AND LEARNINGS FROM THE NORDIC CAPITAL MARKETS



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Danish experiences and priorities in capital market development

Denmark's approach is shaped by a tradition of broad participation, strong institutions, and a focus on long-term savings—particularly through occupational pensions. The Danish capital market offers experiences that are relevant in the ongoing European dialogue on the development of European capital markets and cooperation.

The Danish capital market is marked by relatively high market capitalisation compared to GDP, a well-established mortgage bond market, and a significant institutional investor base, particularly pension funds. The market is open to international investors, and Danish shares are actively traded abroad, in particular reflecting the international interest in Danish life science companies.

Broad participation as a Nordic and Danish strength

A positive feature in Denmark—and across the Nordics—is the broad participation of citizens in capital markets, mainly through pension savings. These occupational pension schemes are typically based on collective agreements between employers and employees, ensuring that a large share of the workforce makes regular contributions. Pension funds pool these savings and invest them on behalf of members, providing professional management and risk diversification. Over time, this system has built up substantial long-term savings that benefit both individuals and the wider economy.

Furthermore, the introduction of the investment savings account (Aktiesparekonto, ASK), inspired by the Swedish ISK, has made it easier for individuals to invest directly in equities and funds. This helps foster a culture of investment and strengthens the link between the financial sector and society. However, there is still potential to further increase direct retail investor engagement.

Best practices and relevance for Europe

One Danish experience that may be of particular relevance at the European level is the development of robust, mandatory occupational pension schemes. Over several decades, Denmark has built up a pension system where a large share of the population saves for retirement through collective agreements and mandatory contributions. This has created a stable, long-term source of capital for the Danish capital market and contributed to financial stability.

A key prerequisite for the success of this model relies on the trustworthiness of the pension providers. Danes are generally willing to make significant pension contributions because they trust that pension companies will manage their savings responsibly and act in the customers' best interests. This trust is supported by strong regulation, transparency, and effective supervision, but also by a tradition of social partnership and dialogue between the labour market parties.

The Danish experience suggests that building and maintaining this trust is essential—not only for the functioning of the pension system, but also for the

willingness of citizens to participate actively in capital markets through their pension savings. This may offer valuable lessons for other European countries seeking to strengthen long-term investment and public engagement in capital markets.

As such, we are especially pleased with the parts of the SIU Strategy that focus on creating recommendations and sharing best practices. Particularly, recommendations for European savings and investment accounts and auto-enrolment pension schemes are important elements in this process and could help further mobilise private capital for productive investment.

Broad participation and trust in occupational pensions are central to Denmark's capital market model.

Nordic similarities and differences

The Nordic countries share many strengths, such as high investor participation and strong institutions, but there are also differences. For example, Sweden has experienced a higher number of IPOs in recent years compared to Denmark, reflecting differences in market structure and the availability of risk capital. In Denmark, the IPO market has been more modest, but recent initiatives aim to make it easier for growth companies to access the stock market and for individuals to invest in equities.

These differences underline that national approaches are shaped by local conditions and regulatory frameworks.

Contributions to the further dialogue

The Danish capital market experience highlights both strengths and areas for further development. By sharing experiences—especially regarding occupational pensions and the importance of trust—Denmark hopes to contribute constructively to the evolution of a more integrated, competitive, and inclusive European capital market that serves investors, entrepreneurs, and society as a whole.



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Empowering growth and security: The Nordic capital markets integration

The integration and development of the Nordic capital markets offer a compelling blueprint for Europe, showcasing how harmonizing legislation, promoting competition, and addressing post-trade access gaps can create a more integrated and resilient financial landscape. Over the last two decades, the Nordic region has embarked on a transformative journey that not only fortified local economies but also crafted a more interconnected financial ecosystem benefiting all stakeholders.

Sweden's ecosystem: A beacon of success

At the heart of this success is Sweden, whose financial ecosystem has unlocked capital for high-growth, innovative companies. From 2019 to 2024, Nasdaq Stockholm facilitated financing for over 600 companies, raising approximately 65 billion euros in equity. Of this, 16 billion euros were primary capital, with the remaining 49 billion euros raised in the secondary market. According to the European Innovation Scoreboard, Sweden now leads the EU as its top innovator.

Several pivotal features drive the Swedish ecosystem's success. Swedish pension funds act as anchor investors, injecting substantial long-term capital, while retail investors have shifted

their savings from deposits to active Investment Savings Accounts. These factors enable companies to access public markets for financing at earlier stages than in most countries, with more than 80% of listings valued under €1 billion. Between 2013 and 2022, First North listed growth companies created four times as many jobs as their unlisted peers and achieved over 100% higher revenue growth. The combined market capitalization has increased fourfold since 2012, outpacing the stock market capitalization in Western Europe, which only doubled during the same period.

Competition, innovation, and liquidity

Promoting competition, innovation, and liquidity on multilateral secondary trading platforms, exchanges, and MTFs addresses fragmentation challenges posed by extensive bilateral trading. This is crucial for maintaining trust in the market, especially among retail investors. Swedish households hold an average of 36% of their investments in equities, the highest in Europe. Retail participation on Nordic regulated exchanges is the highest in Europe, increasing liquidity by attracting institutional and offshore investors who want to engage with trading. On Sweden's multilateral trading platforms, this not only boosts individual wealth but also encourages companies to tap public markets for financing.

The integration and development of Nordic capital markets offer valuable lessons for Europe.

Capital markets: A pillar of security

When capital markets function optimally, they support growth across sectors. In today's geopolitical climate, robust defense capabilities are paramount, and capital markets play a vital role in enabling financing for the defense sector. This strengthens national security and contributes to regional stability. By providing access to diverse investors, capital markets channel funds into defense-related projects and companies, benefiting both large enterprises and SMEs. Through equity and debt financing, defense companies can secure capital for R&D, infrastructure modernization, and technological advancements. Inspired by the successful sustainable bond market, Nasdaq has established guidelines for "labelled" defense bonds on Nasdaq's

European Bond Markets, supporting defense investments while ensuring transparency and accountability.

Addressing post-trade complexity

As demonstrated by the Baltics, rationalization of post-trade infrastructure is possible and can drive down investor costs. EU post-trade settlement is generally fragmented across national franchises and urgently needs simplification and rationalization. Addressing gaps in post-trade access for cross-border transactions requires effective links between CSDs and brokers. Transactions often falter due to non-existent or inefficient post-trade links, even within the otherwise well-integrated Nordic region.

Centralized supervision: A unified approach

Centralized supervision is key to ensuring consistency and efficiency across EU capital markets. It streamlines regulatory processes, reduces compliance costs, and enhances investor protection. A unified regulatory framework fosters a more integrated and resilient capital market, facilitating fundraising for companies and diverse investment opportunities for investors. This approach strengthens the EU's financial system and enhances global competitiveness.

In conclusion, the integration of Nordic capital markets offers valuable lessons for Europe, as harmonizing legislation, promoting competition, and addressing post-trade access gaps can create a resilient capital market that supports growth, enhances security, and bolsters stability.



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Lessons to be learned from the development of the Swedish capital market

Unlike many other EU economies that remain reliant on bank-based financing, Sweden has developed a dynamic capital market that complements traditional bank financing in supporting Swedish businesses and citizens. This paper introduces the three developments to why the Swedish capital market has reached this level of maturity.

Sweden's capital market stand out for its depth, retail inclusivity, and resilience through strong liquidity. This system did not emerge instantaneously, but through decades of consistent reforms with broad political support, prudent crisis responses, and strategic financial innovation investments. The political economy behind Sweden's reforms, such as broad-based stakeholder engagement from for instance unions and public legitimacy, allowed for long-term reforms even under a changing political landscape.

1. Long-term policy coherence across governments

The true evolution of Sweden's capital market began in the late 20th century, shaped by a series of deliberate reforms and responses to economic crises. The financial crisis of the early 1990s acted as a catalyst to structural reforms,

demonstrating the importance of institutional trust, closeness of public and private institutions, and broad political support to ensure decisive action – the government restored stability, enhanced market confidence, and laid the foundation for a regulatory regime that emphasized long-term resilience with dimensions of flexibility.

Post-crisis restructuring was complemented by strong fiscal frameworks with high credibility during different governments and a transparent central bank, comforting both national and international investors. Additionally, tax reforms established a dual income tax system that taxed capital income at a flat rate, encouraging investment whilst reducing distortions. These reforms established a robust legal and macroeconomic environment that Swedish citizens, and both national and international investors still benefit from.

2. Retail investor inclusion

Sweden has succeeded in mobilizing household savings into productive investments, thanks largely to the strategic introduction of user-friendly investment vehicles. The Investment Savings Account (ISK), introduced in 2012, is maybe the best example to this approach. It simplified tax returns, allowed flexibility in investment choices, and replaced a complex gain/loss capital gains tax with a standardized tax based on the nominal amount of assets.

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By 2024, ISK assets had reached the equivalent of est. 30% of GDP, with over two million Swedes participating. The broader shift away from cash deposits and into both equity and mutual fund holdings marked a profound cultural transformation in investor behavior. Retail ownership of stocks and mutual funds became widespread, aided by a competitive and digitalized financial sector, effective public awareness campaigns, and long-term political support.

3. Institutional depth through pension reforms

Sweden's pension system is a base of its capital market success. The three-pillar model – comprising public, occupational, and private savings – is designed to harness long-term capital for investment purposes while ensuring

retirement security. The system's design with automated enrolment, low fees, high citizen engagement, and public information portals also fostered trust and accountability. This is enabled by the high level of assets under management (almost €1 000 billion) across the pillars.

Key reforms include the introduction of the premium pension system in 2000, which allocates a portion of social contributions to individually managed accounts, and the liberalization of occupational pension schemes. The system channels high volumes of capital into diversified and long-term investments public pension institutions. These exhibit high allocations to equities, both domestic and international, and alternative assets compared to European peers. This long-term investment capacity enhances market liquidity and supporting capital market development.

Lessons for the Savings and Investments Union

Sweden's experience offers critical insights for the EU as it seeks to deepen its Capital Markets Union and build a truly integrated Savings and Investment Union. Sweden's equity culture is not only retail-led, but more importantly institutionally anchored with robust governance standards and strong risk-adjusted returns at a low cost. The Swedish case highlights the importance of aligning stakeholders, regulatory frameworks, and public trust in building inclusive and resilient capital markets with broad political support.

Key takeaways for EU policymakers include reforms that are broadly anchored and long-term political support such as:

- Designing saving vehicles that are simple, flexible, and with possible tax-incentives.

- Pension reforms that foster long-term, equity-based investments.

- Ensure structural reforms and responses to crises that reinforce confidence and market discipline.



JENS HENRIKSSON

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Sweden's capital market model: making retail investment easy is key

As Europe faces an unprecedented need to raise capital at both scale and pace, Sweden's capital market model might be of interest.

Sweden accounts for just over 3% of the EU's GDP. Yet, the total Swedish equity market cap is estimated to represent more than 5% of the EU's equity market cap. For the past decade, Sweden has had more IPOs than France, Germany, Netherlands and Spain combined. It ranks fourth in Europe for tech investments. And it has, so far, delivered the world's highest average real return on equities over the past 50 years — above 8 % annually.

Some features underpinning the Swedish success are the following:

- **Responsiveness:** A small and open economy which forces market actors to follow international capital market developments.
- **Structural reforms:** Capital markets have evolved over several decades and include important structural reforms for the financial system.

- **Societal reforms:** Several societal reforms over the last decades have contributed to the development of the capital markets.
- **Business environment:** Business environment ranks high in a global context which supports Swedish companies to innovate and to expand internationally.
- **Culture:** A culture of learning by doing. The Swedish pension system encourages pension savers to make active choices as regards their future pensions.

A much-needed diagnosis

With Europe's competitiveness at a crossroads and global instability rising, further strengthening capital markets provides a route to long term prosperity. Major investments in infrastructure, digitalization, and defense demand a faster, more integrated European capital market that can deploy funds quickly and reliably.

In this context, strong regulation is essential for stability and investor protection. Focus should be to regulate for growth. Fragmentation and legal uncertainty continue to hold back capital market development in EU. Financial regulation should be simplified and more streamlined, with the aim of making rules clearer and more effective.

Better prerequisites – Europeans are saving more

The crises of the early 2020s have reshaped economic behavior across the EU. Household savings are significantly higher than in the previous two decades, and so are investment levels. Europeans are saving for uncertainty — a natural response to inflation, volatility, and geopolitical risk.

Sweden's experience shows that broad participation in capital markets can make a difference.

Today, EU households hold EUR 33.5 trillion in savings — twice the EU's GDP — much of it remains parked in low-yield bank accounts.

Similarly, companies are holding back. Investment levels are at a decade low as geopolitical tensions and trade risks delay long-term decisions. This build-

up of capital could become the catalyst the EU needs. There is a need for cultural change, from a savings culture to a savings and investments culture. The unlocking of this capital could be facilitated if the EU anchors the Savings and Investment Union around growth and not risk. Also, it is important to recognize that one size does not fit all.

Lessons from Sweden

What can the EU learn from Sweden to build stronger capital markets?

1. **Facilitating retail ownership:** The deep pool of retail (and institutional) investors has established Sweden as the continent's deepest capital market. To set this in perspective, more than a quarter of Swedes own shares directly, half own investment funds directly, and almost everyone owns investment funds indirectly.
2. **Simple and low-cost access:** To support retail ownership in capital markets, accessibility must be high and pricing low.
3. **Easy and attractive savings options:** A successful savings and investment account, such as the Swedish ISK, need to be national to provide genuine opportunities to each individual, and optimal to other components of the overall tax and pension system of the individual's home country.
4. **Financial health:** Engaging a broad retail investor base requires that investing is easy to grasp. Financial literacy is fundamental to personal financial health — it empowers individuals to make informed decisions, manage risk, and improve their long-term economic well-being. Learning the fundamentals at an early age goes a long way.

A successful development of the Savings and Investment Union will be dependent of the freedom of choice of Europeans. EU policy makers should not regulate what individuals should invest in. Instead, Europeans should be given the right incentives and prerequisites to save in capital markets and take part in its value creation.



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Balancing capital supply and demand: Lessons from Denmark's pension system

All markets rely on supply and demand, and capital markets are no different. For capital markets to flow into Europe's broader economy, Europe must simultaneously address both sides of the equation: capital supply (including long-term savings) and capital demand (productive investment opportunities). This dual lever approach is essential for fostering innovation, job creation, and sustainable growth.

Among the most compelling examples of capital markets development in Europe is the Nordic region. One reason often cited is the region's pension systems, which have contributed to the development of capital markets by providing a significant supply-side source of capital. However, it is critical to acknowledge an important distinction:

There isn't one Nordic model. Each country has developed at its own pace, with distinct strengths and policy choices. Careful consideration will be required to recognise these differences, and identify which elements can be extrapolated to other countries.

Against this background, I will focus on the Danish pension system, examining

its strengths and considering which aspects could be adopted by other countries.

A Multi-Pillar System Built on Broad Coverage and Flexibility

The Danish pension system combines a strong public pillar with robust occupational schemes, ensuring nearly universal coverage. Since the 1990s, occupational pensions have evolved from defined benefit (DB) to collective defined contribution (CDC) plans, offering a mix of lifelong payouts, lump sums, and time-limited annuity options that pay out over a fixed term. This layered structure has allowed the system to provide both security and adaptability across different income levels and employment types.

Incentives for Longer Working Lives and Inclusive Participation

To address demographic shifts, the focus over the last years has been to adjust the system to incentivise people to retire later. Denmark introduced automatic retirement age adjustments and made certain pension savings exempt from means-tested welfare benefit reductions – encouraging later retirement while maintaining fairness. The system also expanded mandatory savings to include unemployed individuals and is encouraging increased participation among the self-employed, pushing coverage above 90%. A pending discussion on early retirement for certain groups of workers (e.g. having worked for more than 45 years), and how to continue indexation of retirement age fueled by the latest increase in the retirement age to 70 years by 2040, will materialise over the coming years.

Trusted Governance, and Strategic Investment

High public trust has been maintained through strict fiduciary standards, with pension funds regulated under the 'prudent person principle' and overseen by the Danish Financial Supervisory Authority (DFSA). Transparency in fees and returns, along with individual choice in risk and sustainability preferences, helps to reinforce confidence and engagement.

Importantly though, Danish pension funds invest globally, guided by risk-return principles rather than geographic preference. While local investment is welcomed, it must meet competitive benchmarks. Policymakers recognize that stimulating attractive European investment opportunities is just as essential to match the system's capital supply with productive demand.

Conclusion

To achieve widespread—and ultimately mandatory—participation in pension systems, close collaboration between governments and social partners is essential. Long-term alignment will require all stakeholders to see mutual benefits: employees accepting that part of wage growth is allocated to pensions, employers committing to contributing into the system, and governments providing tax incentives with an understanding that they will benefit from future tax revenues on pension payouts. This shared responsibility model, as demonstrated in Denmark, supports both individual security and fiscal sustainability.

There isn't one Nordic model. Each country has developed at its own pace, with distinct strengths.

Three key conditions are necessary for this alignment:

1. Acknowledging that current pay-as-you-go (PAYG) systems will become increasingly inadequate.
2. Strengthening trust in social partners to manage pension schemes effectively.
3. Ensuring tax incentives are material, stable, simple, and transparent.

Where full consensus is difficult, incentivised voluntary schemes ("opt-out") with automatic enrolment can serve as a practical alternative. Additionally, tax-advantaged savings accounts can help individuals build wealth and channel capital into financial markets—an approach already showing positive results in several countries.



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Nordic bond markets: A scalable model for SME and sustainable financing

The Nordic bond market has emerged as a dynamic and resilient platform for corporate financing, setting itself apart through accessibility, efficiency, and investor confidence. With its unique ability to serve a diverse range of issuers, the market has established itself as a leading model in Europe and beyond.

At the centre of this success is the Nordic bond platform's ability to serve a wide range of issuers, including unrated SMEs and companies in transition sectors, without compromising market discipline. For issuers, the platform's lean documentation, absence of mandatory credit ratings, and fast time-to-market (typically 4–6 weeks) result in streamlined, cost-efficient access to capital. Small and medium-sized companies, which are relatively larger in the Nordic market than in a global context, may especially benefit, as these cost savings represent a larger proportion of their overall expenses. Furthermore, the Nordic bond market has demonstrated resilience in default situations, supported by a committed and experienced investor base. This track record has earned the trust of issuers and helped establish the market as a preferred platform for raising capital.

The data underscores the model's momentum. As of July 2025, the Nordic high-yield market has seen a record EUR 13.8 billion in new issuance. The average deal size has increased significantly from EUR 65 million in 2022 to just under EUR 120 million year-to-date. Importantly, the market continues to attract international capital, with EUR and USD-denominated deals accounting for nearly 70% of volume, underscoring its market's global relevance. For instance, interest from non-Nordic companies in the Norwegian high-yield market has surged, with their share of issuance rising from 38% in 2023 to 53% in 2024, outpacing Nordic issuers for the first time since 2017. Crucially, Nordic high-yield bonds have delivered strong long-term performance, with average returns north of 8% since 2017. This is supported by recovery rates of around 57% and rising, similar to those of higher-rated US companies.

Over the past decade, the Nordic high yield bond market has shifted from being heavily concentrated in the Norwegian energy sector into a more diversified and resilient landscape. Today, it features a broad mix of issuers across real estate, industrials, consumer goods, technology, and healthcare. When real estate issuance slowed due to interest rate hikes in 2022, other sectors stepped in to sustain market activity.

Critical to this success has been the role of banks, not only as deal arrangers, but as active ecosystem builders.

The Nordic market supports not only scale but also sustainability. Nordic companies have been in the forefront of the green transition, and Nordic investors supported the first sustainable bonds issued, soon 20 years ago. For issuers, a clear and credible sustainability agenda can help attract capital at favourable terms from Nordic investors where ESG is deeply embedded in many investment mandates. In 2020, sustainable bonds accounted for 6% of the total outstanding volume of Nordic high-yield. By end-2024, the share had increased to 17%, demonstrating strong resilience even as global green investments faced headwinds.

From a regulatory perspective, the Nordic experience offers valuable lessons. The EU's Capital Markets Union (CMU) and Saving and Investments Union (SIU) aim to deepen and harmonise capital

markets, and the Nordic model shows that simplicity, speed, and trust are powerful triggers for success. Critical to this success has been the role of banks, not only as deal arrangers, but as active ecosystem builders. Key focus areas have been standardising processes and documentation, enhancing execution efficiency, and building long-term investor confidence.

Banks play a critical role in ensuring liquidity in secondary markets, both through market making and by holding bonds on their balance sheets. Accordingly, regulatory frameworks such as the Fundamental Review of the Trading Book (FRTB), still pending in the EU, should be implemented with care. Stricter capital requirements for trading books could constrain market makers' ability to provide liquidity when most needed. Though well-intentioned, the framework would benefit from a more proportionate and flexible approach to ensure it supports, rather than undermines, the financial stability it aims to protect.

In conclusion, the Nordic bond market is rapidly expanding across multiple sectors, providing a trustworthy platform for efficient capital access, including for sustainable financing. As the EU continues to refine its capital markets strategy, it could do well to draw inspiration from the Nordic experience - not to replicate it entirely, but to adapt its foundational principles to a broader European and global context.