# LEARNING FROM SWEDEN: A BLUEPRINT FOR BUILDING RESILIENT EUROPEAN CAPITAL MARKETS

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**CEPS IN-DEPTH ANALYSIS**

June, 2025-07

# SUMMARY

Sweden's capital market is among the most developed and inclusive in the EU, offering a compelling model for how long-term savings, innovation and regulatory pragmatism can align to foster economic resilience. Its success did not stem from a single masterplan but from decades of deliberate reforms — including pension restructuring, tax simplification and the creation of investor-friendly savings vehicles — supported by a culture of institutional trust and a willingness to engage with risk-based products.

The roots of this transformation extend back to the late 1970s and 1980s, when a series of tax incentives and product innovations began to broaden retail investor participation. The introduction of equity funds with tax benefits in 1984, followed by pension-linked savings accounts in the 1990s and simplified investment platforms in the 2000s, helped embed long-term investing in Swedish households' financial behaviour. This gradual build-up laid the foundation for a more active and inclusive capital market.

Critically, the financial crisis of the early 1990s marked a turning point – not as the origin of reform, but as a catalyst that accelerated and consolidated Sweden's shift towards a more transparent and resilient system. The crisis exposed structural weaknesses that prompted supervisory and regulatory overhauls, enhancing the stability and integrity of financial institutions. What emerged was a system that could simultaneously support entrepreneurial risk-taking and widespread household participation through well-regulated fund structures and occupational pensions.

The Swedish model is underpinned by alignment: between firms and investors, employers and unions, and public and private actors. Its capital markets are not just deep and liquid, but inclusive and trusted — offering accessible, digitalised channels for long-term investment.

As the EU aims to deepen the Capital Markets Union and build a Savings and Investment Union, Sweden offers a powerful reference point. It shows that with policy coherence, strategic foresight, and institutional credibility, capital markets can serve as engines of both economic strength and social resilience.

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# 1. INTRODUCTION

Sweden has emerged as one of the most developed and efficient capital markets in the EU, offering a compelling model for how long-term savings, entrepreneurial dynamism and regulatory pragmatism can combine to support sustained economic growth and capital formation. While Sweden's economy is relatively small, its capital markets are deep, liquid and resilient – outperforming much larger Member States in areas such as IPO activity, equity market capitalisation and household investment participation.

Unlike many other EU countries that continue to rely heavily on bank-based finance and pay-as-you-go pension systems, Sweden has pursued a different path. While there was no single masterplan, a combination of deliberate policy reforms — including tax restructuring, pension reform and the introduction of investor-friendly savings vehicles — gradually fostered a strong investment culture among households and institutions (see Table 1). Cultural factors, such as a relatively high degree of public trust and willingness to engage with risk-based products, have also played an important role.

Table 1. Timeline of key developments in Sweden's capital market evolution

| Year | Development |
|---|---|
| 1958 | The first Swedish mutual fund created. |
| 1974 | First legislation on fund savings comes into force (*aktiefondlagen*). |
| 1978 | Introduction of tax-advantaged savings account (*skattesparande*). |
| 1984 | Launch of *allemansfonder* (equity funds with tax benefits) to widen retail participation. |
| 1990 | Introduction of fund insurance enabling capital and pension-linked savings. |
| 1991 | Imposition of a 20% tax on fund returns, ending previous exemptions. |
| 1994 | Launch of Individual Pension Savings (IPS) to promote private retirement saving. |
| 1996 | Sweden's first hedge fund established. |
| 1997 | Tax-subsidised savings liberalised to allow foreign investments. |
| 2000 | Introduction of the Premium Pension System: 2.5% of wages were invested into individual accounts. |

| | |
|---|---|
| 2004 | Launch of MinPension, a pension dashboard and tracking system jointly financed by the government and the insurance industry, |
| 2005 | Inheritance and gift tax abolished. |
| 2007 | Wealth tax abolished. |
| 2012 | Introduction of ISK (Investment Savings Account – *Investingssparkonto*) with simplified flat-tax treatment. |

This interplay has contributed to the emergence of a well-diversified financial system, anchored in strong equity markets, an active risk capital ecosystem and a vibrant base of institutional investors — which in turn has reinforced household engagement by offering accessible, digitalised and trusted investment channels.

Crucially, Sweden's capital market performance cannot be explained by financial policy alone. It is rooted in a broader business and innovation environment that fosters entrepreneurship, rewards risk-taking and continuously generates investable projects. A competitive corporate tax regime, a strong science, technology, engineering, and mathematics (STEM) education base, and a combination of legal and self-regulatory frameworks – including well-developed governance codes and industry-led standards for transparency and investor protection – have all contributed to this success.

This CEPS In-Depth Analysis study aims to understand what lies behind Sweden's capital market performance and to what extent its experience offers practical lessons for the rest of the EU. Chapter 2 begins by examining the domestic drivers of Sweden's success, including its innovation-driven business climate, savings incentives, and pension reforms. Chapter 3 compares Sweden's capital market structure with that of other Member States, highlighting key differences in risk capital, equity markets and investor participation. Chapter 4 distils these insights into a set of policy recommendations for the EU, suggesting how the Capital Markets Union (CMU) and the broader Savings and Investment Union could benefit from Sweden's example.

In doing so, we aim to contribute to the ongoing debate about how to build well-integrated, efficient and inclusive capital markets across the EU. Markets that not only serve large corporations and institutional investors, but also empower SMEs, entrepreneurs and households to fully participate fully in Europe's financial future.

# 2. The foundations of Sweden's capital market success

The success of Sweden's capital markets cannot be fully understood without considering the underlying innovation-driven economy and business environment that supports it. A long-standing culture of entrepreneurship, high levels of business investment and strong public-private collaboration in research and development have created a constant pipeline of investable firms.

Combined with a favourable tax system and a reliable legal framework, these elements have formed the foundation of Sweden's capital markets success.

## 2.1. Innovation-driven growth – the business and policy foundations

A fundamental factor underpinning Sweden's capital market performance is its robust business and innovation ecosystem. Swedish capital markets have not developed in isolation, but they are deeply intertwined with a dynamic entrepreneurial landscape that generates a continuous supply of high-quality investment opportunities. A strong culture of innovation, widespread technological capability and a global outlook among Swedish firms have helped position the country as a European hub for early-stage and growth-oriented enterprises, particularly in the technology, life sciences and clean energy sectors.

Several structural elements have contributed to this environment. First, Sweden's educational system has helped nurture a highly skilled workforce capable of driving innovation across sectors. Second, successive tax reforms, most notably the 1991 tax reform, have encouraged investment and entrepreneurship by lowering capital income taxes and corporate tax rates, and by removing disincentives such as the inheritance, gift and wealth taxes (abolished in 2005 and 2007). These policy choices have promoted risk-taking and capital formation, both essential for a thriving market economy.

Moreover, Sweden has implemented legal and institutional frameworks that make it easier to start, scale and exit businesses. Capital market regulations are tailored to accommodate growth companies and tax-incentivised savings vehicles (like the ISK account) have channelled substantial domestic capital into equity investments. The success of Sweden's SME Growth Markets – where nearly 90% of all IPOs occur – is closely linked to the vibrancy of the underlying entrepreneurial base.

Sweden's approach exemplifies how a favourable innovation climate, entrepreneurial risk appetite and market-based financing tools can work in concert to deepen capital markets. This broader institutional and economic context is crucial for understanding Sweden's capital market performance and offers important lessons for other EU Member States that are seeking to advance their own capital market ecosystems.

### 2.2. Building an investment culture – from policy nudges to mass participation

Sweden's investment culture has evolved through a combination of policy initiatives, financial education, market-friendly savings mechanisms and a highly competitive financial sector that has helped drive down investment costs.

In the 1960s, Swedish households held a narrow and conservative financial portfolio, with approximately 80-90% of their financial assets concentrated in bank deposits and life insurance or pension entitlements, while exposure to listed shares, mutual funds or other market-based instruments was minimal. For example, at the end of the 1960s, fund-based savings amounted to just SEK 136 million (around EUR 13 million, or 0.08% of GDP).

Over the following decades, a series of reforms gradually transformed Sweden into one of Europe's most investment-friendly economies. By the end of 2024, only 12% of households' financial assets were held in currency and deposits, while total fund savings exceeded SEK 8.3 trillion (EUR 724 billion, or 128% of GDP). Today, one in four Swedes holds shares in individual listed companies – a level of retail equity participation rarely matched anywhere else in the EU.

This transformation did not occur spontaneously. The first significant step came in 1974 when the government introduced legislation on investment fund savings, creating a regulatory foundation for a mutual fund sector. This was followed in 1978 by the introduction of tax-advantaged savings accounts (*Skattesparande*), which incentivised households to allocate capital into investment funds and share-based instruments.

The 1980s saw a sharp increase in savings and investment activity, fuelled by policy measures designed to expand access to capital markets. Tax-subsidised savings were introduced in 1984, encouraging more individuals to invest by making capital gains tax-free up until a certain threshold. This reform led to a surge in stock market participation, with tax-subsidised savings accounts representing over 10% of all household savings by 1990 – an increase from just 2% a decade earlier.

### The 1991 Swedish tax reform – A shift towards efficiency and neutrality

Sweden's 1991 tax reform, described as 'the tax-reform of the century', was introduced at a time of deep economic and financial crisis, marked by a collapse in the banking system, soaring interest rates and structural macroeconomic imbalances. In the early 1990s, Sweden entered its worst post-war recession, with GDP contracting by more than 5% between 1991 and 1993. A bursting real estate bubble triggered a banking crisis. At the same time, a currency crisis forced Sweden to exit the European Monetary System, resulting in a sharp devaluation of the krona (over 20%) and a spike in interest rates.

Beyond these cyclical shocks, Sweden faced persistent structural challenges: waning international competitiveness, growing fiscal and current account imbalances and a tax system widely perceived as complex, distortionary and unsustainable.

The 1991 reform represented a major structural overhaul of the tax system. Its goals were to modernise its framework, enhance economic efficiency and ensure greater investment neutrality – while continuing to maintain overall revenue neutrality. At its core was the introduction of a dual income tax system, combining progressive taxation of labour income with a flat tax rate on capital income. The reform aimed to shift the tax burden away from labour – especially for high earners – to reduce distortions and improve work incentives.

Importantly, the new flat capital income tax replaced a previously heterogeneous and progressive system, which had taxed short- and long-term savings differently. This earlier system encouraged suboptimal investment decisions, including a bias towards debt-financed consumption and housing over financial savings. By harmonising the tax treatment of capital income, the reform reduced these inefficiencies and promoted more balanced saving and investment behaviour.

The economic crisis of the early 1990s marked one of the deepest recessions in Sweden's modern history. Triggered by the bursting of a domestic property bubble, the collapse of fixed exchange rate policies and a banking system burdened by excessive credit growth and poor risk controls, the crisis led to a contraction of over 5% of GDP, a spike in unemployment from 2% to 10% and a sharp fall in asset prices. Nearly one-third of Sweden's banking sector experienced solvency problems.

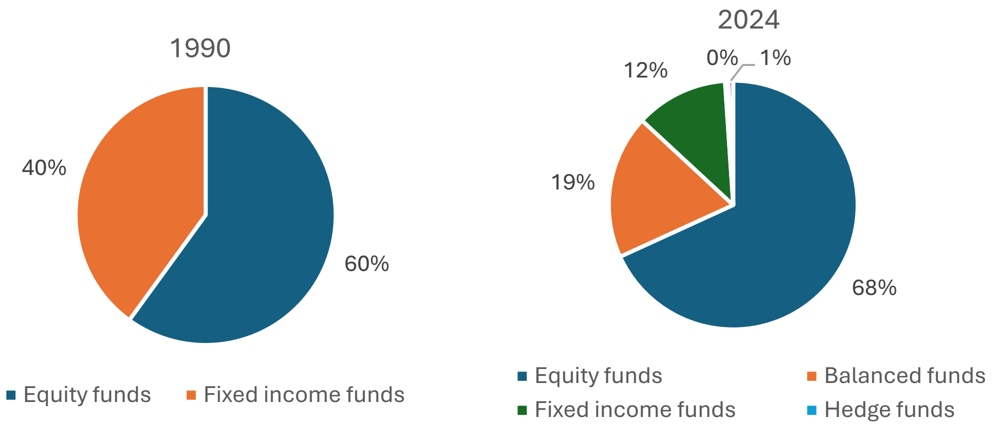
In response, the government undertook a bold and transparent rescue strategy. A blanket guarantee was issued to protect all bank depositors and creditors. Two state-owned asset management companies (Securum and Retriva) were created to serve as 'bad banks', acquiring and resolving non-performing loans from failing institutions. Banks receiving government support were required to write down losses and issue equity in exchange for state aid, ensuring accountability and allowing taxpayers to share in any future gains. This approach restored confidence quickly and preserved financial stability, with many banks repurchasing state-owned shares once profitability returned. The banking crisis resolution, coupled with fiscal consolidation and institutional reform, including the independence of the central bank and the adoption of inflation targeting, established a robust macro-financial framework.

During this period, Sweden also began to implement key elements of EU financial regulation, including the 1985 UCITS (Undertakings for Collective Investment in Transferable Securities) Directive, which facilitated the cross-border distribution of investment funds. The UCITS framework played a complementary role in modernising Sweden's asset management industry and contributed to a more integrated and competitive capital market environment.

These reforms significantly strengthened Sweden's resilience, and their legacy was evident during the 2007-2008 global financial crisis – Swedish banks remained well-capitalised, no bailouts were needed and the country avoided systemic disruption. The financial crisis was the key litmus test to prove that what emerged from the 1990s was not only a more stable financial sector but also a regulatory and institutional architecture that still underpins Sweden's capital markets to this day.

In the years that followed, Sweden's capital markets rapidly diversified, with a growing number of investment products, asset classes and foreign fund providers entering the market. At the time, fund holdings were only divided into two different groups, namely equity funds and fixed income funds (see Figure 1, left-hand panel). During the 1990s, balanced funds were introduced to savers, allowing them to further diversify their portfolios. It was also during the 1990s that foreign fund managers started taking an interest in the Swedish market, with foreign players proposing products, thus increasing competition and investment opportunities for Swedish savers. By the end of 2024, equity funds accounted for 68%, balanced funds 19% and fixed income funds 12% (see Figure 1, right-hand panel).

Figure 1: Fund asset composition in Sweden (1990 and 2024)




*Source*: Authors' own elaboration based on data from Fondbolagen.

However, the Swedish capital market has faced numerous challenges over the past 50 years. As already discussed, in the early 1990s, Sweden experienced a severe economic downturn triggered by the krona's collapse, forcing the central bank to hike interest rates to 500%, thus bringing down the market. The fallout consequently led institutional investors to diversify away from Swedish markets, seeking risk mitigation strategies through international exposure.

The early 2000s brought another period of volatility, with the bursting of the dotcom bubble halving the value of the Swedish stock exchange. Despite these setbacks, Sweden's commitment to long-term investment and market stability ensured that the capital market rebounded, underpinned by a steady flow of household savings and institutional investment.

The introduction of the Investment Savings Account (*Investeringssparkonto* or *ISK*) in 2012 marked a significant step in encouraging household savings. This innovative savings vehicle simplified retail investing by eliminating capital gains tax on individual transactions. Instead, ISK holders pay an annual tax based on a presumed return (*schablonintäkt*) calculated as a percentage of the account's capital base – defined as the average of the account's value at the beginning of each quarter, plus any deposits made during the year, divided by four. The resulting standard income is calculated automatically by the financial institution managing the ISK and is pre-filled in the taxpayer's annual declaration, further enhancing simplicity and compliance.

For 2025, the effective tax rate is set at 0.888%, offering a simple and predictable alternative to traditional investment accounts, where capital gains are taxed at 30% on realised profits. Holdings in an ISK and savings within private endowment insurance are, since 1 January 2025, tax-free up to SEK 150 000 (EUR 13 000), which will be increased to SEK 300 000 (EUR 26 000) in 2026. Since its introduction, the ISK has become a cornerstone of Swedish household investment, with almost four million individual accounts, streamlining stock market participation and reducing the administrative burdens of traditional capital gains taxation.

### Private endowment insurance – a cornerstone of Swedish savings

Private endowment insurance (*kapitalförsäkring*) has played a central role in Swedish savings and investment practices since being introduced in the 1990s. It provides both individuals and businesses with a tax-efficient and administratively simple alternative to direct investment accounts. Under this structure, the insurance company formally owns the assets, while the policyholder holds the economic rights. The returns generated within the policy are not subject to traditional capital gains or dividend taxes. Instead, a low flat annual yield tax (*avkastningsskatt*) is levied on the policy's value, based on a presumed return – thereby avoiding complex reporting on individual transactions.

There are several forms of endowment insurance. Traditional insurance policies offer a guaranteed minimum pay out, managed by the insurer, while unit-linked policies allow policyholders to choose their own investments – offering higher return potential but with greater risk. Private Placement Life Insurance (PPLI) offers the possibility to invest in domestic and foreign securities and fund units.

*Kapitalförsäkring* has also become popular with companies, which use it to manage surplus capital or offer long-term incentives and/or pension plans for employees. Its utility in estate planning is another major draw, allowing policyholders to directly name beneficiaries. As of 2023, over six million such policies were active in Sweden, managing nearly EUR 84 billion in assets, making *kapitalförsäkring* a fundamental pillar of Sweden's modern savings landscape.

Another defining feature of Sweden's investment landscape is the remarkably low cost of mutual fund ownership. As of 2023, the average ongoing charge for Swedish equity funds stood at just 0.99%, compared to an EU average of 1.55%, and well below countries such as France (1.75%), Germany (1.49%) or Italy (2.07%), according to latest data from the European Securities and Markets Authority (ESMA). Several factors contribute to this sustained fee compression. First, retail price competition is intense, with large domestic fund providers competing alongside digital investment platforms that have popularised commission-free investing and low-cost index fund access.

Second, Sweden was an early adopter of digital distribution and robo-advice, allowing cost-efficient scalability and automated asset allocation, further reducing reliance on traditional high-cost intermediaries.

Third, the state-run Premium Pension System (PPM) has had a powerful downward influence on industry pricing. All participating funds on the PPM platform are subject to institutional pricing agreements negotiated by the Swedish Pensions Agency, with the default fund AP7 Såfa charging just 0.07% in annual fees for an equity fund (a management fee of 0.05% and a transaction fee of 0.02%), setting a public benchmark that exerts indirect pressure across the retail fund market. Fee transparency is also enforced through mandatory disclosures and comparison tools such as Fondkollen, a publicly supported initiative that allows consumers to rank funds by cost and risk-adjusted returns. This competitive and transparent environment has led Swedish retail investors to become among the most cost-sensitive in Europe, reinforcing downward fee pressure through informed market behaviour.

This evolution of Sweden's investment culture – marked by strong participation from both institutional and retail investors – reflects a combination of targeted economic incentives, supportive cultural factors and enabling infrastructure. Policy measures played a catalytic role by actively encouraging retail engagement with capital markets but this was reinforced by a broader environment that included relatively high household risk appetite, widespread trust in institutions and the early development of digital platforms that have simplified investing and made it a much more accessible option to the wider population.

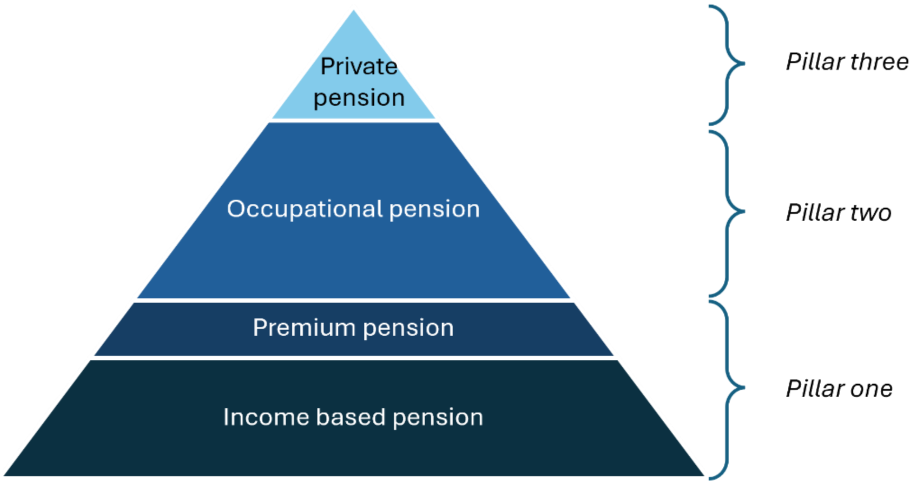
Among these drivers, the provision of well-calibrated economic incentives has been particularly effective. Rather than relying primarily on *ex-ante* financial education or outreach campaigns, Sweden's strategy centred on creating favourable tax-advantaged savings vehicles (such as the 1980s deductible savings accounts, the 1991 capital income tax reform, the ISK and private endowment insurance), simplifying access and minimising frictions. These incentives effectively nudged households into investing and enabled them to learn 'by doing', thereby increasing their familiarity with financial products and reducing risk aversion over time.

While financial literacy improved due to active participation, this learning-by-doing dynamic was also supported by a wide range of educational initiatives — including *Ung Privatekonomi* (a high school outreach programme on personal finance), *Unga Aktiesparare* (a youth investors' association offering courses and events), *Gilla Din Ekonomi* (a national financial literacy network coordinated by the Swedish Financial Supervisory Authority) and several private sector-led programmes — which provided complementary knowledge and reinforced investor confidence. The Swedish case demonstrates that while well-calibrated policy tools are essential to lower entry barriers and align incentives, efforts to increase the Swedish population's financial education have played a meaningful supporting role in sustaining long-term engagement.

### 2.3. MOBILISING LONG-TERM CAPITAL – THE ROLE OF SWEDEN'S PENSION SYSTEM

A defining feature of Sweden's financial ecosystem is its robust and multi-tiered pension system, which has played a central role in shaping the development of capital markets. In 1994, the Reforming the National Pension System (Proposition 1993/94:250) set the foundation that, a few years later, led to the major 1998 pension reform (and implemented gradually between 1999 and 2003). With this, Sweden moved from a traditional pay-as-you-go (PAYG) defined benefits system to a more sustainable, three-pillar pension mode. This system integrates a publicly funded state pension (Pillar 1), a semi-mandatory occupational pension negotiated through collective bargaining agreements (Pillar 2) and voluntary private pension saving (Pillar 3) (see Figure 2). This transition increased capital market liquidity by channelling long-term savings into equities and investment funds.

Figure 2: Sweden's three-pillar pension system




*Note*: The size of each segment is not representative to its share of pension savings.

*Source*: Author's own elaboration based on data from Pensionsmyndigheten.

#### Pillar 1 – the public pension system

The public pension is composed of two main components: an income-based pay-as-you-go scheme (*inkomstpension*) and a capital-funded scheme known as the Premium Pension System (PPM). Within this capital-funded component, 2.5% of a worker's annual pensionable income is allocated to premium pensions, where savers can choose from a wide selection of private funds or remain in the pre-selected default option (*AP7 Såfa*). Administration is managed by the Swedish Pensions Agency.

On top of the premium pension, capital market exposure also exists through the AP Funds (*AP-fonderna 1–4* and *6*), which manage buffer capital as part of the income-based PAYG public pension scheme. These funds are some of Sweden's largest institutional investors and are active in both domestic and international financial markets, thus creating another direct link between public pensions and capital markets.

### Pillar 2 – occupational pensions

Occupational pensions are often – but not always – negotiated via collective bargaining agreements between employers and trade unions. These schemes are mandatory for nearly all employees' cover: approximately nine out of 10 Swedish workers are covered. Over time, these occupational pensions have shifted from defined benefit to defined contribution schemes, which has increased the individual's exposure to capital markets through mutual funds and other financial products. Contributions are typically invested by large occupational pension companies or insurance companies, with many of them having considerable equity holdings. This has made Sweden's occupational pension sector a major institutional investor in the country's capital markets.

### Pillar 3 – private pension savings

In addition to public and occupational pensions, individuals can voluntarily save within products, such as endowment insurance or investment savings accounts (ISKs), further increasing household exposure to capital markets. The possibility to save with a tax deduction within a private pension product was abolished in 2016 (except for those not covered by an occupational pension and individual traders).

Sweden's three-pillar pension system ensures that virtually all working citizens are active participants in the financial markets, either directly or indirectly. The transformation from defined benefit to defined contribution models across both public and occupational pensions has significantly deepened Sweden's capital markets, creating a stable and consistent flow of long-term investment capital.

Unlike many other EU Member States that rely heavily on unfunded PAYG systems, the Swedish model has been able to mobilise pension assets for productive investment. This structural shift has contributed to the resilience, depth and liquidity of Sweden's financial system, all while fostering a deeply embedded long-term investment culture.

## 2.4. GOVERNANCE, STABILITY AND INNOVATION – A SUPPORTIVE AND SELF-REGULATORY ENVIRONMENT

Sweden's capital market success is not only a result of its investment culture and pension reforms but also of a well-balanced regulatory environment that provides both investor protection and market flexibility. Sweden has maintained a consistent and evolving regulatory framework that fosters market confidence while allowing innovation to thrive. In addition to statutory regulation, several industry-led self-regulatory bodies, such as the Association for Generally Accepted Principles in the Securities Market, the Swedish Securities Markets Association and the Swedish Investment Fund Association, contribute to setting standards and promoting best practices across different segments of the market.

Corporate governance plays a crucial role in maintaining Sweden's market integrity and investor trust. At the core of Sweden's governance model is the Swedish Corporate Governance Code, which applies to all listed companies on Nasdaq Stockholm. The Code operates on a 'comply or explain' basis, giving firms flexibility in taking governance decisions while ensuring high standards of transparency and accountability. Unlike governance models that prioritise short-term shareholder value, Sweden's framework balances the interests of multiple stakeholders, including institutional investors, company management and employees.

A distinguishing feature of Swedish corporate governance is the widespread use of dual class share structures, which enable founders and long-term institutional investors to retain strategic control while still attracting outside capital. While this system has been debated in other jurisdictions, in Sweden it has contributed to corporate stability and the ability to focus on long-term growth, rather than short-term financial performance.

Sweden also benefits from a strong tradition of institutional investor involvement. Pension and insurance companies, as well as the state-managed AP funds and funds owned by social partners, play an active role in corporate governance by integrating environmental, social and governance (ESG) criteria into their investment strategies. These investors push for responsible business practices, ensuring that Swedish capital markets remain globally competitive and aligned with sustainability goals.

Additionally, Sweden's governance framework includes mandatory employee representation on company boards, ensuring that labour interests are embedded in corporate decision-making. While this model is not unique to Sweden and is shared by several other EU Member States, it remains a core component of Sweden's broader stakeholder-oriented approach. Including employee representatives enhances trust and transparency between management and workers, and supports more sustainable, consensus-driven business practices.

Sweden's regulatory model has also encouraged financial innovation. The country was an early adopter of fintech solutions, with digital investment platforms and robo-advisors playing a growing role in household wealth management. These platforms have made investing more accessible to retail investors, further strengthening Sweden's already high levels of market participation.

### *2.4.1. Supervising Sweden's fund sector and pension institutions*

A defining strength of Sweden's capital market model lies in the structure and philosophy of its supervisory regime. The country's single supervisory authority (i.e. Finansinspektionen) oversees banks, insurers, pension institutions, investment funds, securities markets and financial intermediaries under one institutional roof. This integrated model stands in contrast to most EU Member States, where supervisory responsibilities are fragmented across multiple agencies.

For example, in Germany, the Federal Financial Supervisory Authority (BaFin) oversees securities markets and insurers but occupational pensions are supervised separately at the regional level by labour authorities. Similarly, in France, the Autorité des marchés financiers (AMF) supervises funds and market conduct, while the Autorité de contrôle prudentiel et de résolution (ACPR) oversees insurers and pensions. Such models may create coordination challenges between prudential and conduct supervision.

By contrast, FI's unified oversight structure facilitates cross-sectoral supervision, allowing it to effectively identify systemic risks that span across banking, insurance and asset management. This is especially important in a financial system where institutions like pension funds and insurers are particularly exposed to capital markets.

Sweden's supervisory approach also differs in substance. The fund sector is subject to EU frameworks such as UCITS and AIFMD, but Sweden has (mostly) implemented these with relatively streamlined and innovation-friendly interpretations. For instance, fund platforms and robo-advisors are subject to fit-for-purpose licensing and proportional reporting requirements, enabling early and widespread digitalisation of retail fund access. In other Member States (such as Italy and Spain), similar platforms face more burdensome pre-approval procedures or product restrictions, which may have slowed retail investment uptake.

In the pension space, Sweden's governance and oversight of public and occupational schemes also diverge from the EU norm. The AP Funds (AP1-AP4, AP6) operate with independent boards and investment autonomy but within strict legal mandates set by the National Pension Funds Act. These include limits on leverage, illiquid asset exposure (max 40%) and ethical investment standards. AP Funds are required to publish extensive annual disclosures, including ESG metrics, carbon footprints and scenario analyses.

This is markedly different from the public pension reserve funds in other countries (such as Poland and Hungary), which have seen political interference, asset reallocation to the government budget or even full liquidation. Sweden's model avoids these pitfalls by insulating governance from political cycles while enforcing clear performance and transparency rules.

Occupational pensions in Sweden, which are governed under either IORP II or Solvency II, are not only widely covered (about 90% of the workforce), but often feature dual governance between employers and trade unions. This model of social partner-led fund governance is uncommon elsewhere. For example, in the Netherlands, social partners co-govern pension funds but under much more centralised sectoral frameworks, while in Austria, pension fund governance is typically employer-dominated, with less participant input. Sweden's supervisory model thus embeds stakeholder alignment into fund-level oversight, reinforcing public trust.

Sweden also has more equity exposure in pension and insurance portfolios than most of its EU peers. Over 50% of pension (IORPs) and insurance companies' assets are invested in equities and equity funds – nearly double the EU average. This is possible due to Sweden's focus on long-term capital deployment, professional risk management and transparent supervision. In Germany, by contrast, regulatory restrictions and accounting frameworks have historically discouraged equity investment in pensions and insurance portfolios, resulting in a heavy reliance on fixed income.

Finally, Finansinspektionen applies risk-based, proportional supervision, especially for small asset managers, fintechs or fund distributors. In contrast, countries like Belgium and Portugal have historically maintained more rules-based frameworks that impose identical requirements across firm sizes, potentially raising barriers for innovation or market entry.

### 2.5. Anchored in consensus – the role of social partners

Sweden's economic and social model is strongly supported by the institutionalised role of social partners – trade unions and employer organisations – which are deeply involved in shaping labour market policies, wage-setting mechanisms and broader economic outcomes. Rather than being characterised by adversarial labour relations, Sweden has developed a cooperative framework built on mutual trust, negotiation and long-term consensus building.

The cornerstone of this framework is a decentralised collective bargaining system, where wage negotiations occur predominantly at the sectoral level. This model ensures that agreements reflect industry-specific realities while contributing to macroeconomic stability and competitiveness. Because the state does not typically intervene in wage-setting, the system grants flexibility to employers and guarantees workers' security, with relatively few labour disputes.

The Co-Determination Act (*Medbestämmandelagen, MBL*) reinforces this collaborative model by mandating workers' involvement in corporate governance. In companies above a certain size, union representatives must be included on company boards. This co-determination structure helps embed employee perspectives into corporate strategy, further reinforcing workplace cohesion and trust.

Social partners also play an essential role in Sweden's pension system, particularly in the governance of occupational (Pillar Two) pension schemes. Employer organisations and trade unions help shape the investment strategies of occupational pension funds, with an established focus on sustainability and long-term performance. This partnership has contributed to a well-funded and professionally managed pension framework that supports both workers' security and capital market development.

In parallel, the sustainability of the public (Pillar One) pension system is safeguarded through the *Pensionsgruppen* – a cross-party political agreement. Managed independently from the general government budget and operating on a self-financed basis, the system is designed to be actuarially balanced, thus protecting future generations from an excessive debt burden. Changes to the system require broad political consensus, providing institutional predictability and public trust.

By fostering a spirit of collaboration and wielding long-termism into both its labour and financial systems, Sweden's model of social partnership contributes significantly to its economic resilience, financial stability and the overall attractiveness of its capital markets.

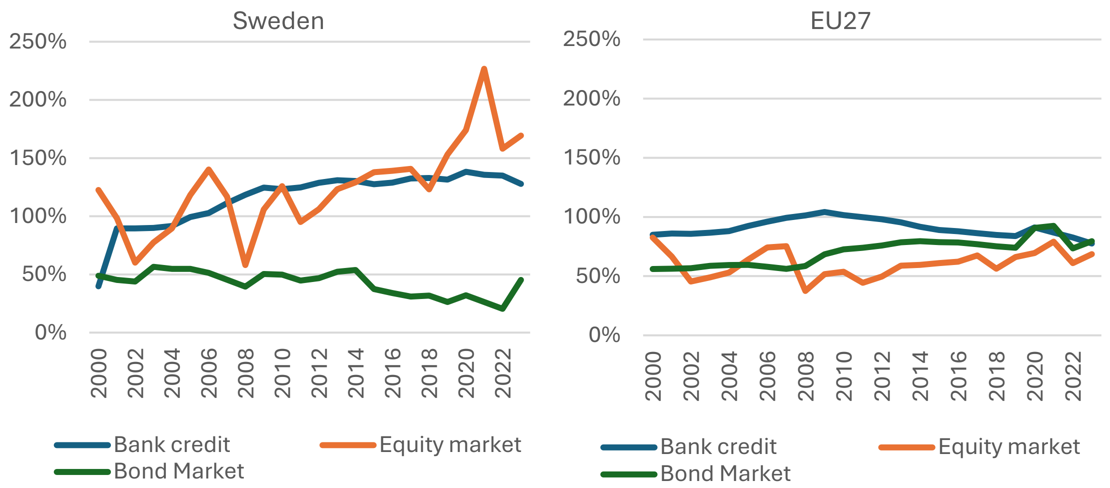
# 3. Sweden in comparative perspective – a true capital market leader in the EU

## 3.1. An equity-driven financial system and the role of bond markets

Sweden's financial system has expanded significantly over the years, both in absolute and relative terms (see Figure 3 left-hand panel). It is best characterised as an equity-driven financial system, with equity markets representing 169% of GDP in 2023 – more than double the EU27 average (see Figure 3, right-hand panel). This follows a temporary peak of 227% in 2021, which was largely driven by pandemic-era monetary stimulus, strong market performance in the tech sector and a surge in retail participation during the period of low interest rates. Since then, valuation corrections and a more challenging macroeconomic outlook have moderated this figure.

Bank credit to the private sector has remained relatively stable in Sweden at just over 100% of GDP, while the bond market – although smaller in relative terms compared to other EU economies – has shown important structural changes and diversification. In contrast to the EU average, where financial intermediation is more evenly distributed between equity, bank credit and bond markets, Sweden has a strong equity culture.

Figure 3. Structure of Sweden's financial system and the EU27 (% of GDP, 2000-23)



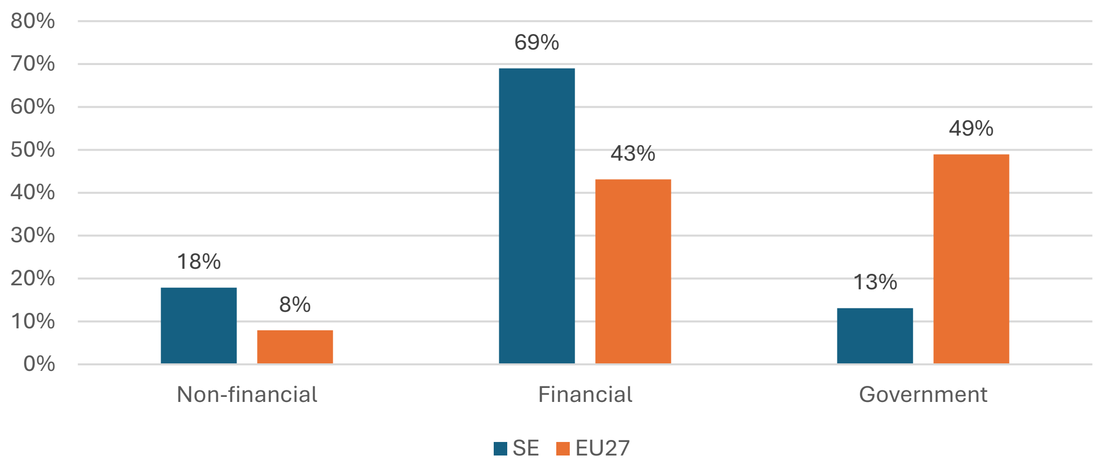

*Notes*: 'Bank credit' refers to the financial resources provided to the private sector by domestic money banks as a share of GDP. 'Domestic money banks' comprise commercial banks and other financial institutions that accept transferable deposits, such as demand deposits. 'Equity market' captures the total value of all listed shares in a stock market as a percentage of GDP. Market capitalisation as of December of each year. 'Bond market' refers to the sum of outstanding amounts of corporate and government debt securities.

*Sources*: Authors' own calculations based on data from the 2024 ECMI Statistical Package, the International Monetary Fund, International Financial Statistics and the World Bank.

Although the Swedish bond market remains lower in aggregate than in many EU countries, standing at just under 50% of GDP versus the EU27 average of 80%, this masks important differences within Sweden's bond market structure. The government bond market has gradually declined as a share of GDP (from about 42% in 2000 to 19% in 2023), driven by sustained fiscal discipline and falling public debt.

At the same time, the corporate bond market has expanded substantially, becoming an increasingly important component of corporate financing. The market's size grew from around EUR 156 billion to EUR 684 billion between 2000 and 2023 – of which 18% is the outstanding debt of non-financial sector firms and 69% of financial firms (see Figure 4). Swedish companies are now more active in issuing debt securities, complementing their traditional reliance on bank loans. Much of this debt is held by institutional investors, such as insurance companies and pension funds, contributing to the market's depth and liquidity.

Figure 4. Bond markets in Sweden and the EU27 (% of total debt securities outstanding, 2023)

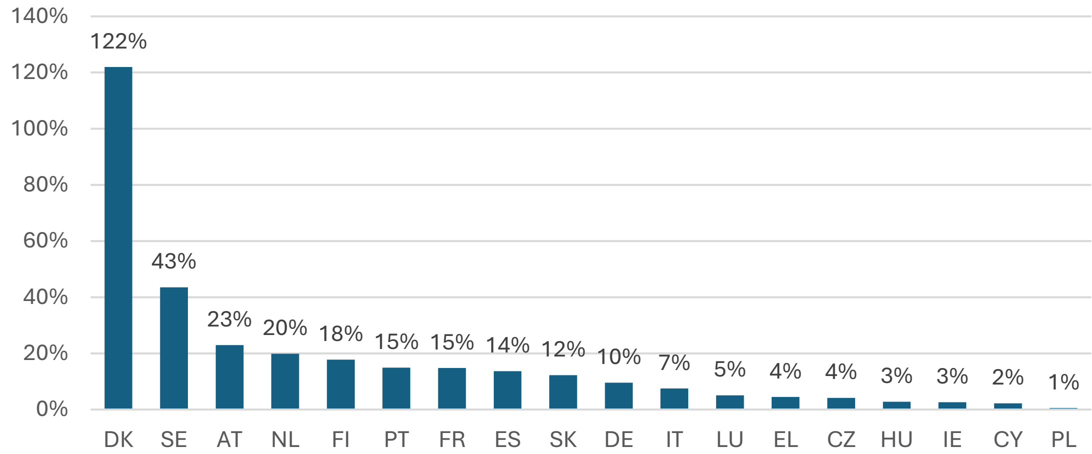



*Note*: The figure depicts the notional amount outstanding of debt securities issued by non-financial and financial corporations, as well as the government.

*Source*: Authors' own calculations based on data from the 2024 ECMI Statistical Package.

Moreover, Sweden hosts one of the most significant covered bond markets in Europe (see Figure 5). Covered bonds represent a cornerstone of the Swedish financial system, offering a stable, low-risk funding source backed by high-quality collateral. As of December 2023, outstanding covered bonds in Sweden totalled EUR 235 billion, placing it among the top four markets in the EU alongside Denmark, France and Germany. The market is predominantly SEK-denominated and benefits from a deep and stable domestic investor base. Covered bonds account for approximately 43% of the total debt issued by Swedish financial institutions, reflecting their importance in bank funding strategies.

Figure 5. Covered bond market across EU Member States (% of GDP, 2023)




*Source*: Authors' own calculations based on data from the 2024 ECMI Statistical Package.

### 3.2. THE RISK CAPITAL ECOSYSTEM – FUELLING EARLY-STAGE AND HIGH-GROWTH ENTERPRISES

Sweden has established one of the most dynamic and well-functioning risk capital markets in Europe, serving as a crucial bridge between early-stage financing and public market access. The country boasts a well-developed network of venture capital (VC) firms, private equity (PE) investors, angel investors and crowdfunding platforms, all of which provide essential funding to high-growth companies.

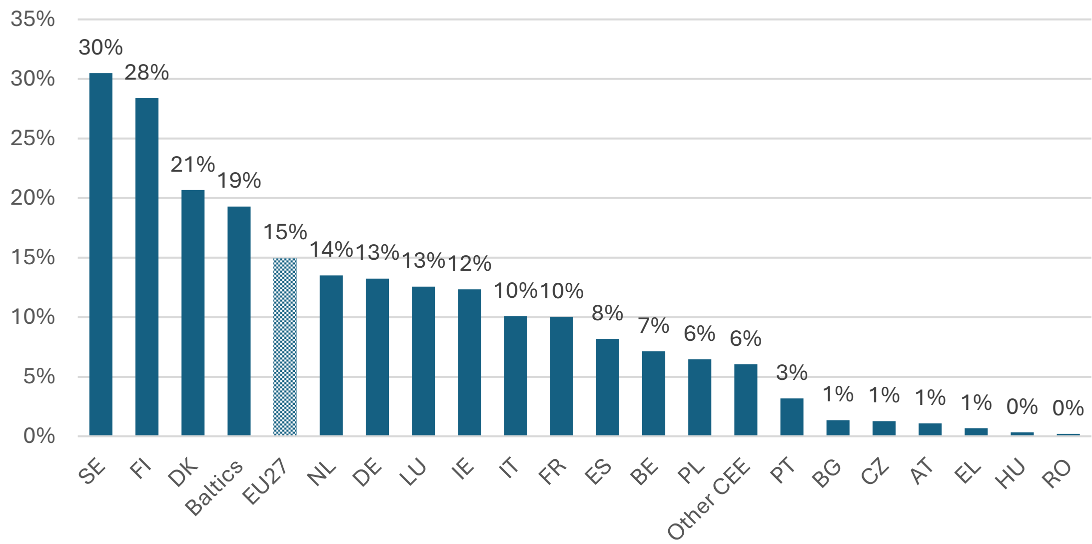
This ecosystem ensures that Swedish start-ups can secure the necessary capital to scale their operations, invest in innovation and prepare for successful public listings. In 2023, according to data from Invest Europe, PE investment in Sweden totalled EUR 3.5 billion, equivalent to 0.6% of GDP, making it one of the most active markets in Europe.

A key factor driving this success is Sweden's vibrant VC landscape, bolstered by both private investment and government-backed initiatives. Sweden consistently ranks among the top European countries in terms of VC investments. In 2023, it accounted for 7% of total EU VC investments, behind Germany (24%), France (23%) and the Netherlands (14%). However, on a per capita basis, Sweden stands out even more prominently, ranking first among EU countries. According to Dealroom data, Sweden has the highest per capital VC investment in the EU, with an average of approximately EUR 450 per person – nearly twice Ireland's level, which ranks second at around EUR 230 per person.

Public-sector institutions, such as the Swedish Growth Agency (Tillväxtverket), ALMI Invest and the Swedish National Pension Funds (AP Funds), play a vital role in supporting early-stage investments by co-investing alongside private-sector players. Additionally, Sweden's *Investeraravdrag* (investment deduction for SMEs) has provided tax incentives that encourage private capital allocation to high-growth companies, helping to bridge the gap between seed capital and later-stage financing rounds.

Sweden's regulatory framework and investor culture also create an accommodating environment for risk capital funding. Unlike in many European jurisdictions where regulatory complexity can deter investment, Sweden's streamlined listing processes, robust legal and self-regulatory framework, and investor-friendly policies provide clarity and predictability. Institutional investors and pension funds play a substantial role in financing start-ups and growth, with Swedish pension funds allocating a significant share of their assets to alternative investments, including venture capital and private equity (see Figure 6). As of 2023, total private equity assets under management (AUM) in Sweden exceeded EUR 80 billion, further reinforcing the country's capacity to finance entrepreneurship, boost market liquidity and enhance the overall competitiveness of its capital markets.

Figure 6. Pension funds' commitments on raised VC and PE funds (average 2007-23)




*Notes*: The figure depicts pension funds' share of raised VC and PE funds (i.e. commitments). Funds raised are recorded in the country where the advisory team raising/managing the fund ('industry statistics') is based. VC stages include: seed, start-up and later stage venture. PE stages include: growth capital, turnaround/rescue, replacement capital and buyout. 'Baltics' include Estonia, Latvia and Lithuania. 'Other CEE' includes Croatia, Slovenia and Slovakia. The data do not include Cyprus and Malta.

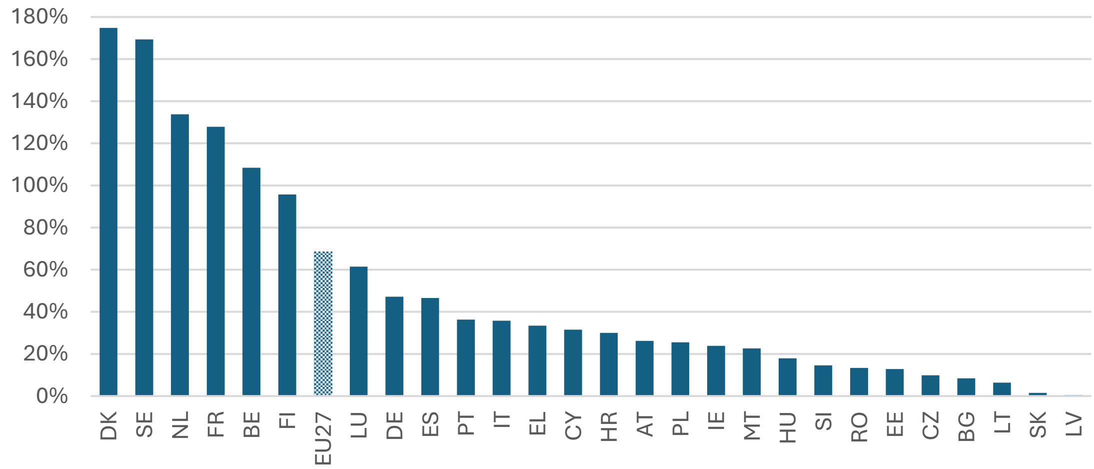
*Source*: Author's own calculations based on data from InvestEurope.

Sweden's risk capital ecosystem is increasingly characterised by patient capital, with investors often supporting companies through long holding periods, acquisitions or alternative exits rather than focusing solely on IPOs. This has created a diverse and resilient funding environment tailored to a wide range of business models and growth paths.

### 3.3. The growth equity market – multitier platforms and exceptional IPO activity

Sweden hosts one of the most advanced and dynamic listed equity markets in Europe. With a total market capitalisation equal to 169% of GDP in 2023 – more than double the EU27 average of 69% and higher than that of the largest EU Member States (France, Germany, Italy and Spain) – Sweden stands out as a capital markets leader in the EU (see Figure 7). At the end of 2024, there were 953 listed companies on the Swedish equity market, reflecting both the depth and accessibility of its public equity ecosystem. This performance is supported by a multi-tiered exchange structure, a strong equity investment culture among both institutional and retail investors, and vibrant IPO activity across both regulated and SME growth markets.

Figure 7. Market capitalisation across Member States (% of GDP, 2023)




*Note*: Market capitalisation as of December 2023.

*Source*: Author's own calculations based on data from the 2024 ECMI Statistical Package.

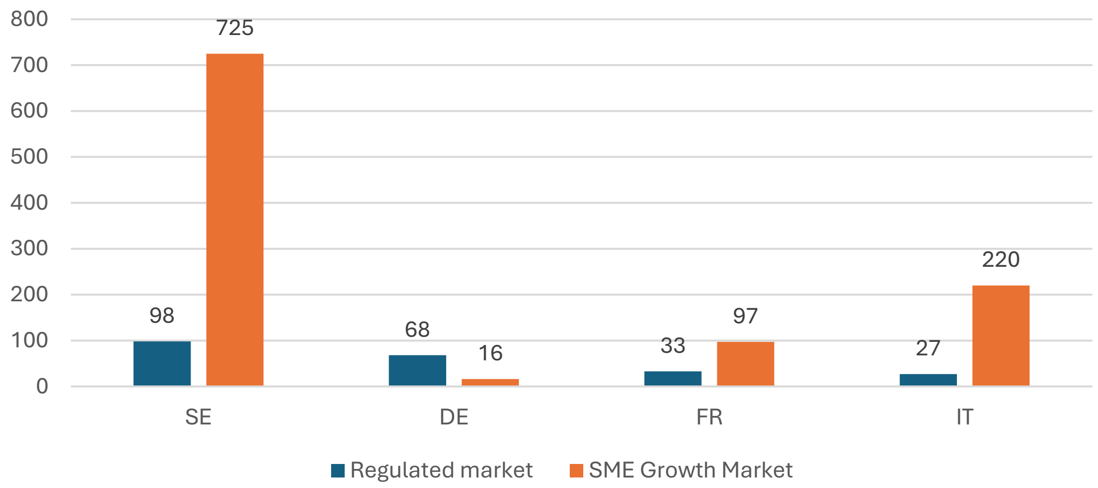
At the heart of Sweden's equity market is Nasdaq Stockholm, the main regulated exchange, which at the end of 2024 included 364 listed companies and serves as a key capital-raising platform for mid- and large-cap firms. As of 2024, its market capitalisation exceeded EUR 1.2 trillion. Nasdaq Stockholm is complemented by Nasdaq First North

Growth Market, a licensed SME Growth Market under MiFID II, which provides a cost-efficient entry point for smaller, high-growth companies.

Alongside this, the Nordic Growth Market (NGM)- a subsidiary of the Boerse Stuttgart Group – operates both a regulated market and an SME Growth Market (Nordic SME). The Spotlight Stock Market, also an SME Growth Market, further broadens access to public equity. Together, these platforms form a dynamic ecosystem that supports a continuous funding pipeline for companies at all growth stages.

This multi-layered market infrastructure has translated into exceptional IPO activity. Sweden recorded 823 IPOs between 2016 and 2023 – by far the highest among EU Member States (see Figure 8). Nearly 90% of these listings took place on SME Growth Markets, including Nasdaq First North, NGM Nordic SME and Spotlight, underscoring Sweden's unparalleled ability to channel capital to smaller and growth-stage firms. In comparison, Italy registered 247 IPOs, predominantly via Euronext Growth (formerly AIM Italia), followed by France (130 IPOs across Euronext and its SME segments) and Germany (81 IPOs, with the bulk being on the regulated market).

Figure 8. Number of initial public offerings (2016-23)




*Notes*: The figure depicts the total number of IPOs from 2016 to 2023 by exchange type. Since the concept of SME Growth Markets was only introduced in 2018, the data also include predecessor segments, except for Euronext Access, which is not an SME Growth Market under MiFID II but is specifically targeted at SMEs. For Sweden, the regulated market refers to Nasdaq, while SME Growth Markets include Nasdaq Fist North, NGM Nordic SME, and Spotlight. For Germany, the regulated market includes Deutsche Börse and Börse Stuttgart, while the SME Growth Market includes Scale and its predecessor, the FWB Entry Standard. For France and Italy, the regulated market refers to Euronext, while SME Growth Markets include Euronext Growth and Euronext Access.

*Sources*: Authors' own elaboration based on data from Euronext, FESE, Kaserer and Treßel (2024), Nasdaq and NGM Nordic.

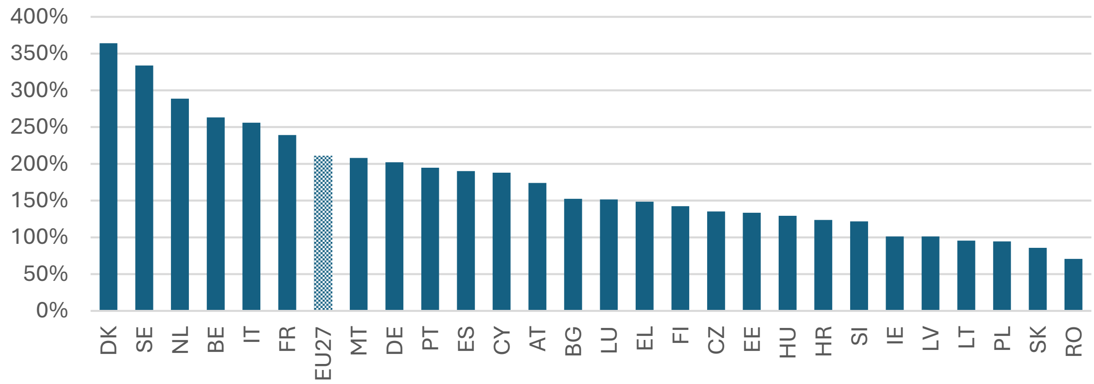
Importantly, IPOs are not viewed solely as a gateway to listing. Many companies on Sweden's SME Growth Markets intend to remain there rather than transition to the main market, making these platforms central to Sweden's overall equity market infrastructure. That said, a growing number do move upwards – 130 companies upgraded from Nasdaq First North to Nasdaq Stockholm between 2006 and 2023.

Sweden's IPO ecosystem benefits from an exceptionally broad and engaged investor base, comprising retail investors, institutional funds and pension funds. Retail participation in IPOs is particularly high, thanks to Sweden's strong financial literacy, well-developed savings culture, less risk-averse retail investors and tax incentives that favour long-term equity investments. The Investment Savings Account (ISK) framework, which simplifies taxation on capital gains, has further stimulated retail demand for newly listed shares. Meanwhile, institutional investors, including pension funds and asset managers, play a stabilising role in IPOs, ensuring market depth and liquidity.

### 3.4. An engaged investor base – households' wealth and institutional depth

Swedish households' financial assets have quadrupled over the past few decades, rising from approximately EUR 430 billion (151% of GDP) in 2000 to EUR 1.8 trillion (334% of GDP) by the end of 2023 (see Figure 9). In contrast, EU27 households' financial assets grew from EUR 14 trillion (177% of GDP) to EUR 36 trillion (211% of GDP) over the same period. Sweden ranks among the highest in household financial assets as a percentage of GDP, second only to Denmark (where household portfolios are more heavily weighted towards bond investments). This stands in stark contrast to several EU countries, particularly in eastern and southern Europe, where financial asset accumulation remains well below the EU27 average. These disparities, reflect lower market participation, weaker financial infrastructure and a continued reliance on traditional savings instruments, such as bank deposits.

Figure 9. Households' financial assets across Member States (% of GDP, 2023)

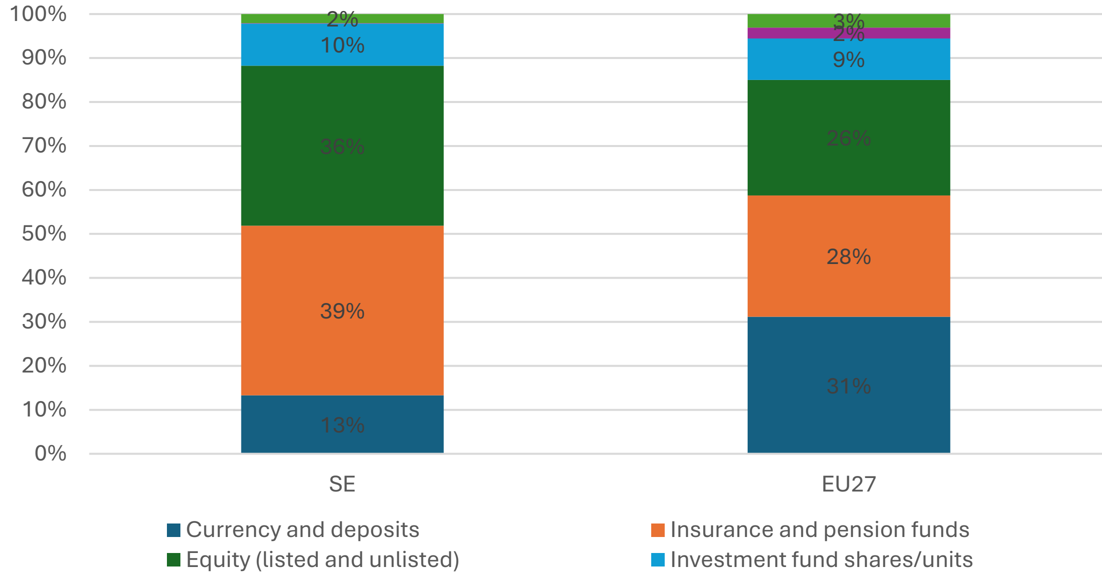



Note: The category 'Other financial assets' includes other accounts receivable, financial derivatives and loans.

Source: Authors' own calculations based on data from Eurostat.

This strong accumulation of financial assets in Sweden has also translated into a distinctive investment profile, marked by a high degree of equity exposure. Swedish households invest a significant share of their wealth in equities – both directly and indirectly through mutual funds, pension schemes and ISK accounts (see Figure 10).

Figure 10. Households' allocation of financial assets in Sweden and the rest of the EU27 (% of financial assets, 2023)



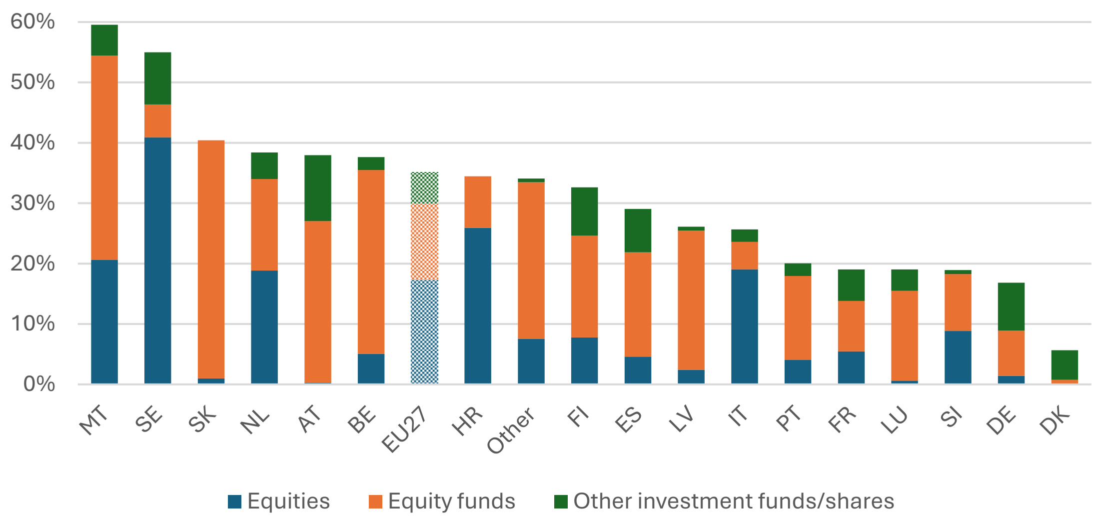

*Note*: The category 'Other financial assets' includes other accounts receivable, financial derivatives and loans.

*Source*: Authors' own calculations based on data from Eurostat.

As of 2023, listed and unlisted shares accounted for 36% of household financial assets in Sweden, compared to just 26% in the EU27. Even more striking, 39% of assets were held in insurance and pension products, which themselves allocate heavily to equity markets. In contrast, bank deposits accounted for only 13% of household portfolios – far below the EU average of 31% and indicative of a more risk-tolerant, market-oriented investment culture. This equity-centric asset allocation contributes to greater market liquidity, higher trading volumes and more efficient price discovery, thus reinforcing the overall dynamism and resilience of Sweden's capital markets.

Institutional investors further amplify this effect. Sweden's pension funds, particularly the AP funds, are among the most equity-heavy in the EU. More than 50% of Swedish pension fund assets are invested in equities, equity funds and other share-based instruments, one of the highest proportions in Europe (see Figure 11). This long-term, stable capital base not only supports market depth but also provides a buffer against short-term volatility, facilitating a long-term investment horizon aligned with sustainable growth strategies.

Figure 11. Institutions for occupational retirement provision (IORPs) assets into equities, equity funds and other investment funds/shares (% of total assets, 2023)

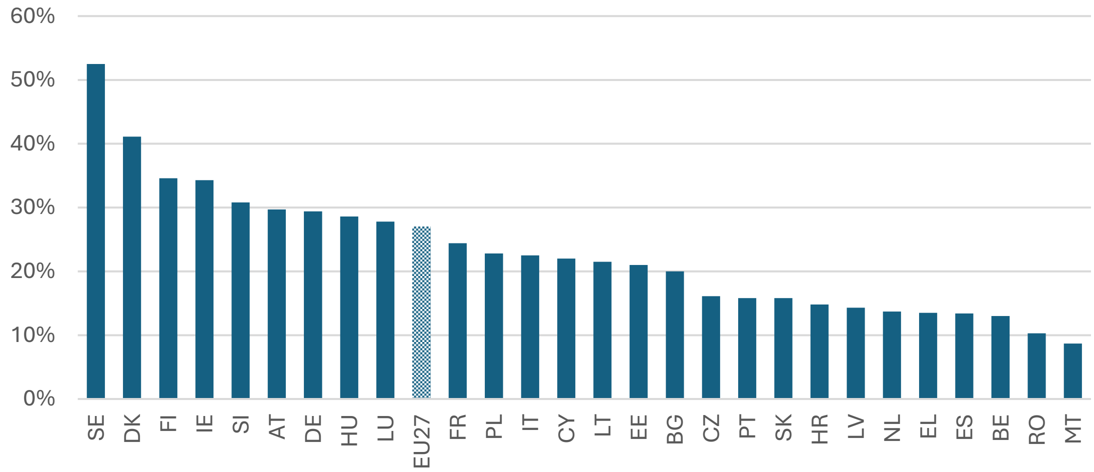



*Note*: The figure depicts the share of pension funds' assets allocated to equities (listed and unlisted), equity investment funds and other investment funds/shares (which may include PE funds, if they largely invest in unlisted companies (e.g. via loans or participation)). 'Other' includes BG, CY, CZ, EE, EL, HU, IE, LT, PL, and RO.

*Source*: Authors' own calculations based on data from the EIOPA.

The insurance sector also plays a pivotal role. Swedish insurance companies allocate over 50% of their total assets to equities, the highest share among EU Member States and half the EU27 average (see Figure 12). This contrasts sharply with countries such as Germany, France and Italy, where insurers invest around 20% of their assets in equity markets. The strategic orientation of both pension and insurance institutions towards equities highlights the robustness of Sweden's institutional investor base and its critical contribution to the country's vibrant capital market ecosystem.

Figure 12. Equity holdings of insurance companies across Member States (% of total assets, 2023)




*Note*: The figure depicts the sum of equity investment and investment into equity funds and private equity funds relative to the total assets of insurance corporations.

*Source*: Authors' own calculations based on data from the European Commission, '[Monitoring progress towards a Capital Markets Union: a toolkit of indicators]'.

# 4. FROM NATIONAL STRENGTH TO EUROPEAN STRATEGY – POLICY LESSONS FOR THE EU'S CAPITAL MARKETS

Sweden's experience offers compelling insights for advancing the EU's CMU and the broader vision of a Savings and Investment Union. While institutional structures, financial traditions and political economies differ across Member States, Sweden demonstrates that a coherent mix of long-term policy commitments, effective regulatory design and strategic national reforms can yield transformative capital market outcomes. Based on this study's findings, five key areas for further action can be extrapolated for EU policymakers.

## 4.1. REINVIGORATE HOUSEHOLD PARTICIPATION THROUGH SIMPLE AND INCENTIVISED SAVING VEHICLES

One of the Sweden's clearest lessons is the decisive role of retail investors in deepening capital markets. Tax-advantaged accounts such as the *Investeringssparkonto* (ISK) and private endowment insurance (PEI) have played an important role in enhancing retail engagement by simplifying taxation and declarations, reducing administrative friction and offering flexible investment options. While not a silver bullet, these accounts have contributed significantly when combined with broader factors such as digital access, financial education and a strong investor protection framework. As of 2024, over a third (36%) of Swedish adults hold ISK accounts, channelling long-term household savings into capital markets.

***Recommendation***: Promote retail investor participation by developing a blueprint for a simple, low-burden investment savings account. Member States should be encouraged to introduce ISK- or PEI-inspired frameworks that minimise capital lock-ins and enable cross-border investment flexibility. Simplicity, tax neutrality across products and digital accessibility should be prioritised.

## 4.2. LEVERAGE PENSION REFORM TO MOBILISE STABLE, LONG-TERM CAPITAL

Sweden's multi-tiered pension system, combining funded Pillar One schemes (like the premium pension system), occupational pensions and voluntary savings, has channelled vast amounts of capital into equity markets. Over 50% of pension fund assets are invested in equities and related instruments, underpinning market liquidity and resilience.

***Recommendation***: Encourage Member States to transition towards partially funded pension systems, supported by national reforms. Funded pensions offer a powerful complement to bank- and state-based retirement models and can significantly expand institutional investor participation.

## 4.3. Preserve SME growth markets as agile, low-barrier entry points

Sweden's capital market ecosystem thrives on a vibrant SME growth market segment. Nearly 90% of Swedish IPOs between 2016 and 2023 occurred on Nasdaq First North, NGM Nordic SME and Spotlight – underscoring the important role of differentiated market tiers. These venues enable cost-effective access to public capital for early-stage firms, with the possibility to subsequently uplist to the main market.

***Recommendation***: Safeguard the distinctiveness of SME growth markets by resisting over-harmonisation with regulated markets. Any extension of the Market Abuse Regulation should be limited and simplified listing and reporting requirements should be maintained. Flexibility in accounting and prospectus rules should be promoted, allowing SME markets to remain tailored and proportionate. However, simplification must be carefully calibrated to ensure that companies entering public markets are fit for listing, and that investor protection standards remain robust.

## 4.4. Ensure regulatory frameworks are growth-friendly and fit-for-purpose

A key enabling factor in Sweden's success is a pragmatic regulatory framework that supports capital formation. Company law provisions on flexible share structures, streamlined prospectus rules (e.g. the widespread use of the EU Growth Prospectus) and low administrative barriers to market entry have been instrumental.

***Recommendation***: Establish an optional '28th regime' in company law to offer a growth-friendly legal structure for issuers across the EU. The Prospectus Regulation should be further simplified by allowing standardised, short-form documents for SMEs and other growth-stage issuers (e.g. small caps). There should be efforts to reduce liability fears by improving error correction mechanisms (e.g. *ad hoc* disclosures). ESMA and national competent authorities should provide prospectus checklists and offer pre-approval consultations to ease navigation. Nevertheless, regulatory flexibility should not come at the expense of investor confidence; safeguards must be maintained to ensure only well-prepared firms are able to enter public markets.

## 4.5. Promote structural reform through national ownership and EU coordination

Capital market development cannot be achieved solely through EU-level legislation. Sweden's success stems from decades of consistent national reform in taxation, pensions, financial infrastructure and investor education. Rather than relying exclusively on harmonisation, the EU should help facilitate peer learning and structured reform at national level.

***Recommendation***: Create a structured Capital Markets Reform Semester, modelled on the European Semester, to assess Member State progress and promote peer learning. Country-specific recommendations, supported by a toolkit of best practices, could guide reforms in taxation, pension funding, financial literacy, and regulatory capacity. The aim should be bottom-up convergence through national leadership, supported by EU-level coordination and benchmarking.

# 5. CONCLUSIONS

Sweden's capital market success is not the product of linear progress or perfect conditions. It is the outcome of navigating significant challenges — including a deep financial crisis in the early 1990s, structural shifts in the pension system and the complexities of financial liberalisation. These experiences forced Sweden to confront weaknesses in its financial architecture and lay the foundations for a more transparent, resilient and well-regulated market system. What followed was not just recovery but a deliberate and sustained effort to build trust, enhance institutional capacity and align financial markets more closely with long-term economic and social goals.

Today, Sweden stands out as one of Europe's most inclusive and dynamic capital markets. It combines macroeconomic stability with a financial ecosystem that supports both risk-taking and long-term savings. Household participation in capital markets is among the highest in the EU, supported by well-regulated fund structures and wide coverage of occupational pensions. At the same time, Sweden has cultivated a strong infrastructure for supervision and disclosure, ensuring that market integrity is not compromised in pursuit of growth.

A defining feature of the Swedish model is its commitment to alignment — between firms and investors, employers and unions, and public and private actors. How occupational pensions are governed, the development of local capital market infrastructure and the stability of tax and regulatory frameworks all reflect a collaborative approach grounded in institutional trust. Rather than relying on top-down intervention, Sweden has consistently fostered bottom-up confidence in the market through predictability, accountability and a pragmatic policy environment.

As the EU embarks on the next stage of building the CMU and it seeks to operationalise the broader vision of a Savings and Investment Union, Sweden's experience offers powerful lessons. Stability and innovation are not contradictory. Regulatory coherence and long-term policy consistency are essential for building investor confidence. And the role of domestic institutional investors — especially pension funds — is central to ensuring that capital markets serve both economic and societal resilience.

Sweden's capital market should not be viewed merely as a high-performing national system but as a reference point for what is possible when market development is grounded in sound governance and strategic foresight.

In an increasingly complex and fragmented global environment, the Swedish case illustrates that trusted, open and inclusive capital markets are not just a financial asset — they are a cornerstone of long-term economic strength and democratic legitimacy.

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