DEVELOPMENTS AND CHALLENGES REGARDING THE EUROPEAN CAPITAL MARKETS INTEGRATION PROJECT

Beatrice Radu[1*]
[1)] *National Bank of Romania*

Abstract
The concept of a Capital Market Union exerts significant influence over debates within the European Union. Achieving a Capital Market Union is seen as a means of fostering deeper integration, promoting economic growth, and encouraging sustainable investments. This paper explores the status of the project regarding the Capital Market Union, focusing on key developments, challenges, and potential impacts on the financial system of the European Union. The evidence presented emphasize the role of the Capital Market Union in providing alternative financing channels, reducing fragmentation, and diversifying investment opportunities within the European Union. Although progress was made, the Capital Market Union faces a multitude of challenges that affect its efficiency and sustainability. These include regulatory barriers, divergent national practices, geopolitical uncertainties, and the impact of COVID-19 on market dynamics. Furthermore, the potential impact of a fully accomplished Capital Market Union is considered, including its effects on economic stability, risk management, and the global competitiveness of the European Union. The analysis also addresses implications for market participants, investors, regulatory authorities, and the broader socio-economic context within the European Union. Ultimately, the paper underscores the importance of the Capital Market Union as an accelerator for integration and financial resilience, while acknowledging the complexity and obstacles that require concerted efforts from political decision-makers, financial institutions, and market participants. Continued dialogue, proactive measures, and a shared vision are needed to navigate current crises and address issues related to the Capital Market Union, ultimately promoting a stronger and more interconnected European capital market.

Keywords
Capital Market Union, investments, financial system, financial risk, EU integration.

JEL Classification
G15, F21, F36

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[*] Corresponding author, **Beatrice Radu** – beatrice.radu10@gmail.com.

Introduction

The inception of the Capital Market Union project dates back to 2015, originating as a policy initiative under the European Commission and grounded in the provisions of the Treaty of Rome. Its objective is to establish a unified Capital Market Union among the member states of the European Union, aimed at attracting funding resources for enterprises, generating new job opportunities for European Union citizens, and providing a diverse range of options for capital holders and depositors.

By fortifying the single capital market, one of the fundamental principles underpinning the creation of the European Union's concept of a capital market—the free movement of capital—is strengthened. However, compared to the capital market in the United States of America, the European Union's capital market remains in a state of fragmentation and lower size, largely due to barriers stemming from cultural differences among the 27 member states and entrenched customs within them.

In the initial action plan for the Capital Market Union foundation, the European Commission identified obstacles related to insolvency law, supervision, and taxation, prioritizing regulatory reforms to facilitate investment. Advancing the single capital market entails addressing barriers in the investor-investment relationship, leading to diversification of companies in investors' portfolios and expanding funding sources for them.

As the Capital Market Union (CMU) evolves and obstacles are addressed, attention turns to market supervision—a critical element for the effective functioning of both the CMU and the overall financial stability of the European Union. Robust and consistent supervision is essential for enhancing investor protection, bolstering confidence in the single capital market, and fostering the growth of the European business environment.

The strengthening of the CMU lays the groundwork for better distribution and absorption of shocks in European financial markets, fostering a stable environment for citizens, investors, and companies to thrive. These advantages enhance the European Union's role on the global stage, while the multitude of investment opportunities created by the single capital market can foster a competitive environment for investors. Moreover, the confidence instilled by the single capital market may attract increased investment from third-party countries into EU member states.

According to EU policies on the CMU, a fully functional and integrated capital market would yield several benefits, including: new financial sources for companies - especially small and medium enterprises -, reduced capital mobilization costs, increased options for depositors across the EU, facilitated cross-border investments, support for long-term investment projects (particularly in green and digital transitions), enhanced stability, resilience, and competitiveness of the EU financial system, strengthened international role of the euro as an investment currency, and heightened resilience of the economic and monetary union (EMU).

1. Review of the scientific literature

The European Capital Markets Integration Project has been a subject of extensive scholarly inquiry, reflecting its significance in the economic and financial landscape of the European Union. This review synthesizes findings from scientific literature to provide insights into the developments, achievements, and challenges encountered in the pursuit of integrating capital markets across Europe.

An early paper (Demertzis, 2013), underscores the necessity of CMU in meeting the EU's future financing needs and addresses challenges in its implementation.

Véron and Wolff (2015) emphasize the potential benefits of a well-designed and implemented CMU in terms of improving access to financing, increasing saving prospects, and enhancing financial stability in the EU. The paper suggests a staged approach to sustain momentum in CMU development.

Further research (Allen and Pastor, 2018), discusses the strengths and weaknesses of the European Commission's plan for CMU, highlighting challenges such as limited supervision ambition and enforcement of financial instruments regulations.

Another paper (Busch et al., 2018) examines various aspects of CMU from legal and economic perspectives, particularly in light of Brexit and its implications.

Mikołajczak (2018) explores the potential impact of CMU on social enterprises and the availability of funding sources to support them.

The overlapping crises manifested in recent years, which significantly changed the economic and financial landscape of the European Union, also had an impact from the perspective of the expectations of future developments of the CMU project. Starting from the recent preoccupations regarding the advance of fintech and digital finance, the need to develop new green and sustainable economic frameworks or the increased fragmentation of the international trade, several academic researchers investigated the effects or possible responses from the CMU development. For example, Busch (2022) discusses the impact of the COVID-19 pandemic on sustainable finance within the EU and explores how the CMU can support green and social investment initiatives to drive recovery and sustainability.

Scientific literature on the European Capital Markets Integration Project provides a rich understanding of the developments, challenges, and opportunities inherent in the process. While significant progress has been made, persistent challenges underscore the need for continuous scholarly inquiry and evidence-based policymaking to realize the full potential of integrated capital markets in Europe.

2. Research methodology

The research employs data from authorized international databases to conduct both quantitative and qualitative analyses. The tables and charts support the analysis and data correlations aiming to identify trends and possible future research directions, without resorting to econometric tools.

The paper uses the following sources for tables and charts: Refinitiv, the Federation of the European Stock Exchanges and Statista. The data covers the evolution of stock exchanges over the period of 5 years, starting with 2019 until the beginning of 2024.

The objective of the paper is to present the trends, performance and influencing factors in the development of the European capital market during the mentioned time period, and to compare the evolution of different stock exchanges in Europe. At the same time, the paper studies the relationships between market indicators and capital market fluctuations.

The analysis methods utilized in this paper involve the use and interpretation of graphs to visualize the evolution of the capital market and the use of comparative tables to highlight the differences between various stock exchanges or sectors.
The results and discussions included in the following section interpret the main conclusions obtained from the data analysis, also examining the implications of the results for investors, financial institutions and regulatory authorities and formulating recommendations or forecasts based on research results.

3. Results and discussions

In historical context, London's capital market has significantly influenced the European Union's financial system, being the largest and most developed in the EU. However, with Brexit, approximately one-third of the European stock market activity has been lost, posing a significant barrier to the goals set forth by the European Commission in 2015, particularly in attracting foreign investments and achieving market integration.

3.1. Recent Developments of European Stock Markets

An analysis of European stock market capitalization over five years reveals Euronext as the strongest capital market in Europe. Euronext's robust capitalization is attributed to its design involving numerous European states. Following its merger with NYSE in 2007 and subsequent acquisition by Intercontinental Exchange in 2013, Euronext became an independent entity listed on the stock exchange in 2014. Currently, 76% of Euronext's capital is free float, with shareholders holding less than 5% stakes.

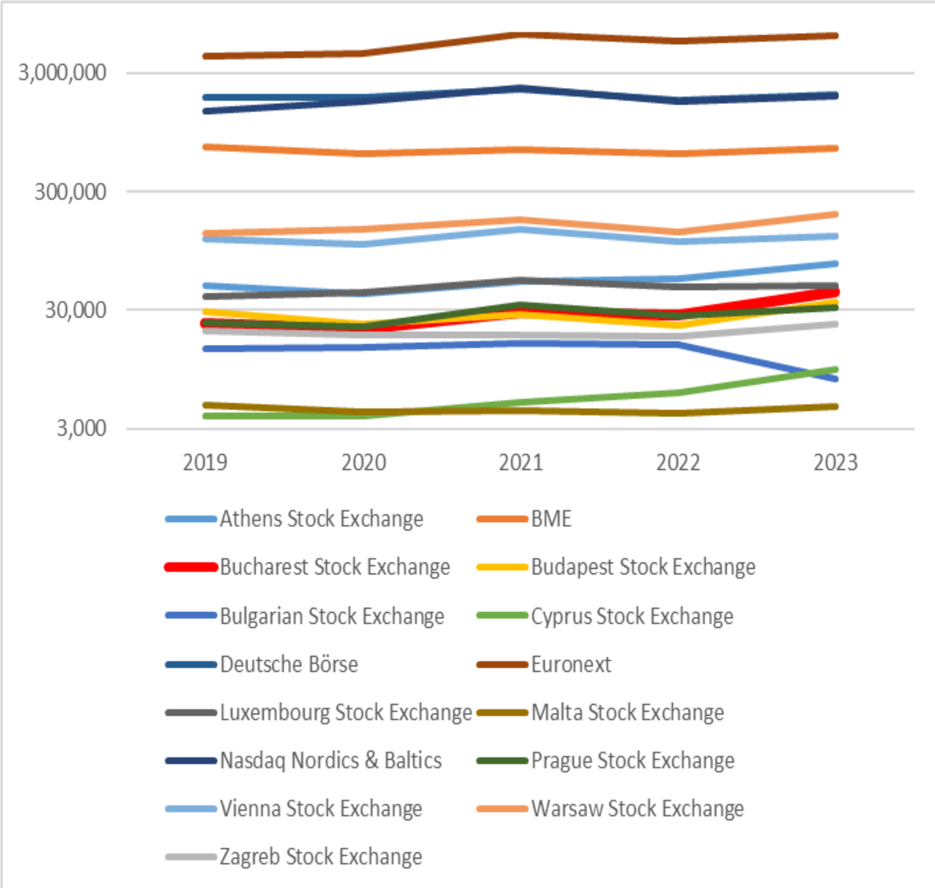

Figure no. 1: European stock market capitalization (mil. of euro)
Source: Refinitiv, own data processing

Developments outlined in Figure no. 1 confirm the heterogeneity of European stock markets in terms of size and capitalization, with the stock markets of Malta, Bulgaria, and Cyprus ranking last. As of the end of January 2024, the value of stock market capitalization in the European Economic Area (EEA) was €11.5 trillion, with 88.8% represented by Euronext (54.7%), Deutsche Borse (17.3%), and Nasdaq Nordics and Baltics (16.8%). Meanwhile, the Bucharest Stock Exchange accounted for 0.4% of European capitalization. During the first month of 2024 the largest increase was recorded by the Greek and Croatian stock exchanges, while the sharpest declines were observed on the stock exchanges of Cyprus, the Czech Republic, and Malta.

Table no. 1: Stock market capitalization at the end of January 2024

EEA Stock Markets	Value at the end of the month (EUR bil)	% in total	% change YTD in EUR
Athens Stock Exchange	77.598	0,7%	5,3
BME	690.143	6,0%	-1
Bucharest Stock Exchange	43.562	0,4%	0,5
Budapest Stock Exchange	36.192	0,3%	2,7
Bulgarian Stock Exchange	8.149	0,1%	2,8
Cyprus Stock Exchange	8.604	0,1%	-8,5
Deutsche Börse	1.982.912	17,3%	0,5
Euronext	6.280.866	54,7%	0,6
Luxembourg Stock Exchange	48.669	0,4%	-0,2
Malta Stock Exchange	4.450	0,0%	-4,7
Nasdaq Nordics & Baltics	1.928.529	16,8%	0,4
Prague Stock Exchange	29.740	0,3%	-5,1
Vienna Stock Exchange	125.962	1,1%	0,3
Warsaw Stock Exchange	189.029	1,6%	-1,3
Zagreb Stock Exchange	24.212	0,2%	5,4
TOTAL	**11.478.618**	**100,0%**	

Source: Federation of European Stock Exchanges, own data processing

Based on the data in Table no. 1, the stock market capitalization of the countries belonging to the EEA relative to Gross Domestic Product (GDP) was 66,8%. In this case, EEA GDP does not include Liechtenstein and it was considered as the sum of the last 4 available trimesters 2022 T4 – 2023 T3 (source: Eurostat).

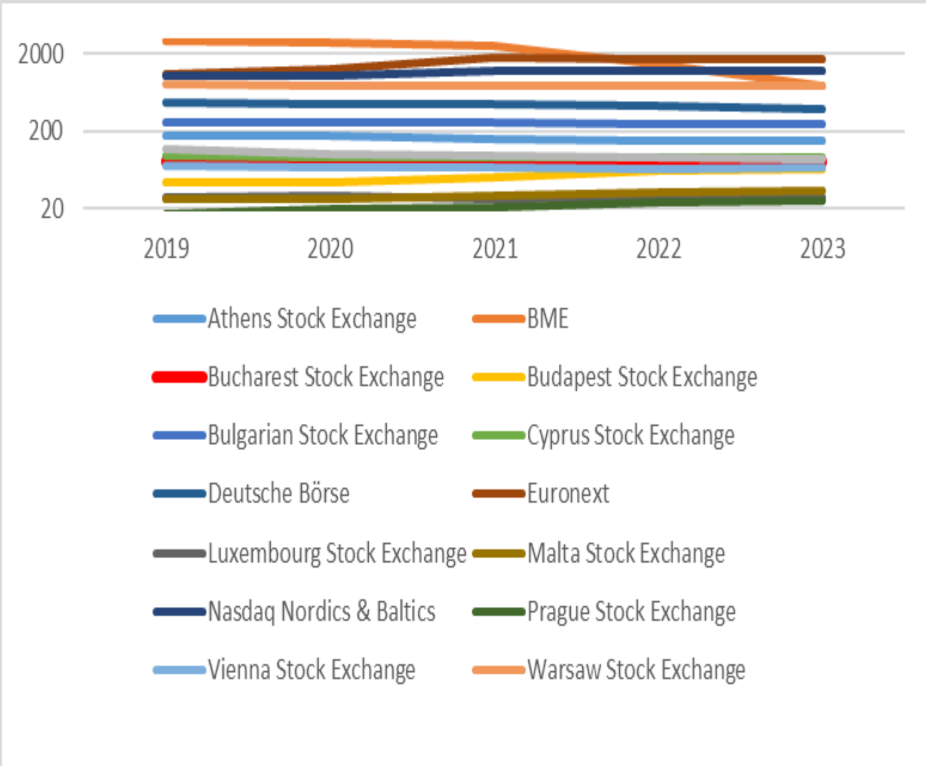

Figure no. 2: The number of local companies with listed shares

Source: Refinitiv, own data processing

The number of listed companies has not changed significantly in the past 5 years, according to Figure no. 2. Thus, at the end of January 2024, the total number of listed companies with shares listed on the main European stock markets was 6,935, with 80.3% of them belonging to Euronext (27.61%), NASDAQ Nordics and Baltics (17.48%), Vienna Stock Exchange (12.3%), BME (11.55%), and Warsaw Stock Exchange (11.36%). The number of listed companies on the Bucharest Stock Exchange accounts for 1.23% of the total in the European Economic Area.

Table no. 2: Number of companies listed with shares at the end of January 2024

EEA Stock Markets	No. of companies with listed shares			
	National	Foreign	Total	% in Total
Athens Stock Exchange	150	6	156	2,25%
BME	773	28	801	11,55%
Bucharest Stock Exchange	83	2	85	1,23%
Budapest Stock Exchange	66	1	67	0,97%
Bulgarian Stock Exchange	254	0	254	3,66%
Cyprus Stock Exchange	93	13	106	1,53%
Deutsche Börse	388	44	432	6,23%
Euronext	1.658	257	1.915	27,61%
Luxembourg Stock Exchange	28	90	118	1,70%
Malta Stock Exchange	34	n/a	34	0,49%
Nasdaq Nordics & Baltics	1.168	44	1.212	17,48%
Prague Stock Exchange	25	5	30	0,43%
Vienna Stock Exchange	68	785	853	12,30%
Warsaw Stock Exchange	752	36	788	11,36%
Zagreb Stock Exchange	84	0	84	1,21%
Total	**5.624**	**1.311**	**6.935**	**100%**

Source: Federation of European Stock Exchanges, own data processing

The value of shares traded in January 2024 on the main market categories of the European stock markets was of approximately 364 billion euro, 90.4% of them taking place on Euronext (50.9%), Deutsche Borse (23.2%) and Nasdaq Nordics and Baltics (16.4%).

Table no. 3: Value of traded shares at the end of January year-to-date (data for January 2024)

EEA Exchange	Number of trading days	Electronic Order Book	
		Tradings	Traded value (EUR bil)
Athens Stock Exchange	22	840.644	1.909,6
BME	21	3.037.865	22.399,1
Boerse Stuttgart	22	81.441	1.361,3
Bucharest Stock Exchange	20	165.069	259,3
Budapest Stock Exchange	22	145.064	704,1
Bulgarian Stock Exchange	22	8.862	17,0
Cyprus Stock Exchange	22	2.166	4,3
Deutsche Börse	22	7.078.093	84.426,3
Euronext	22	23.470.084	185.049,3
Luxembourg Stock Exchange	22	640	3,7
Malta Stock Exchange	21	582	2,9
Nasdaq Nordics & Baltics	22	13.473.455	59.483,8
Prague Stock Exchange	22	81.479	342,6
Vienna Stock Exchange	22	314.865	2.251,7
Warsaw Stock Exchange	22	3.092.150	5.494,1
Zagreb Stock Exchange	22	7.305	26,6
TOTAL		**51.799.764**	**363.735,7**

Source: Federation of European Stock Exchanges, own data processing

As for other categories of financial instruments listed on European stock markets, at the end of January 2024, there were over 12,700 listed investment funds with a capitalization of €86.6 billion and a traded value in January 2024 of €2.24 billion.
In the field of bonds and monetary market instruments, over 188,700 bonds were listed, categorized as follows: 19.3% corporate bonds, 4.2% government securities, 2.3% other public bonds, and 74% other bonds and monetary market instruments. According to data published by the Federation of European Stock Exchanges, the value of new funds accumulated in January 2024 exceeded €258 billion. Additionally, bonds and ESG (Environmental, Social, and Governance) instruments attracted funding worth €43.9 billion.

3.2. Capital Markets Challenges

The year 2020 began with new global instability, marked by the onset of the COVID-19 health crisis. Like any other global crisis, its effects were seen in stock market dynamics, with uncertainty related to its impact and duration being the main factors influencing the market. Governments worldwide adapted to the demands of the crisis due to its social effects, creating new investment opportunities. Sectors such as the tech industry and medical engineering stood to benefit from these opportunities, while sectors like transportation, energy, and telecom services were significantly affected.

Following the removal of pandemic-related restrictions, the global and European economies remained vulnerable to new geopolitical shocks. The military conflict in Ukraine heightened regional tensions, leading to increased security risks at the European Union's borders and the imposition of sanctions against Russia and senior Russian officials. Supply chains bottlenecks, coupled with rising energy prices, led to the resurgence of global inflation and the end of an era of historically low interest rates. Central banks responded swiftly with policies and interventions, leading to a moderation of inflation expectations by the beginning of 2024.

Economic growth remained fragile amid multiple geopolitical tensions and lingering vulnerabilities. European capital markets faced risks such as undervaluation of risk premiums and overvaluation of financial asset market values. Rising interest rates due to high inflation led to generalized decreases in the value of fixed-income instruments over the last two years, accompanied by increased financing costs. While the outlook for the European stock market is optimistic, new shocks could rapidly evolve through contagion, exerting pressure on liquidity.

Another challenge in the upcoming period concerns climate risks and the transition to a climate-sustainable economy. Sustainable financing has become a key concern at the European level, with significant resources directed toward regulatory measures and accelerating their implementation. Companies failing to adapt their business models toward sustainability are expected to face penalties in the form of increased financing costs, while business environments may penalize partners that fail to transition toward climate sustainability.

4. Comparison of the United States of America Capital Market and the European Union Capital Market Union

Similar to Winston Churchill's vision of a project considering the establishment of the United States of Europe, akin to the federal model of the USA (United States of America), the European Commission proposed a single Capital Market Union, less fragmented, with cross-border investments accessible to both EU citizens and foreign investors. However, the target set out by the European Commission in the Capital Market Union integration project cannot be directly compared to the largest stock market in the world, namely the US stock market. As seen in Table no. 4, the main stock markets in the US (NYSE and NASDAQ) were, at the end of December 2023, at the top of the ranking of the largest stock markets globally, with a market capitalization of listed companies worth $49 trillion (NYSE: $25.6 trillion, NASDAQ: $23.4 trillion). In comparison, the largest stock markets in Europe cumulated, at the end of December 2023, a market capitalization of listed companies worth $13.1 trillion (with Euronext being the largest at $6.9 trillion).

Table no. 4: Market capitalization of listed companies at the end of December 2023 (trillions of dollars) by main regions

Region / Stock market	Market capitalization of companies listed in December 2023 (tril. USD)
USA	**48.97**
NASDAQ US	23.41
NYSE US	25.56
EEA	**13.12**
Deutsche Borse	2.07
Euronext	6.89
Nasdaq Nordic and Baltics	2.12
SIX Swiss Exchange	2.04
China	**10.81**
Shanghai Stock Exchange China	6.52
Shenzen Stock Exchange China	4.29
Japan	**6.15**
Japan Exchange Group	6.15
India	**4.34**
National Stock Exchange India	4.34
Hong Kong	**3.97**
Hong Kong Exchanges	3.97
UK	**3.42**
LSE Group	3.42
Canada	**3.09**
TMX Group	3.09
Saudi Arabia	**3.02**
Saudi Stock Exchange Tadawul	3.02
South Korea	**1.97**
Korea Exchange	1.97
Taiwan	**1.85**
Taiwan Stock Exchange	1.85
Australia	**1.79**
ASX Australian Stock Exchange	1.79
Iran	**1.71**
Tehran Stock Exchange	1.71
South Africa	**1.02**
Johannesburg Stock Exchange	1.02
Total	**105.23**

Source: https://www.statista.com/statistics/270126/largest-stock-exchange-operators-by-market-capitalization-of-listed-companies/, own data processing

Table no. 5: Structure of the number of listed companies by region (December 2023)

Region	Total of listed companies from which:	Foreign companies	Local companies	% Foreign	% Local
USA	**5,704**	**1,389**	**4,315**	**24.4%**	**75.6%**
Nasdaq	3,432	826	2,606	24.1%	75.9%
NYSE	2,272	563	1,709	24.8%	75.2%
China	**5,116**	**-**	**5,116**	**0.0%**	**100.0%**
Shanghai Stock Exchange	2,263	-	2,263	0.0%	100.0%
Shenzhen Stock Exchange	2,853	-	2,853	0.0%	100.0%
Japan	**3,936**	**6**	**3,930**	**0.2%**	**99.8%**
Japan Exchange Group	3,936	6	3,930	0.2%	99.8%
EEA	**3,804**	**356**	**3,448**	**9.4%**	**90.6%**
Deutsche Boerse AG	437	46	391	10.5%	89.5%
Euronext, Europe	1,924	256	1,668	13.3%	86.7%
Nasdaq Nordic and Baltics	1,221	45	1,176	3.7%	96.3%
SIX Swiss Exchange	222	9	213	4.1%	95.9%
Canada	**3,584**	**47**	**3,537**	**1.3%**	**98.7%**
TMX Group	3,584	47	3,537	1.3%	98.7%
Hong Kong	**2,609**	**181**	**2,428**	**6.9%**	**93.1%**
Hong Kong Exchanges	2,609	181	2,428	6.9%	93.1%
South Korea	**2,558**	**22**	**2,536**	**0.9%**	**99.1%**
Korea Exchange	2,558	22	2,536	0.9%	99.1%
India	**2,370**	**-**	**2,370**	**0.0%**	**100.0%**
National Stock Exchange	2,370	-	2,370	0.0%	100.0%
Australia	**2,061**	**147**	**1,914**	**7.1%**	**92.9%**
ASX	2,061	147	1,914	7.1%	92.9%
UK	**1,867**	**307**	**1,560**	**16.4%**	**83.6%**
LSE Group London	1,867	307	1,560	16.4%	83.6%
Taiwan	**1,007**	**89**	**918**	**8.8%**	**91.2%**
Taiwan Stock Exchange	1,007	89	918	8.8%	91.2%
Iran	**386**	**-**	**386**	**0.0%**	**100.0%**
Tehran Stock Exchange	386	-	386	0.0%	100.0%
Saudia Arabia	**310**	**1**	**309**	**0.3%**	**99.7%**
Saudi Stock Exchange	310	1	309	0.3%	99.7%
South Africa	**284**	**60**	**224**	**21.1%**	**78.9%**
Johannesburg Stock Exchange	284	60	224	21.1%	78.9%
Total	**35,596**	**2,605**	**32,991**	**7.3%**	**92.7%**

Source: https://www.statista.com/statistics/1277750/largest-stock-exchange-operators-number-listed-companies-worldwide/ , own data processing

The US stock market remains the largest capital market in the world, evident from the traded volumes reaching significant levels. For instance, in May 2018, NYSE recorded a daily traded value of $69 billion (a decrease compared to the previous month, which recorded $79 billion).
According to the latest published information by Trading Economics (based on World Bank's data), the stock market turnover ratio (traded value in USD relative to market capitalization) at the end of 2018 was 109% for the US, the lowest level from 1999 until 2018.
Additionally, in January 2024, NYSE recorded over $291 billion in trades. In terms of the number of listed companies by region, as seen in Table no. 5, the ranking is led by the US with a total of 5,704 listed companies on NASDAQ and NYSE, followed by China, Japan, and Europe, where the main capital markets add up to 3,804 companies (Deutsche Börse – 437, Euronext – 1,926, Nasdaq Nordics and Baltics – 1,221, and SIX Swiss Exchange – 222). On the US stock market, 24.4% of listed issuers are foreign companies, while the European stock market has a percentage of 9.4% in terms of foreign issuers (Deutsche Börse – 10.5%, Euronext – 13.3%, Nasdaq Nordics and Baltics – 3.7%, and SIX Swiss Exchange – 4.1%). Globally, of the top 100 companies by market capitalization ($31 trillion), 58 are American issuers, with a total capitalization of $20.6 trillion (representing approximately 42% of the combined NYSE and NASDAQ capitalization and 66% of the top 100).
Furthermore, the top 100 companies include 13 European issuers, with a capitalization of $2.6 trillion (19.7% of the total capitalization of Deutsche Börse, Euronext, NASDAQ Nordics and Baltics, and SIX Switzerland, respectively 8.4% of the top 100), and 11 issuers from China, whose capitalization is worth $2.1 trillion (6.8% of the top 100). The remaining 18 issuers are geographically distributed in other countries such as Saudi Arabia, the UK (United Kingdom), Switzerland, Taiwan, South Korea, India, Hong Kong, the United Arab Emirates, Australia, and Canada, with a combined capitalization worth $5.7 trillion (18.4% of the top 100).

Table no. 6: Structure by region if the first 100 listed companies, by stock market capitalization value (December 2023)

Country / Region	Stock market capitalization value (bil. USD)	Nr. of top 100 companies
USA	20,634	58
EU	2,583	13
China	2,126	11
Saudi Arabia	2,055	1
UK	909	5
Switzerland	800	3
Taiwan	423	1
South Korea	334	1
India	334	2
Hong Kong	307	2

UAE	236	1
Australia	150	1
Canada	135	1
Total	**31,026**	**100**

Source: https://www.statista.com/statistics/263264/top-companies-in-the-world-by-market-capitalization/, own data processing

The data presented in the tables above support the hypothesis that most international investors prefer the US capital market (where 24.4% of issuers are foreign, the largest share among all regions analyzed). Additionally, in the USA, capital financing through the capital market prevails over bank financing, which further contributes to the increased attractiveness of the American stock market, both internally and externally. Traditionally, in Europe, companies are mainly financed through the banking sector.
In order to increase the competitiveness of the European stock market, the measures proposed by the CMU that aim to reduce geographical fragmentation, promote uniform good practices, and enhance transparency requirements are welcomed. However, to attract larger issuers and compete effectively with the American capital market, it is necessary to continue increasing capitalization and, consequently, trading volumes.

5. CMU Priorities until 2029

In a Eurogroup statement issued on the 11th of March 2024, European finance ministers outlined priorities for the Capital Market Union for the next five years, aiming to attract private capital to the European Union and facilitate the transition to a green and digital economy. These priorities include:
European Commission:

- Assessing factors hindering the development of the EU securitization market, including prudential treatment of securitization by banks and insurance companies, as well as reporting and due diligence requirements.
- Examining ways to improve supervision to strengthen financial integration, ensure financial stability, simplify processes, and reduce compliance costs for supervisory entities within the EU community.
- Proposing measures to harmonize various national accounting norms to facilitate cross-border comparison of corporate information.
- Further evolving and improving the Pan-European Pension Product (PEPP) to offer attractive pension options to all citizens and ensure productive investment of pension savings.

Commission and Supervisory Authorities:

- Assessing ways to reduce regulatory burden and transaction costs, particularly for smaller market participants.

Commission and European Governments:

- Increasing convergence between national corporate insolvency laws, especially regarding classification claims, insolvency triggers, rules regarding financial guarantees, and settlement.
- Harmonizing listing requirements on European stock exchanges to reduce listing costs, make equity and bond funding more attractive, and improve access to market information.
- Developing simple and cost-effective cross-border savings and investment products for retail investors.

European Governments:

- Providing national tax incentives for companies to finance through equity rather than debt.
- Supporting investments in securities by adjusting how the personal income tax system treats long-term retail investment products and capital gains and losses.
- Educating citizens about available investment options in the capital market as alternatives to keeping savings in bank deposits.

Financial Industry:

- Providing easy-to-use and secure digital interfaces for all retail customers to access financial services across the EU.

6. Fintech and AI impact on the integration project of the European capital markets

The impact of fintech technologies and artificial intelligence on the integration of European capital markets is remarkable and brings with it a number of challenges and opportunities. These technologies are influencing the integration process of European capital markets by increasing efficiency and transparency. Fintech and AI technologies enable the automation of trading and clearing processes, reducing the cost and time required to conduct operations. This contributes to increasing the efficiency of the capital market and increasing the transparency of transactions.

Greater access to information and analysis is another benefit of AI. Through the use of artificial intelligence algorithms, investors can access more detailed and personalized analysis and information about the evolution of the capital market. This helps them make better informed decisions and manage investment risks more effectively. The advantage of stimulating innovation and competition opportunities created by Fintech and AI for the development of innovative financial products and services, such as robo-advisory, algorithmic trading and blockchain contribute to increasing competition in the financial sector and improving the services offered to investors.

Also, through online trading platforms and mobile applications, fintech and AI make it easier for small and medium-sized investors to access European capital markets. This helps reduce barriers to entry and diversify the investor base. Fintech and AI technologies can be used to more effectively monitor and detect fraudulent activities or capital market abuses. These tools contribute to increasing transparency and strengthening regulations in the financial field.

However, there are also some challenges associated with the integration of fintech and AI technologies in European capital markets, such as cyber security risks, greater reliance on digital technologies exposes European capital markets to cyber security risks such as cyber attacks or theft of sensitive data.
Regarding regulation and supervision, the integration of fintech and AI technologies raises challenges related to capital market regulation and supervision. Authorities must ensure that these technologies are used responsibly and according to legal provisions.
Another challenge is raised by regulatory differences between member states. Each country in Europe has its own rules and standards regarding financial technologies and AI, which can create obstacles to a harmonious integration of European capital markets.
In conclusion, fintech and AI technologies have a significant impact on the integration of European capital markets, bringing both advantages and challenges. It is important that financial industry actors and regulators work together to manage these changes and harness the potential of these technologies in support of a more efficient, transparent and competitive European capital market.

Conclusions

This work aimed to address two fundamental questions: the necessity of the CMU project in the specific context of the European Union's capital market and when this project will be completed and its results. The analysis concludes that at this moment, there is a strong interconnection between the US and EU stock markets. The CMU project aims not only to unify capital markets but also to establish common ground in terms of good practices, operational efficiency, transparency, and corporate governance. Despite its complexity, the CMU project is necessary to increase the resilience and attractiveness of the EU economy, diversify access to financing for companies, and stimulate small and medium enterprises to engage in competitive, sustainable, job-generating activities.
The time horizon for the CMU to become fully integrated is uncertain, but important steps are being taken in this direction, particularly in correlation with other strategic measures of the EU, especially those related to achieving climate-sustainable economies. It is likely to be an intergenerational process, laying strong foundations now. However, risks factors are evolving, requiring careful analysis for optimal long-term identification of implementation steps. Increasing financial education is crucial to allow non-institutional investors to benefit from opportunities in the unified European capital market. Additionally, the project offers benefits for companies by expanding financing possibilities, encouraging increased economic efficiency in a competitive environment.
However, challenges exist at the level of regulations and settlements applied to the unified capital market, given the heterogeneous structure of the European capital market. Therefore, the project must be carefully designed to allow for the creation of a stronger European capital market while ensuring the survival of smaller ones. This may involve the integration or merger of regional stock markets as a result of capital market globalization.

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