

Executive Summary

Strategies for financing a sustainable future for Germany

Actions that we must take to advance the potential
and performance of our capital market

The key messages of the Deutsche Börse White Paper

Where do we stand?

Germany is facing unprecedented challenges at the beginning of this new legislative period.

- **Digitalisation:**

in the digital platform economy, acting quickly determines economic success.

- **Climate change:**

the goal of achieving climate neutrality requires a fundamental transformation of our economy and society.

- **Demographic change:**

the current generational pension system needs adjustments to include greater private wealth accumulations and equity investments.

This essential transformation calls for very substantial resources, which public finance can hardly provide. Consequently, the success depends predominantly on private investments.

In this current situation, the competitiveness of our capital market plays a key role for a conversion into a sustainable and successful future.

Our study reveals that the German capital market is relatively small for the size of our economic output and less competitive compared to other countries. The number of listed companies is declining; growth financing depends greatly on foreign capital; and investments in equity and private wealth creation are less developed.

During the last decade, many studies have intensively analysed and discussed the structural weaknesses of the German capital market, and the conclusions are always very similar and clear-cut. There exists strong unanimous agreement that specific actions are crucial to create a better economic environment. This study summarizes the findings of our analyses, outlines a strategy and recommends specific actions.

What should be done?

The experiences of other countries provide sufficient evidence that the German capital market is less competitive than it could be. Therefore, there exists an urgent need for a **national action plan** and joint effort to create an efficient and future-oriented capital market in Germany.

Our study analyses the challenges from **three different perspectives**, which all are excellent starting points for implementing a successful national capital market strategy. We offer the following detailed recommendations.

1. Accelerating equity-based corporate and innovation financing by implementing:

- A capital market-oriented reform of corporate law and, in particular, greater flexibility for start-ups.
- Much improved tax conditions for equity financing, especially for innovative start-ups.

2. Strengthening the competitiveness of the capital market through the following actions:

- Initiating a more flexible legal and regulatory framework for IPOs, especially for small- and medium-sized companies.
- Creating dual-class shares in line with international standards.
- Strengthening transparent pricing and reducing fragmentation on the secondary market and at regulated exchanges that support IPOs.
- Standardising the European securities market framework and implementing proposals for a Capital Markets Union.

3. Increased participation of a wider ranging population in economic success:

- Reducing and removing tax disadvantages for direct and indirect share ownership.
- Strengthening private wealth accumulation and private pension provision through share ownership.
- Increasing the equity ownership among institutional investors by adjusting constraints.
- Strengthening economic education and supporting a culture of long-term equity investments in Germany.

We need a new start on the path to a brighter future

The suggested measures provide clear evidence that an integrative approach is essential to succeed. The new legislative period offers the opportunity to engage in a novel scheme – to develop and implement a national capital market strategy. This includes Germany's proactive and goal-oriented engagement in building a European capital market.

This study aims at providing the impetus for this new strategy. Deutsche Börse is committed to taking all necessary measures for strengthening both the German and European capital markets. We are running out of time and must act now.