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To:	Delegations
Subject:	Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market - Opinion of the European Economic and Social Committee (EESC)

Delegations will find attached a copy of the above-mentioned opinion.

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<https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/listing-rules-public-markets-listing-act>



OPINION

European Economic and Social Committee

Listing rules for public markets (Listing act)

Proposal for a Directive of the European Parliament and of the Council amending Directive 2014/65/EU to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises and repealing

Directive 2001/34/EC

[COM(2022) 760 final – 2022/0405 (COD)]

Proposal for a Directive of the European Parliament and of the Council on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market

[COM(2022) 761 final – 2022/0406 (COD)]

Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises

[COM(2022) 762 final – 2022/0411 (COD)]

ECO/602

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Referrals	Council of the European Union, 06/02/2023 (COM(2022) 760 final and COM(2022) 762 final); 08/02/2023 (COM(2022) 761 final) European Parliament, 01/02/2023
Legal basis	Articles 50(1), 114 and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	02/03/2023
Adopted at plenary	23/03/2023
Plenary session No	577
Outcome of vote (for/against/abstentions)	123/2/5

1. Conclusions and recommendations

- 1.1 Increased equity funding for European companies is key in order to ensure post-COVID-19 recovery and to build a resilient European economic system in the face of Russia's war against Ukraine. For this reason, the EESC strongly welcomes the Listing Act proposed by the Commission.
- 1.2 The Committee believes that bringing family-owned companies to capital markets would open up untapped potential to attract capital for growth, and the multiple-voting rights regime helps families to retain control, making listing more attractive to them. The EESC agrees that a detailed framework design should be produced at the national level, while encouraging high-level EU harmonisation.
- 1.3 The EESC also welcomes the Commission's initiative to streamline the contents of a prospectus that would significantly reduce costs and burden for issuers.
- 1.4 In general, the Committee welcomes the proposal to give issuers the choice to publish a prospectus in English only, it being the established common language of international investors. However, publication of a full-scale document, and not only the summary, in national languages would empower local retail investors. The EESC advises issuers to bear in mind that using "English-only" issuance documents would hinder the development of a national retail investment base.
- 1.5 The EESC notes that bundling investment research with other services is likely to increase the visibility of listed small and medium-sized enterprises (SMEs). Therefore, the Committee welcomes the proposed increase in the unbundling threshold to EUR 10 billion; however, further measures to encourage independent research may also be needed.
- 1.6 The EESC highly values the Commission's approach in mitigating legal uncertainty surrounding information disclosure requirements. However, the proposal for a cross-market order book supervision (CMOBS) mechanism that would facilitate the exchange of order book data among supervisors might pose the risk of creating an uneven playing-field, since bilateral trading venues would be beyond the scope of the reporting regime.

2. Background

- 2.1 On 7 December 2022, the Commission published a set of proposals¹ on measures to further develop the EU's Capital Markets Union (CMU). Part of the package – a new Listing Act – aims to reduce the administrative burden on companies of all sizes, particularly SMEs, so that they can better access funding by listing on stock exchanges.
- 2.2 The Commission states that EU capital markets remain fragmented and underdeveloped in size. Studies show that the total number of listed companies on SME growth markets in Europe has

¹ [Capital markets union: clearing, insolvency and listing package](#).

barely increased since 2014², despite the fact that those listed enjoyed clear benefits, as evidenced by the increase in their market valuation. In general, listed companies increase their revenues, create more jobs and grow their balance sheets at a faster pace than their unlisted peers. A number of studies provide evidence of a sub-optimal situation with respect to SME initial public offerings (IPOs) in Europe.

- 2.3 The Listing Act establishes simpler and improved listing rules, in particular for SMEs, while also seeking to avoid jeopardising investor protection and market integrity.
- 2.4 The Act claims to ensure significant cost reductions and to contribute to increasing the number of IPOs in the EU. Simpler prospectus rules would make it easier and cheaper for companies to get listed. Allowing companies to utilise multiple-voting rights shares (MVRS) when listing for the first time on SME growth markets provides an opportunity for the owners to keep control of their company's vision.
- 2.5 More proportionate rules on market abuse would also lead to greater clarity and legal certainty for listed companies about compliance with key information disclosure requirements. The proposed Listing Act also aims to enhance the provision and distribution of investment research on midcaps and SMEs, which in turn should support their listings on public markets.
- 2.6 Other anticipated benefits include:
 - shorter, more timely, more comparable and easier to navigate corporate information for investors;
 - better coverage of equity research, helping to make investment decisions;
 - more efficient supervision thanks to clearer listing rules and improved tools for investigating cases of market abuse;
 - more standardised prospectuses, easier for supervisors to scrutinise.
- 2.7 In compliance with the environmental, social and governance-focused (ESG) policy objectives, the Listing Act would seek to ensure that companies issuing ESG bonds include ESG-relevant information in the listing documentation to make it easier for investors to assess the validity of the ESG claims. Companies issuing equity will be able to refer to the already published – and hence publicly available – ESG information in the listing documentation.

3. General comments

A case for improved access to listing on European public markets

- 3.1 The EESC maintains the view that increased equity funding for European companies is key in order to ensure lasting post-COVID-19 recovery as well as to building a **resilient European economic system** in the face of Russia's ongoing war against Ukraine. For that, financial market infrastructure is essential in order to unlock the investment flows needed to recapitalise the economy.

²

Technical Expert Stakeholder Group on SMEs final report, [Empowering EU Capital Markets for SMEs: Making listing cool again](#)

- 3.2 Highly developed public markets are also important for the retail investment community. Europeans keep EUR 11 trillion worth of currency and deposits in their bank accounts³. The share of deposits in total assets of households is three times more than for households in the USA. By failing to activate end-investors to channel their funds into European capital markets, the EU is not taking full advantage of its pools of capital for our companies. Asset managers should gain more confidence in European equity market prospects, and European retail investors should have more choices when it comes to building their portfolios. To achieve that, it is necessary to ensure that a diversified supply of high-quality issuers become listed on European public markets.
- 3.3 During times of corporate financial distress, of economic unpredictability, and in particular of **rising debt costs**, equity acts as a stabilising factor and a buffer against future shocks.
- 3.4 The Committee also notes that equity financing from European households to European corporations helps to ensure the EU's open **strategic autonomy** at the very basic level: ownership of assets and execution of corporate control. The loss of essential European companies to foreign control, especially in the sphere of influence of countries with values that differ from Europe's, poses considerable risk to the economic and political stability of the EU. It also hinders the development of the EU-based financial system inside the EU, oriented towards the EU's needs. For instance, financial trading in the EU remains dominated by non-EU investment banks⁴.
- 3.5 Young and innovative businesses standing at the forefront of the green and digital transitions should be encouraged to seek listing on European equity markets and get much-needed financing by issuing publicly traded shares, as this is the most sustainable way to help these companies **exploit their full creative potential and create jobs**.
- 3.6 An inflationary surge leads to increased appetite for equity investments, especially among savvy retail investors. European equity markets may become a place where these investment inflows go to the key economic sectors where companies generate sufficient returns. At the same time, the Committee is of the view that it is crucial for the EU to get sound and robust trading rules to realise the full potential of EU capital markets. The lesson from the financial crisis showed that the EU must protect markets with fairness, integrity, resilience and transparency, also ensuring the highest level of investor protection.
- 3.7 An analysis conducted in 14 EU Member States showed that up to 17 000 large companies are eligible to list but are not seeking to do so⁵. The Committee sees a risk that if the EU fails to encourage new listings in equity markets, our capital markets may see trade dwindle as investors diversify their portfolio globally, if there is not a sufficient offer of titles to invest in within the EU.

3 [Eurostat - Statistics explained](#).

4 ESMA annual statistical report "[EU securities markets](#)", 2020; p. 40.

5 Oxera report [Primary and secondary equity markets in EU](#), 2020.

- 3.8 A new generation of Europeans are entering the retail investment market with sustainability (i.e. ESG-based factors) on their minds. At the same time, many economic agents are moving towards green goals, encouraged by the European Green Deal policies. The EESC sees this combination of factors as a potential strong driver to unlock the full potential of the European sustainable finance taxonomy and corporate non-financial disclosure framework. Companies, acting both voluntarily and also in order to align with the upcoming EU legislation, will have to put more emphasis on ESG in their operations, and the new generation of investors will demand ESG compliance and a tangible positive **social and regenerative environmental impact** on a par with the financial gain.
- 3.9 The Committee also points to some studies showing that economies with market-based funding reallocate investment towards less polluting and more technology-intensive sectors⁶. In contrast, credit-intensive expansions tend to be followed by deeper recessions and slower recoveries⁷.
- 3.10 Reaching a stock market capitalisation of 100 percent of EU GDP (from around 64 percent currently⁸) should be a clear target. The EESC believes that there is no choice but to support public markets and improve the IPO environment.

Importance for SMEs and family-owned businesses

- 3.11 In the EESC's view, SMEs still do not play the role they could play in equity markets. Efforts should be made to bring the necessary resilience to SMEs via equity financing.
- 3.12 The Committee notes that underinvestment in equity has been evident in Europe for decades now, and the problem of a lack of equity capital for SMEs is acute. SMEs do not have the visibility to attract capital; transforming them into listed companies would provide better opportunities in the long term. The EESC strongly supports the view that listed SMEs need to find an appropriate place in the portfolios of individual (retail) investors, mutual and pension funds, and insurance companies.
- 3.13 A well-functioning IPO market is also important in the pre-IPO environment as it impacts on the planning of exit strategies and therefore the provision of risk capital by venture capital firms.
- 3.14 Equity research is a necessary tool to increase SMEs' visibility and should therefore be promoted. Initiatives such as improving equity research coverage or the European Single Access Point would help raise the visibility of SMEs for investors.
- 3.15 Certain care is necessary to encourage family-controlled companies to consider listing. For example, in Germany, 90 percent of all companies are family-controlled, and 43 percent of companies with sales of more than EUR 50 million are family businesses⁹. Family ownership

⁶ Haas, R.D. and A. Popov, [Finance and Carbon Emissions](#), ECB Working Paper Series, 2019.

⁷ Jordà, Ò., M. Schularick and A.M. Taylor, [When Credit Bites Back](#), Journal of Money, Credit and Banking 45, no. 2 (1 Dec 2013): 3–28.

⁸ [Federation of European Securities Exchanges](#) database, 2022.

⁹ [Stiftung Familienunternehmen](#).

has its merits; however, growth potential may be (at least partly) limited if the necessary funding cannot be obtained. The EESC is confident that bringing family-owned companies to capital markets would open up untapped potential¹⁰, and the MVRs regime helps families retain control, making listing more attractive to them.

- 3.16 Most global financial centres provide the possibility of having MVRs. Europe needs a harmonised approach to keep up with global developments in order not to lose those businesses that are willing to scale up.

Transparency and disclosure

- 3.17 The transparency requirements for companies preparing to list publicly will increase compared to private companies. Unlike a private company, a publicly listed company collects money from outside shareholders who do not have the same level of information, nor the same level of influence in decision-making, as owners of a private company.

- 3.18 Therefore, a significantly higher level of investor protection is warranted and needed, e.g. by laying down disclosure obligations (including those relating to inside information) and strong reporting standards.

- 3.19 The Committee is of the view that mandatory disclosure is extremely important and necessary for a well-functioning public market. Investors need to receive an efficient amount of information on securities value projections. Any reduction in the necessary disclosure of information would deter investment in the issuer. This in turn might become a major obstacle to full exploitation of the opportunities provided by capital markets.

- 3.20 However, including excessive information in offer documents, just for the sake of avoiding litigation, is not the preferred way forward either for the issuer or for the investor. The right balance should be struck.

4. Specific comments and recommendations

- 4.1 In view of the above, the Committee strongly welcomes the Listing Act proposed by the Commission, with a number of minor exceptions concerning several of its aspects.

- 4.2 The EESC clearly sees the need to tackle fragmented national rules on **MVRs**. The Committee expects that the minimum harmonisation of those rules, aimed at attracting family-owned businesses to the EU's capital markets, will help bring about a genuine pan-European CMU. A detailed framework design should be produced at the national level in order to adapt to the local ecosystem, while encouraging high-level EU harmonisation.

- 4.3 The EESC notes that free float is not the only factor that matters when it comes to ensuring liquidity. The minimum 10 percent free float requirement should only apply at the moment of

¹⁰ [OJ C 75, 28.2.2023, p. 28](#)

listing. For smaller Member States in particular, flexibility is critical, as their markets can adequately operate with a lower free float. This is crucial to prevent abrupt de-listings.

- 4.4 The EESC welcomes the initiative to streamline the **contents of a prospectus** that would provide a significant reduction in costs and burden for issuers. However, the co-legislators should seek a balance between the burden for issuers and the information needs of investors. 800-page prospectuses should become a thing of the past, but the necessary depth of the information, in particular on ESG factors, taking into account the double materiality principle, should be ensured. Building on the strong provisions of the Corporate Sustainability Reporting Directive,¹¹ such reporting would give a boost to Green Deal financing.
- 4.5 Currently, the content is dispersed and non-homogeneous, and it is not always available in English ("the language customary in the sphere of international finance", as set out in the proposal), except for the summary. Furthermore, the information is provided in non-machine-readable formats. One issuance process may give rise to multiple regulatory documents, fragmented into several files (e.g. securities note, summary of the prospectus and registration document).
- 4.6 Therefore, harmonising and simplifying the prospectus for equity instruments is welcomed. In general, the EESC agrees with the Commission's proposal to give issuers the choice to publish a prospectus in English only as the established common language in the sphere of international investors (except for the summary, which should be provided in the local language in order to retain retail investors).
- 4.7 However, the Committee also sees the use of **local languages** as equally important, because English is not commonly spoken in all Member States. In the EESC's view, publication of a full-scale document (and not only the summary) in national languages, along with English, would enable local retail investors to engage more actively. The issuers and their advisors have to bear in mind that the use of "English-only" issuance documents would hinder the development of a national retail investment base and be counterproductive when it comes to reaching the expected goals of the EU's soon-to-be-announced Retail Investment Strategy. In this respect, the EESC notes that measures should be introduced to encourage local retail investors to get involved in capital markets by adequately publicising the issuance documents and increasing reader-friendliness.
- 4.8 Equity research is a key element for developing a healthy ecosystem for SMEs' equity finance. To complement existing research channels, authorising the **bundling of SMEs' research** with other services is likely to increase the production and distribution of research reports. The EESC welcomes the proposed increase in the unbundling threshold to EUR 10 billion. This will correct the decreased SME coverage and visibility that MiFID II¹² has created. However, the EESC stresses that there is a higher concentration of equity research production in the hands of larger financial institutions. Due to their scale, very large brokers are more able to set negligible fees and/or use trade execution to cross-subsidise the provision of research than small or

¹¹ [OJ C 517, 22.12.2021, p. 51.](#)

¹² MiFID = Markets in Financial Instruments Directive

medium-sized brokers¹³. Furthermore, large brokers are mostly interested in providing research on "blue chip" companies, while SMEs may be underserved. A large majority of issuers report¹⁴ that MiFID II has decreased SME coverage and visibility. The EESC sees a clear need to introduce further measures to encourage independent research, learning from best practices available in Europe¹⁵.

- 4.9 In the post-IPO phase, listed companies should be exemplary in terms of transparency, and the protection of minority shareholder interests should be the top priority. If shareholders risk being treated unfairly or not protected well when the company goes public, their trust in EU capital markets will not increase. The EESC highly values the Commission's approach in mitigating legal uncertainty surrounding **disclosure requirements**, via the targeted amendments to the Market Abuse Regulation.
- 4.10 The Committee believes that the existing framework of ad hoc requests in cases of suspected market abuse seems appropriate and sufficient in order to achieve **effective surveillance**, while taking note that several supervisors see merit in enhancing the exchange of order book data through the CMOBS mechanism. The scope in the proposal of CMOBS might pose the risk of creating an uneven playing-field, since bilateral trading venues would not be included in the mechanism.
- 4.11 The EESC strongly encourages that other ongoing initiatives contributing to improving the attractiveness of public markets be pushed forward at an increasing speed. The Committee has published several opinions on past, ongoing and expected legislative initiatives¹⁶. Fast progress towards the CMU should be maintained despite the geopolitical challenges; a strong CMU is needed more than ever precisely because of the growing risks of economic and social instability.

Brussels, 23 March 2023

Christa Schweng

The president of the European Economic and Social Committee

¹³ Oxera report on [Unbundling: what's the impact on equity research?](#), 2019.

¹⁴ European Commission, final report on [The impact of MiFID II rules on SME and fixed income investment research](#), 2020.

¹⁵ See not-for-profit initiative "Lighthouse" under the [Instituto Español de Analistas Financieros](#).

¹⁶ [OJ C 155, 30.4.2021, p. 20](#); [OJ C 290, 29.7.2022, p. 58](#); [OJ C 177, 18.5.2016, p. 9](#); [OJ C 10, 11.1.2021, p. 30](#); [OJ C 341, 24.8.2021, p. 41](#).