Public consultation on the listing act: making public capital markets more attractive for EU companies and facilitating access to capital for SMEs

Fields marked with * are mandatory.

Introduction

This consultation is now available in 23 European Union official languages.

Please use the language selector at the top of this page to choose your language for this consultation.

Background for this consultation

EU capital markets remain underdeveloped in size, notably in comparison to capital markets in other major jurisdictions. In particular, EU companies make less use of capital markets for debt and equity financing than their peers in other jurisdictions around the world, with a negative impact on economic growth and macroeconomic resilience.

In recognition of these issues, the Commission's new capital markets union (CMU) action plan of September 2020 has as one of its main objectives to ensure that companies, and in particular small and medium-sized enterprises (SMEs), have unimpeded access to the most suitable form of financing. Given the underdevelopment of market-based finance in the EU, the Commission highlighted the need to support the access of businesses in particular to public markets. Specifically, in Action 2 of the action plan, the Commission announced that it will assess whether the rules governing companies' listing on public markets need to be further simplified. Furthermore, Commission President von der Leyen announced in her letter of intent addressed to Parliament and the Presidency of the Council on 15 September 2021 a legislative proposal for 2022 to facilitate SMEs' access to capital.

In order to inform its further initiatives in this area, the Commission has already taken a number of steps. The Commission has commissioned studies on the topic of how to improve the access to capital markets by companies in the EU and on the functioning of primary and secondary markets in the EU. Furthermore, in October 2020, the Commission set up a Technical Expert Stakeholder Group (TESG) on SMEs to monitor the functioning and success of SME growth markets. In May 2021, the TESG published their final report on the empowerment of EU capital markets for SMEs with twelve concrete recommendations to the Commission and Member States to help foster SMEs' access to public markets. They build on the work already undertaken by the High Level Forum on capital markets union (CMU HLF) and on ESMA's recently published MiFID II review report on the functioning of the regime for SME growth markets.

Structure of this consultation and how to respond

In line with the better regulation principles, the Commission is launching this public consultation to gather evidence in the form of stakeholders' views on the need to make listing on EU public markets more attractive for companies and on ways of doing so. A special focus is dedicated to SMEs and issuers listed on SME growth markets.

For the purposes of this consultation, the reference to SMEs should be understood as encompassing both SMEs as defined in the Commission Recommendation 2003/361 and SMEs as defined in Article 4(1)(13) of MiFID II. The Commission Recommendation 2003/361 classifies as SMEs companies that employ fewer than 250 people and have a turnover not exceeding EUR 50 million and/or a balance sheet not exceeding EUR 43 million. MiFID II classifies SMEs as companies that had an average market capitalisation of less than EUR 200 million on the basis of end-year quotes for the previous three calendar years. The concept of SME growth markets was introduced by MiFID II as a new category of multilateral trading facilities (MTFs) to facilitate high-growth SMEs' access to public markets and increase their funding opportunities. In order to be registered as an SME growth market, an MTF must comply with the requirements laid down in Article 33 of MiFID II, including the rule that at least *'50% of issuers are SMEs'*.

This public consultation covers 7 general questions and is available in 23 official EU languages. Given its general nature it may be more suitable for the general public.

In parallel to this open public consultation, the Commission is launching a 12-week targeted consultation available in English only. In addition to the above-mentioned 7 general questions, the targeted consultation includes questions addressing more technical issues, which are likely to be more suitable for capital market practitioners, competent authorities and academics. As the general questions are asked in both questionnaires, we advise stakeholders to reply to only one of the two versions (either the targeted consultation or the open public consultation) to avoid unnecessary duplications. Please note that replies to both questionnaire will be equally considered.

Views are welcome from all stakeholders.

You are invited to provide feedback on the questions raised in this online questionnaire. We invite you to add any documents and/or data that you would deem useful to accompany your replies at the end of this questionnaire, and only through the questionnaire. Please explain your responses and, as far as possible, illustrate them with concrete examples and substantiate them numerically with supporting data and empirical evidence. This will allow further analytical elaboration.

You are requested to read the privacy statement attached to this consultation for information on how your personal data and contribution will be dealt with.

The consultation will be open for 12 weeks.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-listing-act@ec.europa.eu.

More information on

- this consultation
- the targeted consultation running in parallel
- the consultation document

- SME listing on public markets
- the protection of personal data regime for this consultation

About you

* Language of my contribution

- ( ) Bulgarian
- ( ) Croatian
- ( ) Czech
- ( ) Danish
- ( ) Dutch
- (x) English
- ( ) Estonian
- ( ) Finnish
- ( ) French
- ( ) German
- ( ) Greek
- ( ) Hungarian
- ( ) Irish
- ( ) Italian
- ( ) Latvian
- ( ) Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

* I am giving my contribution as

- ( ) Academic/research institution
- (x) Business association

- ○ Company/business organisation
- ○ Consumer organisation
- ○ EU citizen
- ○ Environmental organisation
- ○ Non-EU citizen
- ○ Non-governmental organisation (NGO)
- ○ Public authority
- ○ Trade union
- ○ Other

* First name

ecoDa

* Surname

ASBL

* Email (this won't be published)

policy@ecoda.org

* Organisation name

255 character(s) maximum

The European Confederation of Directors' Associations

* Organisation size

- ● Micro (1 to 9 employees)
- ○ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ○ Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

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*

Country of origin

Please add your country of origin, or that of your organisation.

- ( ) Afghanistan
- ( ) Åland Islands
- ( ) Albania
- ( ) Algeria
- ( ) American Samoa
- ( ) Andorra
- ( ) Angola
- ( ) Anguilla
- ( ) Antarctica
- ( ) Antigua and Barbuda
- ( ) Argentina
- ( ) Armenia
- ( ) Aruba
- ( ) Australia
- ( ) Austria
- ( ) Azerbaijan
- ( ) Bahamas
- ( ) Bahrain
- ( ) Bangladesh
- ( ) Barbados
- ( ) Belarus
- (•) Belgium
- ( ) Belize
- ( ) Benin
- ( ) Bermuda
- ( ) Djibouti
- ( ) Dominica
- ( ) Dominican Republic
- ( ) Ecuador
- ( ) Egypt
- ( ) El Salvador
- ( ) Equatorial Guinea
- ( ) Eritrea
- ( ) Estonia
- ( ) Eswatini
- ( ) Ethiopia
- ( ) Falkland Islands
- ( ) Faroe Islands
- ( ) Fiji
- ( ) Finland
- ( ) France
- ( ) French Guiana
- ( ) French Polynesia
- ( ) French Southern and Antarctic Lands
- ( ) Gabon
- ( ) Georgia
- ( ) Germany
- ( ) Ghana
- ( ) Gibraltar
- ( ) Greece
- ( ) Libya
- ( ) Liechtenstein
- ( ) Lithuania
- ( ) Luxembourg
- ( ) Macau
- ( ) Madagascar
- ( ) Malawi
- ( ) Malaysia
- ( ) Maldives
- ( ) Mali
- ( ) Malta
- ( ) Marshall Islands
- ( ) Martinique
- ( ) Mauritania
- ( ) Mauritius
- ( ) Mayotte
- ( ) Mexico
- ( ) Micronesia
- ( ) Moldova
- ( ) Monaco
- ( ) Mongolia
- ( ) Montenegro
- ( ) Montserrat
- ( ) Morocco
- ( ) Mozambique
- ( ) Saint Martin
- ( ) Saint Pierre and Miquelon
- ( ) Saint Vincent and the Grenadines
- ( ) Samoa
- ( ) San Marino
- ( ) São Tomé and Príncipe
- ( ) Saudi Arabia
- ( ) Senegal
- ( ) Serbia
- ( ) Seychelles
- ( ) Sierra Leone
- ( ) Singapore
- ( ) Sint Maarten
- ( ) Slovakia
- ( ) Slovenia
- ( ) Solomon Islands
- ( ) Somalia
- ( ) South Africa
- ( ) South Georgia and the South Sandwich Islands
- ( ) South Korea
- ( ) South Sudan
- ( ) Spain
- ( ) Sri Lanka
- ( ) Sudan
- ( ) Suriname

- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom

- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable)

- Operator of a trading venue (regulated market, MTF including SME growth markets, OTF)
- Operator of market infrastructure other than trading venue (clearing house, central security depositary, etc.)
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, pension funds)
- Broker/market-maker/liquidity provider
- Financial research provider
- Investment bank
- Accounting and auditing
- Insurance

- [ ] Credit rating agency
- [ ] Corporate, issuer
- [ ] Other
- [x] Not applicable

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ( ) **Anonymous**
  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- (•) **Public**
  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

- [x] I agree with the personal data protection provisions

Your feedback

The current EU rules relevant for company listing consist of provisions contained in a number of legal acts, such as the Prospectus Regulation, the Market Abuse Regulation (MAR), the Market in Financial Instruments Directive (MiFID II), the Market in Financial Instruments Regulation (MiFIR), the Transparency Directive and the Listing Directive. These rules primarily aim at balancing the facilitation of companies' access to EU public markets with an adequate level of investor protection, while also pursuing a number of secondary or overarching objectives.

Question 1. In your view, has EU legislation relating to company listing been successful in achieving the following objectives?

	1 (achievement is very low)	2 (achievement is rather low)	3 (neutral)	4 (achievement is rather high)	5 (achievement is very high)	Don't know - No opinion - Not applicable
Ensuring adequate access to finance through EU capital markets	○	○	●	○	○	○
Providing an adequate level of investor protection	○	○	○	○	●	○
Creating markets that attract an adequate base of professional investors for companies listed in the EU	○	○	●	○	○	○
Creating markets that attract an adequate base of retail investors for companies listed in the EU	○	●	○	○	○	○
Providing a clear legal framework	○	●	○	○	○	○
Integrating EU capital markets	○	○	○	○	○	●

Please explain the reasoning of your answer to question 1:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Weak EU capital markets negatively impact the funding structure and cost of capital of EU companies which currently over rely on bank-related products and subsidised loans (cf The ECB 2021 survey on the access to finance of enterprises in the euro area).

The attractiveness of financial markets for equity investors remain also too low.
Sweden is an exception with the second largest concentration of billion dollar companies per capita in the world and a unique development of the number of new listings/IPO´s between 2010 and 2018 compared to all other member countries (except for Poland). According to Credit Suisse NASDAQ Stockholm has been the best performing stock market in the world, 9,5% in real terms including dividends 1966-2020. World average was 6,0%. Certainly this is a factor contributing to make Swedish investors more inclined to invest in stocks.

The strong investment/shareholder culture in Sweden is reflected in the following facts:
-There are 2,6 million individual shareholders in Sweden representing 85% of all owners in the market and 12% of total market capitalization;
-Seven out of ten adult swedes save in investment funds. 85 % of the savings are allocated to equity funds with a significant overweight invested in Swedish equities. Equity investment funds represent 12% of total market capitalization;
-Low barriers of entry make it easy for individual investors to get access to markets via online brokers with more than 2 million customers;
-Individual investors are experienced and are well informed about the markets and companies;
-The Swedish Shareholders´ Association with 70.000 members is defending their members rights and interests and provides their members with information and education via its web site, monthly magazine and in apprx 700 local meetings per year all around Sweden;
-The Swedish Foundation for Share Promotion informs in physical meetings every year more than 25.000 high school students why it is important to take care of one´s private economy and invest for the future in stocks and investment funds;
-Almost all banks and insurance companies with a retail strategy have their own “saving economist” or “household economist”. As spokespersons they provide general guidance to individual investors and comment on actual developments in the financial markets in social and traditional media;
-Deregulation of public pensions with the Premium Pension System where 2,5 % of your salary is invested in investment funds of your choice has increased knowledge and familiarity of investment funds. Also in supplementary pensions schemes the possibility to invest in Unit Linked Insurance has been introduced.

In addition, it should be noted that many companies have also increasingly delisted as a result of stronger operational performance allowing self financing; paradoxically, the better solvency of companies (visible since the early 2000) has reduced the need to access the public equity markets; the combination of this fact with the inherent benefit of debt financing over equity encourages delisting.
Years ago, academic research already pointed out that the governance model of PE is more competitive than the model of listed companies (focusing respectively more on performance versus compliance).
Another proof can be found in capital markets today, where holding companies, that operate as private equity companies, outperfom the market (and have retained credibility).

As noted by numerous stakeholders and recognised in the CMU action plan, public listing in the EU is currently too cumbersome and costly, especially for SMEs. The Oxera report on primary and secondary equity markets in the EU stated that the number of listings in the EU-28 declined by 12%, from 7,392 in 2010 to 6,538 in 2018, while GDP grew by 24% over the same period. As a corollary of this, EU public markets for capital remain depressed, notably in comparison to public markets in other jurisdictions with more developed financial markets overall. Weak EU capital markets negatively impact the funding structure and cost of capital of EU companies which currently over rely on credit when compared to other developed economies.

Question 2. In your opinion, how important are the below factors in explaining the lack of attractiveness of EU public markets?

a) Regulated markets:

	1 (not important)	2 (rather not important)	3 (neutral)	4 (rather important)	5 (very important)	Don't know - No opinion - Not applicable
Excessive compliance costs linked to regulatory requirements	○	●	○	○	○	○
Lack of flexibility for issuers due to regulatory constraints around certain shareholding structures and listing options	○	○	●	○	○	○
Lack of attractiveness of SMEs' securities	○	○	○	●	○	○
Lack of liquidity of securities	○	○	○	●	○	○
Other	○	○	○	○	○	○

Please explain the reasoning of your answer to question 2 a):

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

One major factor explaining the lack of attractiveness of EU public market that the European Commission tends to neglect is the alternative source of funding. Nowadays, many fast growing companies choose to remain private as private equity funds, venture capitalists and other investment vehicles provide an alternative to public markets in terms of risk capital financing and are seen as less burdensome and less bureaucratic.

Moreover, with the European Union calling for a diversification of institutional investors' portfolio, some national markets (like the Belgian one) have been deserted by these actors, an outflow that has not been much compensated by international investors coming in. As a result, the liquidity remains poor for many listed companies and alternative fundings seen as more attractive because less demanding are preferred (the monetary policy of Europe with very low interest levels promote external/debt finance while cash confronted with negative interest payments promotes self-funding over attracting capital through the capital market).
As stated above, investors are reluctant to invest outside their non-national markets because of discouraging tax mechanisms (an in particular with regard to withholding taxes on dividends). In addition to that the fragmentation of corporate reporting rules, liability, company law mechanisms regarding listed companies and the investors' rights in terms of remedy give the impression of a complex regulatory framework to grasp, another discouraging factors.

However, ecoDa has some suggestions to make listing more attractive for companies:
-The interest of getting listed would vanish if family owners would not be able to maintain their power through multiple voting rights;
-Class action mechanisms should be extended to small entities so they can share legal fees easier;
-The passporting of prospectus mechanism should be improved;
-There is a need to facilitate access to investment and both harmonize and facilitate as much as possible listing rules that reflect companies' specific needs and circumstances;
-To foster convergence and harmonisation at the European level and to avoid "regulator shopping", one could also consider – without bypassing the national competent authorities – attributing a certain coordinating role to the European Securities and Markets Authority in the approval of prospectuses.

b) SME growth markets:

	1 (not important)	2 (rather not important)	3 (neutral)	4 (rather important)	5 (very important)	Don't know - No opinion - Not applicable
Excessive compliance costs linked to regulatory requirements				X		
Lack of flexibility for issuers due to regulatory constraints around certain shareholding structures and listing options				X		
Lack of attractiveness of SMEs' securities				X		
Lack of liquidity of securities				X		
Other						

Please explain the reasoning of your answer to question 2 b):

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding SMEs (which European definition is not always coherent with national ones - like the Bulgarian Stock Exchange), the European Commission tends to homogenize them overlooking their different nature and structure. The reality is far more complex, and the rationale for considering an IPO for a contemporary (tech) scale-up (SME) and a traditional family SME may be fundamentally different (VC exit versus family anchorage). The obstacles and benefits seen in being listed may therefore vary from one SME to another. Companies, especially SMEs, do not consider listing in the EU as an easy and affordable means of financing and may also find it difficult to stay listed due to on-going listing requirements and costs. More specifically, the new CMU action plan identified factors such as high administrative burden, high costs of listing and compliance with listing rules once listed as discouraging for many companies, especially SMEs, from accessing public markets.
This de facto limits the range of available funding options for companies willing to scale up and grow and explains why companies tend to de-list in Europe. When taking a decision on whether or not to go public, companies weigh expected benefits against costs of listing. If costs are higher than benefits or if alternative sources of financing offer a less costly option, companies will not seek access to public markets.

ecoDa also would like to stress that the European Commission should question first if there is enough appetite from the investors' side in SMEs Growth Market. The Commission might generate risks for investors looking for smaller companies. SMEs require flexibility but also discipline. Alternative markets were not always successful (case in Greece / case in Bulgaria where a special segment for SMEs generated high interest but then the shares' price dropped significantly due to a lack of investors' demand). National governments are lacking studies showing positive outcomes and concrete business cases.

c) Other markets (e.g. other MTFs, OTFs):

	1 (not important)	2 (rather not important)	3 (neutral)	4 (rather important)	5 (very important)	Don't know - No opinion - Not applicable
Excessive compliance costs linked to regulatory requirements	X					
Lack of flexibility for issuers due to regulatory constraints around certain shareholding structures and listing options						
Lack of attractiveness of SMEs' securities						
Lack of liquidity of securities						
Other						

Please explain the reasoning of your answer to question 2 c):

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies, in particular SMEs, do not consider listing in the EU as an easy and affordable means of financing and may also find it difficult to stay listed due to on-going listing requirements and costs. More specifically, the new CMU action plan identified factors such as high administrative burden, high costs of listing and compliance with listing rules once listed as discouraging for many companies, especially SMEs, from accessing public markets. When taking a decision on whether or not to go public, companies weigh expected benefits against costs of listing. If costs are higher than benefits or if alternative sources of financing offer a less costly option, companies will not seek accessing public markets. This *de facto* limits the range of available funding options for companies willing to scale up and grow.

Question 3. In your view, what is the relative importance of each of the below costs in respect to the overall cost of an initial public offering (IPO)?

a) Direct costs:

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
Fees charged by the issuer's legal advisers for all tasks linked to the preparation of the IPO (e.g. drawing-up the prospectus, liaising with the relevant competent authorities and stock exchanges etc.)	○	◉	○	○	○	○

Fees charged by the issuer’s auditors in connection with the IPO	○	○	●	○	○	○
Fees and commissions charged by the banks for the coordination, book building, underwriting, placing, marketing and the roadshow	○	○	○	○	●	○
Fees charged by the relevant stock exchange in connection with the IPO	○	●	○	○	○	○
Fees charged by the competent authority approving the IPO prospectus	○	●	○	○	○	○
Fees charged by the listing and paying agents	○	○	○	●	○	○
Other direct costs	○	○	○	○	○	○

b) Indirect costs:

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
The potential underpricing of the shares during the IPO by investment banks					X	
Cost of efforts required to comply with the regulatory requirements associated with the listing process				X		
Other indirect costs						

Please explain the reasoning of your answer to question 3:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the costs are similar to the ones in the US for example, the potential underpricing of the shares during the IPO is particularly important, especially in periods of high uncertainty on capital markets and the share price volatility has been extremely high over the last couple of year (something which is less seen as an issue as a non-listed entity with a more stable valuation). Due to the lack of liquidity and visibility (less analyst coverage) the underpricing may continue after the IPO, which has given rise to delisting (case in Belgium for instance).

After their initial listing, companies continue to incur a number of costs that derive from being listed. These costs can be both indirect such as those derived from compliance and regulation requirements and direct such as fees paid to the listing venue. In some cases companies may choose to voluntarily delist in order to avoid these costs which can be viewed as excessive, especially for SMEs.

Another non negligible cost concerns translation, and how not to make English the default language.

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Question 4. In your view, what is the relative importance of each of the below costs in respect to the overall costs that a company incurs while being listed?

a) Direct costs:

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable
Ongoing fees due by the issuer to the listing venue for the continued admission of its securities to trading on the listing venue	◉	○	○	○	○	○
Ongoing fees due by the issuer to its paying agent	○	○	○	○	○	○
Ongoing legal fees due by the issuer to its legal advisors (if post-IPO external legal support is necessary to ensure compliance with listing regulations)	○	◉	○	○	○	○

Fees due by the issuer to auditors if, post-IPO, extra auditor work is necessary to ensure compliance with listing regulation	○	○	●	○	○	○
Corporate governance costs	○	○	●	○	○	○
Other direct costs (e.g. costs for extra headcount, costs allocated to investors' relationships, development and maintenance of a website)	○	●	○	○	○	○

Please specify to what other direct costs you refer in your answer to question 4 a):

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

b) Indirect costs:

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know - No opinion - Not applicable

Increased risk of litigation due to investor base and increased scrutiny and supervision derived from being listed	○	○	●	○	○	○
Risk of being sanctioned for non-compliance with regulation	○	●	○	○	○	○
Other indirect costs	○	○	○	○	○	○

Please explain the reasoning of your answer to question 4:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In order to comply with all regulatory requirements such as those included in MAR or the Prospectus Regulation (but also those enacted at national levels), companies have to invest time and resources. The listing process is very long and despite the granularity of regulation is highly dependent on the efficiency of the single National Authority's internal organization.
The process may be seen as a disproportionate burden compared to the advantages this may bring in terms of investor protection, all the more that listed (and PIEs) companies have also to deal with burdensome and increased regulations both at European and national levels (non-financial reporting, the enlargement of requirements as to executive remuneration, the growing regulations as to gender quota and more stringent governance requirements...).
At the same time, being listed can be viewed as a constant trade-off for the board of directors, being torned between the need to develop a long-term strategy on the one hand and the performance pressure on the short-term results which support the stock price and ensures its capacity to potentially tap the capital markets, on the other hand. Innovative companies, on the contrary, require a patient capital approach to company ownership and cannot be constantly subjected to restructuring demands or takeover threats from short-term oriented marker players.

Moreover, knowing that reputation damage is among the main concern of board members and that by being listed you are more likely to be in the limelight compared to a non-listed entity, this related costs should not be underestimated (all the more that according to a World Economic Forum study of 2012, more than 25% of a company's market value is directly attributable to its reputation).

In general, the European Commission should simplify and clarify the regulatory framework. Many of the current EU rules are either too vague or too complex, this is especially true for MAR regulations (inflicting sanctions associated with violations of vague requirements and high costs associated to frequent external advice to interpret and apply the rules are deterrent to listing). One of ecoDa's recommendations to the

European Commission would be to centralize MAR aspects at EU level to avoid a duplication of efforts at national levels.

In Sweden, rules and regulations are often based on self-regulation. There are four self-regulation bodies supervising the rules and the listed companies. The Swedish Corporate Governance Code is well accepted by the listed companies and is monitored by the Corporate Governance Board, one of four self-regulating bodies. News media and the Swedish Shareholders´ Association watches the market closely, especially new listings/IPO´s and by visiting companies´ general meetings.

To some extent, simplification of the legislation, rather than its complexification is needed. MAR is very demanding for small companies, and the upcoming complex reporting on ESG will not help out. At the minimum, more coherence (and visibility of the trade-offs) between potentially conflicting objectives (more transparency requirements on the one side and more listings on the other side) would be beneficiary.

In order to comply with all regulatory requirements such as those included in the MAR or the Prospectus Regulation, companies have to invest time and resources. This may be seen as a disproportionate burden compared to the advantages this may bring in terms of investors protection.

Question 5.1 In your view, does compliance with IPO listing requirements create a burden disproportionate with the investor protection objectives that these rules are meant to achieve?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain the reasoning of your answer to question 5.1:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

5.2 In your view, does compliance with post-IPO listing requirements create a burden disproportionate with the investor protection objectives that these rules are meant to achieve?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain the reasoning of your answer to question 5.2:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Public markets are not flexible enough to accommodate companies' financing needs. This lack of flexibility may be driven by regulatory constraints (e.g concerning the ability of companies owners to retain control of their business when going public by issuing variable voting rights shares) as well as by the lack of legal clarity in relevant legislation (e.g the conditions under which a company may seek dual listing). Regulatory constraints or legal uncertainty may discourage the use of public markets by firms that find requirements inadequate or unclear.

Public markets are not flexible enough to accommodate companies' financing needs. This lack of flexibility may be driven by regulatory constraints (e.g. concerning the ability of companies owners to retain control of their business when going public by issuing shares with multiple voting rights), as well as by the lack of legal clarity in relevant legislation (e.g. the conditions under which a company may seek dual listing). Regulatory constraints or legal uncertainty may discourage the use of public markets by firms that find requirements inadequate or unclear.

Question 6. In your view, would the below measures, aimed at improving the flexibility for issuers, increase EU companies' propensity to access public markets?

	Yes	No	Don't know - No opinion - Not applicable
Allow issuers to use shares with multiple voting rights when going public	◉	○	○
Clarify conditions around dual listing	◉	○	○
Lower minimum free float requirements	○	◉	○
Eliminate minimum free float requirements	○	◉	○
Other	○	○	○

Please explain the reasoning of your answer to question 6:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

ecoDa welcomes the approach of the European Commission to not only concentrate on reducing the burden but reinfocring the benefits to better tilt the balance in favor of public markets.

The lack of available company research and insufficient liquidity discourage investors from investing in some listed securities. Many securities issued by SMEs in the EU are characterised by lower liquidity and higher illiquidity premium, which may be the direct result of how these companies are perceived by investors, in particular institutional investors, who do not find them sufficiently attractive. Furthermore, institutional investors may fear reputational risk when investing in companies listed on multilateral trading facilities, including SME growth markets, given the lack of minimum corporate governance requirements for issuers on those venues.

In addition, multiple voting shares have proven appealing for companies. This measure is often crucial for the entrepreneurs' willingness to list their companies. Shares with multiple voting rights enables the entrepreneur to stay in power of the company and keeps the entrepreneur engaged in the company even after the listing. However, this tool must be used with the necessary caution as it might be perceived as negatively by institutional investors and risks reducing liquidity (some 'accompanying' measures might be needed to reassure investors skeptical investors).

The fact that the amounts raised are much lower compared to the US, and which could be a deterrent factor for being listed, could be circumvented with the possibility of derivative trading and a possible mechanism at EU level like the American Depositary Receipt.

ecoDa would recommend the European Commission to develop a single SME market that might be more attractive for investors than a fragmented and national approach. Strong Corporate Governance requirements would reassure investors.

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Question 7. In your view, what are the main factors that explain why the level of institutional and retail investments in SME shares and bonds remains low in the EU?

	1 (not important)	2 (rather not important)	3 (neutral)	4 (rather important)	5 (very important)	Don't know - No opinion - Not applicable
Lack of visibility and attractiveness of SMEs towards investors leading to a lack of liquidity for SME shares and bonds			X			
Lack of investor confidence in listed SMEs		X				
Lack of tax incentives					X	
Lack of retail participation in public capital markets (especially in SME growth markets)				X		
Other						

Please explain the reasoning of your answer to question 7:

4000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Reasons explaining the low level of institutional and retail investments in SME shares and bonds are multiple. First, it appears that the lack of liquidity and visibility of SMEs are deterrent factors explaining the low investment level of institutional investors. Without all the capital provided by the individual shareholders it would not be possible to finance IPO´s for all the small companies entering the market. Institutional investors are certainly important on the European capital market at large, but in many member states major (sometimes even controlling) private investors play a just as – if not even more – crucial role. Then, the lack of free gloat (due to a reference shareholder model) can also explain the unattractiveness for institutional investors.

In addition, institutional investors are often prevented from investing in those companies or else they are too small to make any difference in performance for an institution. The lack of confirmed market analysts in certain markets (still too often seen as national) is also a factor that could explain why the level of institutional and retail investments in SME shares and bonds remains low.

Fiscal measures are an important tool to boost institutional and retail in SME shares and bonds.
In Sweden, the 2.6 million individual shareholders represent 85% of all owners in the market and 12% of total market capitalization. This results are served by a tax policy stimulating investments in stocks and funds:
-Introduction of tax subsidized savings in investment funds 1978-1997 started a broad public interest to invest in funds;
-Since 2005 and 2007 inheritance tax and tax on wealth no more exist;
-The introduction of investment saving accounts (ISK) in 2012 has been a great success. Today there are more than 3 million accounts. Instead of paying tax on your profits, interest and dividends you pay a yearly tax of 0,375% of the average value of your holdings in your account. This means that you as an individual do not have to declare gains or losses on individual share trades which reduces the administrative burden for households to invest in financial assets.

But the tax regime is only one element of the policies aimed at working on the demand side of investment, i. e. measures to create a positive investment climate that attracts investors. The European Commission should look at other incentives measures both on the demand and supply sides.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2021-listing-act_en)

Consultation document (https://ec.europa.eu/info/files/2021-listing-act-consultation-document_en)

More on the targeted consultation running in parallel (https://ec.europa.eu/info/publications/finance-consultations-2021-listing-act-targeted_en)

More on SME listing on public markets (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/sme-listing-public-markets_en)

Specific privacy statement (https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Contact

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