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Multiple-vote share structures Proposal

Brussels, 22 August 2023

BusinessEurope is fully supportive of making capital markets more attractive within the EU. There is a 69% fall in Initial Public Offers (IPOs) in European markets since the peak of 2021 and the overall number of listed companies in the EU decreased by 6% last year[1]. In Europe, listed companies are less likely to finance themselves on the stock market than in the US where the stock market is three and a half times the size of the European market (EUR 41 trillion versus EUR 12 trillion) and almost three times as deep relative to GDP (227 % versus 81 %)[2]. The level of venture capital investment is nearly ten times higher (relative to GDP) in the US than in European countries.

European companies of all sizes and especially small and medium-sized companies should be able to have easy access to capital which is why we welcome the Commission proposal on multiple-vote share structures. This proposal and the EU Listing Act are a step towards strengthening the European equity markets and to contribute to a stronger listing climate, in particular with regards to SMEs.

Multiple-vote share structures have played an important role in European financial markets for a long time and the benefits are well-known. In order for this proposal to remain an enabling tool for the European economy and its financial markets, we put forward some recommendations for the upcoming legislative process:

- Over many decades of legal development, multiple-vote share structures in the Member States have been balanced with relevant safeguards such as carefully crafted and strong minority protection systems, ensuring that the legal frameworks support active, well-informed and long-term owners, while at the same time addressing the possible conflicts of interest

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[1] https://www.fese.eu/app/uploads/2023/01/FESE-annual-statistical-review_2022.pdf
[2] https://www.bruegel.org/sites/default/files/wp_attachments/PC-CMU.pdf and time_to_re-energise_the_eus_capital_markets.pdf (ecmi.eu)

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between majority and minority shareholders. **It is important to retain the flexible environment** where companies are supported in their listing choices and not restricted by rigidity.

- **Reasonable safeguards are important but must accommodate differences in local practices. Far-reaching mandatory safeguards must not be imposed**. This is unfortunately the case with the safeguards proposed by the [EP ECON draft report](), suggesting for example rigid sunset clauses, maximum voting ratios and general shareholder meetings specific voting rules that do not belong in the proposal. These draft **amendments go against the nature of the proposal and put the positive sides of the proposal in jeopardy**. Going public and listing on markets would become less attractive and the safeguards would also threaten the existing structures in member states. This is particularly so if, as suggested in the EP ECON draft, the scope of the proposal would be expanded outside SME growth markets.

- **National laws** regarding multiple-vote share structures have developed over the years and the specificities differ between member states e.g. due to national corporate governance and capital market traditions. Therefore, a **one-size-fits-all model would not be appropriate**. A successful minimum level of harmonisation must accommodate differences in national practices in order not to damage currently well-functioning capital markets and structures.

In conclusion, over-reaching regulation of multiple-vote share structures, including the introduction of various mandatory safeguards would make it less attractive to go public and list on EU capital markets and also risk ruining existing structures, contrary to the aim of the proposal. It should be left to the member states to determine which safeguards would be most appropriate.

Therefore, we call on the co-legislator to remain true to the enabling objectives of the proposal, which include strengthening the listing climate.

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