

Webinar Report

EuropeanIssuers Capital Markets Webinar Series: How Can the Capital Markets Union New Action Plan Boost Europe's Economic Recovery?



powered by  COMPANY WEBCAST

This webinar session is partnered by  Nasdaq

EuropeanIssuers Capital Markets Webinar Series

How Can the Capital Markets Union New Action Plan Boost Europe's Economic Recovery?

18 March 2021

11.00 – 12.15 (CET)

Webinar Report

Moderator: *Maximilian Lück, Co-Chair of Capital Markets Union Working Group, EuropeanIssuers*

Speakers:

- *Tatyana Panova, Head of Unit B1 - Capital Markets Union, DG FISMA, European Commission*
- *Adam Kostyál, Senior Vice President, Nasdaq*
- *Philippe Lambrecht, Director-Secretary General and Executive Manager, VBO-FEB*
- *Dr Luis Correia de Silva, Partner, Oxera Consulting LLP*

The creation of a Capital Markets Union (CMU) has become even more important following the Covid-19 pandemic. Capital markets can help facilitate the urgent need for recapitalisation of European companies. But this can only happen, if sound capital markets exist within the European Union. With the UK as the biggest capital market in Europe leaving the EU, efforts need to be taken to foster European capital markets. In this context, the CMU New Action Plan was released on September 2020. Moderated by **Mr Maximilian Lück**, the webinar discussed the action points laid out by the EU Commission for the forthcoming years, with a special focus on primary and secondary equity markets in the EU and how to provide a better environment for listing of companies of different sizes.

The first panellist, **Dr Luis Correia de Silva** presented the study elaborated by Oxera on primary and secondary equity markets in the EU, which was conducted to create a body of evidence and a database to allow for a clearer analysis of the performances of these markets. The study highlighted a continued de-listing trend, as well as a massive presence of old large companies. This is explained by several factors, including the increase of costs related to the listing process and to the regulatory framework, which is particularly significant for SMEs and represents a challenge also for family controlled enterprises, choosing not to list for concerns over agency costs and control. In addition, burdensome listing rules as well as a significant variation of policy initiatives across Europe does not allow for a more harmonised and welcoming environment.

Ms Tatyana Panova fed in the discussion by first stating that the CMU Action Plan elaborated by the EU Commission is not shy on ambition. The real issue lies in the unbalanced ratio

between costs and benefits of listing, which the EU Commission is determined to change in order to make issuances more popular and available. Among the different initiatives, Ms Panova mentioned the CMU recovery package proposed in July 2020, which goes in the direction of allowing for an easier, more flexible and less burdensome access to public markets. Surely, the current situation needs to be improved and many things can still be addressed, by also reflecting on the already existing rules.

In his intervention, **Mr Philippe Lambrecht** outlined three main points explaining the increasing trend in de-listing. Firstly, the excessive cost and administrative burdens caused by increasing financial regulation. Secondly, the fragmented reality of markets across Europe, which has also been emphasised by the Oxera study. Thirdly, the shareholder structure typical to Europe is reluctant to lose control of the company, once public. With regards to the first point in particular, Mr Lambrecht reiterated that for smaller and innovative companies, new legal requirements and obligations create additional administrative and structural costs, which hinder these companies' competitiveness vis-à-vis their non-listed competitors, thus explaining the decrease in listing trends.

Drawing from his experience, **Mr Adam Kostyál** presented a comparison between Nordic markets and the rest of the European markets. Nordic markets are more successful, as they have a real equity-driven culture, where public markets are a central point of dialogue between governments and households. As additional factors, Mr Kostyál spoke in favour of dual class shares, reasonable governance and well understood structure, also for international investors, as well as proportionality. Harmonisation should be the first priority in further deepening and developing a real European market.

Following a question on the possible role of the CMU Action Plan to help companies overcome the current economic crisis, Mr Lambrecht expressed his doubts, namely the presence of too many barriers and the absence of a unified market, as well as a lack of consideration of the issuers' perspective in the rule-making process. This burdensome situation does not incentivise companies to go public, especially in light of the current crisis, and thus a possible solution could be to introduce a period of alleviated regulatory regime for new issuers.

Ms Panova clarified that the legislation is increasingly complicated because the financial sector is more complicated, presenting more risks and ideas: legislation needs to reflect the reality. With regards to the Action Plan priorities, all the action points are considered important by the EU Commission, as they go hand in hand to create a more robust and complete CMU.

Several questions were addressed by the public on activism concerns, nominated advisors and their role in successful listing, and on the notion of special purpose acquisition company (SPAC), to which the panellists gave their inputs and insights. Finally, the panellists reflected on the importance of having a balanced regulatory environment, made of appropriate and

predictable rules, presenting a balance between access to the market and companies' responsibility.

.....
EuropeanIssuers' recent positions related to the topic:

- EuropeanIssuers' position paper on the European Commission's Capital Markets Union New Action Plan, dated 01 March 2021:
<http://www.europeanissuers.eu/docs/view/603cbdedc9d3e-en>

EuropeanIssuers is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. There are approximately 13,225 such companies on both the main regulated markets and the alternative exchange-regulated markets. Our members include both national associations and companies from all sectors in 14 European countries, covering markets worth €7.6 trillion market capitalisation with approximately 8,000 companies.

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer term. We seek capital markets that serve the interests of their end users, including issuers.

For more information, please visit www.europeanissuers.eu.

For the recording of the webinar, please visit [EuropeanIssuers YouTube Channel](#).