

EuropeanIssuers' Position Paper on the Proposal for a Directive on Multiple-Vote Share Structures in companies that seek admission to trading on an SME growth market

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EuropeanIssuers welcomes the European Commission's proposal on multiple-vote share structures (MVSS) in order to facilitate companies' listing (as well as the development of an effective Capital Markets Union).

Several studies and reports (Oxera Study on Primary and Secondary Market; TEGS Report, HLF on CMU Report) already suggested that one of the main reasons for not listing is the loss of control fear.

Currently, companies may be prevented from going public in Member States markets where MVSS are prohibited) and more broadly, as recalled by the Commission, differences in MVSS national regimes create an unlevel playing field and leads to unequal opportunities for companies when it comes to listing.

In its past position, EuropeanIssuers suggested that any EU action should be limited to an enabling one, confining itself to acknowledging EU-wide the MVSS principle coupled with more limited safeguards, thus leaving MS maximum flexibility in setting out conditions around MVSS and implementing them according to their specific local circumstances.

The present proposal correctly acknowledges **MVSS as an effective mechanism** to allow companies' owners retain decision-making powers in a company while raising funds on public markets.

As to the content, it also defines its scope of application and providing a minimum set of mandatory safeguards for fair and non-discriminatory treatment of minority shareholders.

While we agree with the proposed **minimum harmonization** approach leaving sufficient flexibility to Member States for its implementation, the proposal has some limitations that risk making it ineffective, especially in countries that already allow the use of these instruments.

We also concur MVSS might only be granted to companies at their IPO, but we oppose the limitation in the **scope of application** to companies seeking admission to listing only an SME Growth Market, thus excluding companies intending to list on a regulated market or another MTF.

We do not agree with that choice. On one side, the rationale for allowing MVSS – that is overcoming the fear of losing control as a deterrent to listing – is relevant independently from the trading venue. On the other side, limiting MVSS to SME GM would risk creating a barrier for growing companies willing to move to the main regulated market.

Therefore, we take the view that the right to adopt MVSS should apply irrespective of the venue on which listing is sought and, therefore, it should also be extended to regulated market and other MTFs.

Regarding the **protection of minority shareholders**, while we agree in principle that some minimum mandatory safeguards should be provided for (including the requirement that the decision to adopt MVSS is taken by the general shareholders' meeting and is approved by a qualified majority or the limitation on the voting weight of MVSS by introducing restrictions on the design of the MVSS), we firmly believe that they should not harm existing national regime already in place by imposing more stringent requirements. This is the case, for instance, for the combined request of a maximum

weighted voting ratio and a requirement on the maximum percentage of the outstanding share capital that the total amount of multiple votes shared can represent (Article 5, paragraph 1, b, i).

We also question the advisability of a legislative provision limiting the voting weight of MVSS by restricting the exercise of MVSS to matters requiring approval at a qualified majority. This is indeed an issue which should be left to companies' decision.

As to the **additional optional safeguard measures**, such as time-based sunset clause, event-based sunset clause, and transfer-based sunset clause avoiding that MVSS are transferred to third parties or continue to exist in case of incapacitation, retirement or death of the holder, we agree that they should be left to Member States, to the extent that they are also optional for each company.

Finally, we welcome the **disclosure requirements** for companies that adopted MVSS that apply both at the point of admission to trading of the company's shares and then on an annual basis, including information relating to the structure of the company's share capital, the characteristics of the multiple-vote shares as well as the presence of other control-enhancing mechanisms in the company.

What remains however unclear in the proposal is how MVSS will interact with loyalty shares regimes (typically carrying double voting rights), which are in place in several jurisdictions. The two regimes serve different purposes and may therefore coexist. Double voting rights are intended to reward shareholder loyalty, whereas MVSS enable directors to retain control of the company in a rapidly changing business environment. Holders of common shares are therefore entitled to receive loyalty shares carrying double voting rights under the conditions laid down by applicable national law. However, it is indispensable MVSS holders should not be entitled to carry double voting rights simultaneously.

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.

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