ICGN
International Corporate Governance Network

European Commission
By email and through the online questionnaire:
https://ec.europa.eu/info/publications/finance-consultations-2021-listing-act-targeted_en

February 16th, 2022

Dear Madame or Sir,

Re: Listing Act: Making Public Capital Markets More Attractive for EU Companies and Facilitating Access to Capital for SMEs

The International Corporate Governance Network (ICGN) welcomes the European Commission's (EC) Consultation on the Listing Act: Making Capital Markets More Attractive for EU Companies and Facilitating Access to Capital for SMEs.

Led by investors responsible for assets under management in excess of US$59 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 45 countries and includes companies, advisors, and other stakeholders. ICGN offers an important international investor perspective on corporate governance and investor stewardship to help inform public policy development and the encouragement of good practices by capital market participants. For more information on the ICGN, please visit www.icgn.org.

ICGN appreciates the need to ensure that companies, in particular small and medium-sized enterprises (SMEs), will have unimpeded access to the most suitable form of financing and the access to public markets. Greater access by SMEs should assist investors, in turn, with their opportunity to invest in these companies and develop access to robust capital markets. That said, ICCN believes that providing SMEs with opportunities to make listing on EU public markets more attractive for companies should not come at the expense of investors, and we have concerns that some of the elements being considered by the EC in this initiative may have the effect of watering down important shareholder rights and protections. A notable example is the Consultation's set of questions surrounding Special Purpose Acquisition Companies (SPACs). While SPACs may be part of the investment strategy for certain investors, we have concerns about a lack of disclosure and oversight that many investors may not understand.

ICGN has undertaken a response to the more detailed targeted consultation, given the investment backgrounds of our members. We have identified specific questions in which responses are offered. We have not commented on the first section, relating to the Prospectus Act and prospectus regulation.

As general guidance, ICGN has developed the Global Governance Principles ("GGP") which provide the practices and procedures that distinguish well-run companies, regardless of size, market capitalisation, or legal structure. In the Preamble, it states:

> The GGP apply predominantly to publicly listed companies and set out expectations around corporate governance issues that are most likely to influence investment decision-making. They are also relevant to non-listed companies which aspire to adopt high standards of corporate governance practice. The GGP are relevant to all

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types of board structure including one-tier and two-tier arrangements as well as subsidiary companies of groups.[1]

The targeted consultation contains major themes within the 109 questions, several of which ICGN would like to address, including:

- General questions on the overall functioning of the regulatory framework which were asked in the general and targeted consultation (questions 1-7);
- Types of Research for Investment Decisions (questions 75-78);
- Transparency Directive on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (questions 82-83);
- Special Purpose Acquisition Companies (SPACs) (questions 84-94);
- Shares with multiple voting rights (questions 101-105);
- Corporate governance standards for companies listed on SME growth markets (questions 106-108); and
- 'Gold-plating' by NCAs or Member States in relation to EU rules applicable both to companies going through a listing process and to companies already listed on EU public markets (question 109).

General Questions (Questions 1-7)

ICGN appreciates the call by the EU to update the regulatory framework, as identified in the consultation.[2] A key focus on the adequate level of investor protection is important as the EU pursues any changes to assist companies in reaching the markets. As new ways of investing emerge, the regulatory framework needs to be flexible enough to provide investors with the security they need to invest freely in the markets.[3]

The consultation indicates:

> 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 company 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.

The general questions advance the premise that companies incur a significant amount of costs by being listed in the EU public markets. This may be true. A company that seeks capital, and sells shares to investors for that capital investment, has entered into a transaction that should be considered by both sides with due care and diligence. To suggest that costs related to compliance and regulation are problematic for companies, and may cause them to delist, would be a concern for investors. Any discussion on

[1] ICGN Global Governance Principles, Preamble, p. 5, ICGN Global Governance Principles 2021
[2] Prospectus Regulation, the Market Abuse Regulation (MAR), the Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), the Transparency Directive, and the Listing Directive.
[3] See Appendix 1 for General Questions on the Overall Functioning of the Regulatory Framework.

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reducing costs and listing requirements must equally consider the needs of investors. Reduced costs for lower levels of compliance and due diligence may, in turn, ultimately increase costs for both companies and investors.

ICGN recognises that SMEs may face what they believe are considerable costs due to listing requirements and the need to meet compliance requirements. From an investor's viewpoint, disclosure and compliance are essential for investors to gauge whether they should invest in a company. While investors would not want to see costs become unaffordable for SMEs wishing to find affordable financing, the effort to lower costs by reducing regulatory burdens should not come at the expense of investors. ICGN would say at the outset that there should be no balancing test applied that offsets the costs of going public with reducing investors' information or rights to invest the company.

A disproportionate burden on companies should not lead to the compromise of fundamental investor protections. For example, variable voting right shares distort the accountability of the company to its minority shareholders. ICGN stands firm that the "one share-one vote" standard is the most appropriate way for companies to provide investors with the ability to voice concerns and vote effectively in direct proportion to the investor's economic stake in the company. ICGN provides more commentary on this issue in an upcoming section of this letter.

Types of Research (Questions 75-78)

The question how to support more funding for research on SMEs is important. Research in certain markets on SMEs can be thin, leading some investors to perhaps consider alternative investments.

The consultation asks four questions relating to the type(s) of research that investors may find useful when making investment decisions. ICGN believes that investors need access to independent and unconflicted research when evaluating investment decisions. While issuer-sponsored and venue-sponsored research may have value, it would be important to ensure that potential conflicts of interest are disclosed. Legislative measures to address conflicts of interest between issuers and research analysts may not be necessary if regulatory action is clear on the disclosure of the research entity and any relationships with issuers.

Transparency Directive (Questions 82-83)

According to the consultation, the Transparency Directive (Directive 2004/109/EC) "requires issuers of securities traded on EU regulated markets to make their activities transparent, by regularly publishing certain information. The information to be published includes: (i) yearly and half-yearly financial reports; (ii) major changes in the holding of voting rights; (iii) ad hoc inside information which could affect the price of securities. This information must be released in a manner that benefits all investors equally across the EU." Whilst the Directive was amended in 2013[4] to end the requirement to publish quarterly financial reports for small issuers, it was again recently amended to provide an electronic format for the submission of annual financial reports developed by ESMA.[5]

ICGN agrees that "Transparency of publicly traded companies' activities is essential for the proper functioning of capital markets. Investors need reliable and timely information about the business performance and assets of the companies in which they invest in and about their ownership." In the April 2021 fitness check report, areas for potential

[4] The Transparency Directive was amended in 2013 by Directive 2013/50/EU to reduce the administrative burdens on smaller issuers.
[5] ESMA (the European Single Electronic Format, ESEF). The ESEF has been applicable since 1 January 2021, except for 23 Member States who opted for a 1-year postponement.

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improvement were considered, including supervision and enforcement.[6] The EU has already streamlined financial reporting relating to quarterly reports. Any further effort to simplify disclosures to make it less costly for SMEs to publish annual and half-year financial reports must be complemented by ensuring that investors have the quality of information they need on a timely basis. Investors use the financial reports to analyse, compare financial performance with peers, assess exposure to risks, and determine any ownership changes.

In an ICGN Viewpoint, "Quarterly reporting: Too much of a good thing", we said:

> In the first instance, ICGN supports transparency as a guiding principle of corporate governance, and while we understand the arguments of how quarterly reporting might encourage short term thinking, it is not clear if these arguments are supported by strong causal evidence. Indeed, we are aware of studies suggesting this is not the case, and of economic arguments suggesting that relaxing reporting periods could result in a higher cost of capital as a result of greater investment uncertainty. We also recognise the positive discipline that reporting can bring to companies vis-à-vis their accountability to investors, both shareholders and creditors.
>
> Ultimately our policies support governance practices that foster sustainable value creation – and sustainable returns for investors and their beneficiaries. This requires a long-term perspective, but also with an awareness of short-term turns in the road. [7]

Special Purpose Acquisition Companies (SPACs) (Questions 84-94)

The ICGN has monitored the rise of Special Purpose Acquisition Companies (SPACs) as they surged in usage in the United States and began to be utilised in the European Union. We recognise that the Initial Public Offering (IPO) process can be challenging for small companies as they pursue capital for expansion in the pursuit to become listed public companies.

While ICGN has not taken a formal position on SPACs, we are concerned about their transparency, their targets for acquisition and the lack of strong governance practices that have been reported. We appreciate that ESMA has provided a guide to assist professional and retail investors in their review of SPACs.[8]

An investor has a duty to conduct due diligence as it determines whether an IPO or SPAC is a good investment strategy. The Global Stewardship Principles, in Part 3: the ecosystem of stewardship, state:

> Companies should recognise the benefits of building investor relationships that can strengthen trust and enhance financial flexibility by enhancing access to cost effective capital.[9]

ICGN does not provide an opinion on which strategy a company should use to enter the public markets, whether to create an IPO or utilise the SPAC structure. On behalf of our

[6] Fitness check report accompanying the Commission report to the European Parliament and the Council on – inter alia – the operation of the 2013 amendment to the Transparency Directive, April 2021.
[7] ICGN Viewpoint, "Quarterly reporting: Too much of a good thing?", Quarterly reporting: Too much of a good thing? | ICGN, September 2018
[8] ESMA published the statement *"SPACs: prospectus disclosure and investor protection considerations"* (ESMA32-3845209), July 2021.
[9] ICGN Global Stewardship Principles, ICGN Global Stewardship Principles 2020, p. 27.

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membership, we urge, however, that issues of shareholder rights should be factored into the public offering. Harmonisation amongst the EU could be an effective tool to attract global investors, who would be able to evaluate the conditions of the IPO or SPACs and determine whether the investment should be pursued.

Both SPAC sponsors and minority investors can generate strong returns from SPAC investments, but their interests are not completely aligned. Conflicting scenarios can emerge when a SPAC sponsor may make a handsome profit, but the minority investors lose out.[10] With regard to the questions in this portion of the consultation, ICGN recommends that measures be put in place to ensure that post-IPO, any shareholders receive timely and accurate information on any dilutive effects from the issuance of warrants for sponsors. The warrants could serve to dilute the investment of later investors and should be limited.

ICGN observes out that there are two major risks with SPACs. The first is that SPACs' managers may be inexperienced, which is hard for investors to judge since they have no operating history or past performance. The second risk relates to the concern that no acquisition will occur and the SPAC will be liquidated. The fact that most of the investors' funds have to be held in an escrow account, and returned if an acquisition is not completed, is helpful for investors. However, this could also incentivise a SPAC sponsor to make a hasty or unwise acquisition decision to meet a time deadline. These concerns are difficult to deal with in terms of transparency. Information should be provided on a SPAC website to say how long the firm has been in business, the level of experience of the managers, and details of any acquisitions have been completed as well as the outcome of the acquisition.

Another area where transparency should be required is in the acquisition phase of the SPAC's life. The company must disclose any incentives and all of the conflicts of interest that the firm may face as a sponsor or adviser of a SPAC prior to recommending the sale or purchase of a SPAC. For example:

- ICGN notes that regulations in the US require the SPAC to seek a shareholder vote once it has identified an appropriate acquisition. Policies should require shareholder approval to vote on these transactions and de-SPAC transactions. Investors should receive proxy materials disclosing details of the proposed interaction.

- SPAC underwriters should not be involved in proxy solicitation if part of the underwriting or advisory fee is contingent on the success of the acquisition. Such involvement would be a clear conflict of interest if it recommended that a customer vote for the proposed acquisition. The sponsor and any other holders of founder shares should not vote on those items at the general meeting due to their conflict of interest on the operation.

- Sponsors are usually prohibited from selling their shares in the secondary market before the acquisition is completed. They also typically have a 20% equity stake in the SPAC. These two rules may help to align managers and investors' interests in completing the acquisition. Otherwise, SPAC managers have a real interest in buying a company, even at inflated values, since they will get 20% of

[10] Michael Klausner, Michael Ohlrogge, Emily Ruan, 'A sober look at SPACs', Yale Journal on Regulation 2022, Volume 39, Issue 1. delivery.php (ssrn.com)

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the company even if it is overvalued.[11] For example, even if the company's share price were to sink such that minority investors incur losses, the value of the holding retained by the SPAC manager can still be substantial.

Question 90, relating to decisions by some recent SPACs or company IPOs to offer "sustainability-related characteristics" is an important one. ICGN would recommend that any SPAC or IPO putting forward sustainability as a way to entice investors who are looking for sustainable company investments, should be subject to disclosures on the specific reasons why it is highlighting sustainability and any standards and/or frameworks utilised to make this claim. The EU's Taxonomy Regulation could provide a framework to ensure legitimate sustainability performance and discourage greenwashing.

The last questions in this group, Questions 91-94, relate to market capitalisation, disclosure pre-IPO and considerations related to free float. With respect to expected market capitalisation, ICGN would defer to the EU to set the market capitalisation level for entry as an SME, to at least one million Euro or a similar level, for which admission to the public markets is sought. ICGN would support a standard that a company should have published or filed annual reports in accordance with its national law for the three financial years preceding the application for the listing. In requiring such disclosure, investors would have the ability to review the reports over a period of time to make a more informed decision.

The question on the sufficient number of shares for free float is important. The consultation document frames free float narrowly, focusing on the argument for enhancing market liquidity in a given company's stock. However, the consultation ignores the shareholder rights dimension of this question. The smaller the free float, then the critical mass of minority shareholders will also be smaller and can have the effect of marginalising investors and limiting a company's external accountability.

Since the free float is the "portion of a company's issued share capital that is in the hands of public investors, as opposed to company officers, directors, or shareholders that hold controlling interests," as mentioned in the consultation, investors must feel confident that they understand the amount of capital held by those with controlling interests. While ICGN would not have an opinion on a set percentage of free float, the recommendation of at least 25% free float appears to be reasonable. We also agree that Member States should have discretion to set the percentage of the shares to be floated at the time of listing.

Shares with multiple voting rights (Questions 101-105)

ICGN is concerned by the 'race to the bottom' that is taking place in many markets globally, in which the relaxation of past multiple voting rights limitations is regarded as justified to attract market listings. Stock exchanges may benefit, the underwriting

[11] This approach is drawn from the US regulators and exchanges because SPAC activity has been much stronger in the US than in the EU. According to NASDAQ, it has been the exchange of choice for SPACs since 2010. In 2021, the number of SPACs in the US rose sharply from 248 in 2020 to 613 in 2021, raising over $160 bn. Transparency is required. Investors should know that they will be tying up their money for two years on average, as it takes that long for the process of finding a company to acquire and for the investor to receive returns on it.

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community may benefit and issuing companies may benefit. But at the expense of shareholder rights and investor protections.[12]

The consultation weighs heavily on reports that loss of "control" is cited as the main reason why unlisted companies decide to remain private entities. To ICGN, the idea that a loss of control would keep companies from pursuing the public markets is hard to comprehend. On the one hand, a company that is moving to the public markets, needs capital from investors. Investors, in turn, want something in return for their investment. Shares of the company become the vehicle or contract between these two entities. Raising capital by providing investors with shares of ownership is an essential *quid pro quo* to the transaction.

ICGN recognises that a founder(s) and early investors have an important stake in the company and wish to preserve their ability to influence the strategic direction of the company after going public. However, the use of multiple voting right shares is not an "efficient control-enhancing mechanism" as the consultation implies. Not all Member States provide for multiple voting rights shares and for good reason.

The ICGN Global Governance Principles have been published to provide standards for well-governed companies. Principle 9, Shareholder Rights, states:

> 9.1. Share classes. Ordinary or common shares should feature one vote for each share. Divergence from a 'one-share, one-vote' standard which gives certain shareholders power or control disproportionate to their economic interests should be avoided or in the event of the existence of such classes, they should be disclosed and explained and sunset mechanisms should be put into place. Dual class share structures should be discouraged, and where they are in place kept under review and should be accompanied by commensurate extra protections for minority shareholders, particularly in the event of a takeover bid. The board should disclose sufficient information about the material attributes of all of the company's classes and series of shares on a timely basis.[13]

If a company decides to issue multiple classes of shares, ICGN is clear that extra protections for minority shareholders, such as sunset provisions should be included. When companies issue an IPO with multiple voting rights, the impact should then be limited over time to protect investors, who, without these provisions, could find themselves without the opportunity to fully exercise their shareholder rights. In other jurisdictions, a maximum amount of time for a sunset provision is no more than seven years. If a sunset clause is to be implemented ICGN would prefer that is limited to 5 years maximum.

In addition, for investors, faced with the decision whether to invest in a company with multiple voting shares, the ICGN Global Stewardship Principles (GSP) state:

> Protecting voting rights against dual class shares and other forms of differential ownership which have the practical effect of marginalising stewardship and the accountability of companies to minority shareholders by diluting their voting rights. This stands in sharp contrast to the ambition of stewardship to empower shareholders, through voting and engaging, to exercise their voice in direct proportion to their economic stake in a company.[14]

[12] ICGN's response to the 2020 Hill Review provides a detailed assessment of the shareholder perspective on multiple vote shares. 26. ICGN Letter to UK Hill - Call for Evidence – UK Listings Review
[13] ICGN Global Governance Principles, ICGN Global Governance Principles 2021, p. 33.
[14] ICGN Global Stewardship Principles, ICGN Global Stewardship Principles 2020, p. 7.

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In addition, Principle 5, Exercising and Protecting Voting Rights, of the GSP, includes the following:

> Principle 5.8. Protecting voting rights. Investors should be prepared to challenge companies with dual class or unequal share structures which have the effect of diluting their voting rights. They should also engage with policy makers to ensure the rights of minority shareholders are protected.[15]

Multiple voting rights shares may be viewed in a disparate light by investors, particularly if the company does not include a sunset provision. As the "one share, one vote" is a widely recognised governance requirement for issuers, any violation of this principle of democracy may have a negative impact. ICGN would be concerned that dual or multiple voting rights could be detrimental both at company level and to the attractiveness of investments in markets where differential voting rights are prevalent. Finally, the practice of double and/or multiple voting rights can make it possible, with a minority holding of securities, to gain control of a company, and can therefore be likely to lead to abuses stemming from the dichotomy between shareholder power and economic risk, such as the entrenchment of managers or being assimilated to an anti-takeover measure.

Corporate Governance standards for companies listed on SME growth markets
ICGN was pleased to read in the consultation that, "Good corporate governance and transparency are deemed essential for the success of any company and in particular to those seeking access to capital markets. When issuers are governed according to principles of good corporate governance, they will find it easier to tap capital markets and attract investors."[16]

ICGN recognises that some issuers on the SME growth markets are not subject to the Shareholder Rights Directive (2007/36/EC, as amended) or Transparency Directive (2004/109/EC, as amended). However, the upcoming EU CSS RD is set to apply to SMEs[17]. We appreciate the argument for proportionality for SMEs, such that a company's governance structures are appropriate for a company given its size and state of development. At the same time, we believe that many SMEs have the ambition to become much larger over time, so it is important as well for SMEs to anticipate how their governance needs and requirements will evolve. In this context ICGN believes that there is merit in setting minimum corporate governance requirements that would be applied to SMEs. Such standards would provide investors with a greater understanding how boards of directors and senior management will address growth, risks and applicable to these issuers in order to reassure investors. In the Global Governance Principles Preamble, ICGN stated:

> The GGP address the system by which companies are directed and controlled based on the principles of fairness, accountability, responsibility, and transparency within a framework of effective governance controls. This helps to ensure the effectiveness of board directors in promoting successful companies, thereby creating sustainable value creation for investors while having regard to other stakeholders.[18]

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[15] Ibid., p. 22.
[16] EU Consultation, LISTING ACT: MAKING PUBLIC CAPITAL MARKETS
[17] DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting. SMEs have until January 1, 2026 to comply with the reporting requirements. EUR-Lex - 52021PC0189 - EN - EUR-Lex (europa.eu), April 21, 2021.
[18] ICGN Global Governance Principles, Preamble, ICGN Global Governance Principles 2021, p. 4.

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ICGN would prefer that the EU provide a set of corporate governance principles for issuers listed on SME growth markets to aspire to, while allowing Member States and/or market operators' flexibility in how to implement the principles. The ICGN Global Governance Principles would be an ideal framework for consideration.

With respect to questions asked within Question 106, ICGN would note that a report of related-party transactions should be publicly announced for material transactions. We also would support additional disclosure on the acquisition or disposal of voting rights as required by the Transparency Directive. With regards to delisting of shares, minority shareholders should be protected with sell-out rights in the event one controlling shareholder owns 90% or more of share capital.

Gold-plating by NCAs and/or Member States

The consultation mentions that "gold-plating should be understood as encompassing all measures imposed by NCAs and/or Member States that go *beyond* what is required at the EU level (i.e., it does not relate to existing national discretions and options in EU legislation)."[19] ICGN would point out that any corporate governance measures or requirements that protect investors, which go above and beyond that of the EU, should be considered as a gold standard, not gold-plating and as such, be considered by the EU. Company adoption of high standards of governance, regardless of size, remains a source of attractiveness for investors.

Thank you for the opportunity to provide our perspective on this important consultation. If you would like to follow up with us with questions or comments, please contact me or ICGN's Policy Director George Dallas by email at george.dallas@icgn.org.

Yours faithfully,

Kerrie Waring

Chief Executive Officer, ICGN

CC: George Dallas, ICGN Policy Director: george.dallas@icgn.org

[19] EU Consultation, LISTING ACT: MAKING PUBLIC CAPITAL MARKETS

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Appendix 1

General Questions on the overall functioning of the regulatory framework (Questions 1-7)

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) and 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.

1. In your view, has EU legislation relating to company listing been successful in achieving the following objectives? On a scale from 1 to 5 (1 being "achievement is very low" and 5 being "achievement is very high"), please rate each of the following objectives by putting an X in the box corresponding to your chosen options.

Please explain your reasoning: *[4000 character(s) maximum]*

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.

2.a-c. In your opinion, how important are the below factors in explaining the lack of attractiveness of EU public markets? Please rate each factor from 1 to 5, 1 standing for "not important" and 5 for "very important".

Please explain your reasoning: *[4000 character(s) maximum]*

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 access to public markets. This *de facto* limits the range of available funding options for companies willing to scale up and grow.

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)?

Please explain your reasoning: *[4000 character(s) maximum]*

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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.

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?

Please explain your reasoning: *[4000 character(s) maximum]*

In order to comply with all regulatory requirements such as those included in 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.

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?

Please explain your reasoning: *[4000 character(s) maximum]*

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.

6. In your view, would the below measures, aimed at improving the flexibility for issuers, increase EU companies' propensity to access public markets? Please put an X in the box corresponding to your chosen option for each measure listed on the table.

	Yes	**No**	**Don't Know / No Opinion / Not Relevant**
a) Allow issuers to use multiple voting right share structures when going public		X	
b) Clarify conditions around dual listing	X		
c) Lower minimum free float requirements		X	
d) Eliminate minimum free float requirements		X	
e) Other (please specify below)			

Please explain your reasoning: *[4000 character(s) maximum]*

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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.

Types of Research for Investment Decisions (Questions 77-78)

77. As an investor, what type(s) of research do you find useful for your investment decisions? Please put an X in the box corresponding to your chosen option for each type of research listed on the table.

	Useful	**Not useful**	**Don't know/No opinion/Not relevant**
Independent research	X		
Venue-sponsored research			
Issuer-sponsored research			
Other (please specify)			

Please explain your reasoning: *[2000 character(s) maximum]*

78. How could the following types of research be supported through legislative and non-legislative measures? Please put an X in the box corresponding to your chosen option for each type of research listed on the table.

	Legislative measures	**Non-legislative measures**	**Don't know/No opinion/Not relevant**
Independent research		X	
Venue-sponsored research			
Issuer-sponsored research			
Other (please specify)			

90. (b) **Do you consider that the minimum number of years of publication or filing of annual accounts is adequate?**

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Please explain your reasoning: *[2000 character(s) maximum]*

The free float is the portion of a company's issued share capital that is in the hands of public investors, as opposed to company officers, directors, or shareholders that hold controlling interests. These are the shares that are deemed to be freely available for trading. The recommendation of 25% free float set out in Article 48 dates back to 2001. It allows the Member States' discretion in setting the percentage of the shares that would be needed to be floated at the time of listing. According to information received from stakeholders, the percentages in the EU-27 vary from 5% to 45%.

102. (1) In your opinion, what impact do shares with multiple voting rights have on the attractiveness of a company for investors? Please put an X in the box corresponding to your chosen option.

Negative impact	X
Slightly negative impact	
Neutral	
Slightly positive impact	
Positive impact	
Don't know/no opinion	

107. (a) Please indicate the corporate governance requirements that would be the most needed and would have the most impact to increase the attractiveness of issuers listed on SME growth markets (please rate each proposal from 1 to 5, 1 standing for "no impact" and 5 for "very significant positive impact"):

	1	**2**	**3**	**4**	**5**	**No opinion**
Requirement to report related party transactions (i.e. issuers would have to publicly announce material transactions with related parties at the time of the conclusion of such transaction and to adopt an internal procedure to assess and manage these transactions in order to protect the interests of the company)					X	
Additional disclosure duties regarding the acquisition/ disposal of voting rights as required by the Transparency Directive for major shareholdings in companies with shares traded on Regulated Markets					X	

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Obligation to appoint an investor relations manager						X
Introduction of minimum requirements for the delisting of shares:						
o supermajority approval (e.g. 75% or 90% of shareholders attending the meeting) for shareholders resolutions which directly or indirectly lead to the issuer's delisting (including merger or similar transactions)						
o sell-out rights assigned to minority shareholders if the company is delisted or if one shareholder owns more than 90% or 95% of the share capital.					X	
Appointment of at least one independent director (independence should be understood according to para. 13.1. of Commission's recommendation 2005/162/EC)					X	
Other (please specify)						

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