

## EU Listing-Act

Using the opportunity for European capital markets

## The EU Listing Act – using the opportunity for European capital markets

Deutsches Aktieninstitut welcomes the EU Commission's initiative on an "EU Listing Act" as it creates an opportunity to make capital markets funding significantly more attractive for companies and thus to promote growth, jobs and innovation for European economies.

From our perspective, the EU Commission is asking the right questions. After two decades of an ever-increasing intensity of regulation for listed companies, the regulatory framework needs to be rebalanced. Regulation has become a significant hurdle to use public capital markets as it often creates bureaucracy, legal uncertainty and inappropriate risks for listed companies.

If successful the EU Listing Act has the potential to stop und reverse some alarming trends of the past that resulted in a decreasing role of capital markets in financing the economy. This is for example evidenced by the decreasing number of listed companies in the European Union and the shrinking European share of the global IPO market in the past decade. These trends do not only weaken the role of Europe as financial centre but ultimately will weaken the European economy. In particular, capital-intensive innovation is strongly depending on the companies' ability to raise capital in large scale.

Furthermore, the EU Listing Act must be seen against increasing competitive pressure from other countries or regions that have already demonstrated willingness to challenge the existing regulatory framework in order to create an attractive environment for new businesses. The US JOBS Act (2012) as well as the more recent UK Listing Review (2021) also aim at making capital markets more easily accessible and to attract listings from innovative companies. To do so, legislators have implemented a number of adjustments to the regulatory framework.

Against this background, the EU Listing Act is overdue and it is time for action. From our perspective, the Listing Act will however only be successful if it delivers the following two improvements:

- First, the specific needs of start-ups and other small companies must be well recognized. To be precise, their step into the public market must be as easy as possible from a compliance and legal perspective. At the same time policy makers must be aware, that after an IPO there will and should be additional rounds of finance. Thus, besides making the regulatory

environment of IPOs attractive also the environment for secondary offerings must be improved.

- Second, the Listing Act must not stop with improvements for SMEs, though they are important. Also established listed companies struggle with overly bureaucratic and unclear rules, that ultimately lead to undue risks and create competitive disadvantages for listed companies vis-à-vis their non-listed peers. Most prominently, the provisions of the EU Market Abuse Regulation regarding the definition of inside information and its publication must be reviewed thoroughly and better balanced.

That said, the aim should be to establish an efficient framework both ensuring easy access to capital markets financing and maintaining the necessary safeguards to ensure market integrity as well as an appropriate level of transparency, hence investor protection.

The EU Listing Act has the potential to be a central element in promoting capital market development in the EU with the objective to protect and improve the position of the EU in global competition. The opportunity this consultation offers must now be used by policy makers at the European and member states level. The ultimate aim should be to create an attractive ecosystem that supports firms to be innovative and to create the jobs of the future. However, this is not a task solely for the EU, but also for the members states which must support EU initiatives with own initiatives, in particular in the field of old age provision and taxes.

## Contact

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