

EuropeanIssuers observations in relation to the EC consultation on the Listing Act

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EuropeanIssuers fully supports the EU Commission's initiative on a "EU Listing Act". The initiative has the potential to improve the financing and regulatory environment for European listed companies and thus offers the opportunity to deliver growth and jobs for European economies.

A number of reports (such as the Oxera report) have recently pointed to the macroeconomic risks for the European economies created by the loss of attractiveness of public markets as a source of finance. Furthermore, several expert groups (such as the TESSG on SMEs and the CMU HLF) have developed guiding ideas how to reverse that trend, which for example is evidenced by the shrinking number of listed companies in the European Union.

A common suggestion of all these reports is that the regulatory framework for listed companies needs to be rebalanced to better reflect the companies' perspective and needs. Indeed, listed companies all over Europe share a similar experience: The intensity of regulation has steadily increased in the last 20 years. This has created unnecessary bureaucratic burden as well as compliance and legal risks associated.

Against this background EuropeanIssuers believes that this consultation is an important first step to achieve a coherent and appropriate framework. To do so, we believe that certain points must be resolved in any case:

First, the overall level and intensity of regulation needs to be reduced and made more affordable for listed companies of all sizes. This could be done without jeopardizing investor protection. Rather the opposite is true, as the very detailed regulation may lead to an information overload for investors and important information may rather be missed by investors. This holds particularly true for the provisions of the Market Abuse Regulation where the Commission rightly seeks evidence and feedback on both rather technical issues but also on fundamental elements of the MAR (such as the problems with the definition of inside information and the bureaucratic burden caused by insider lists and notification of managers' transactions). In same vein, the Commission rightly focuses on the prospectus regime which should deliver less bureaucracy in the process of an initial public or initial bond offering as well as for secondary offerings of already listed companies.

Second, the EU should make it easier for small and medium sized companies (among them start-ups) to use capital markets. This can partly be addressed by a generally lower level of regulation as mentioned above. We support that the consultation rightly raises some points that are specifically relevant for smaller companies (such as lacking research coverage, overly restrictive listing requirements and the EU-wide implementation of multiple voting rights). However, we feel that other points of interest are not yet fully reflected (such as the threshold defining SMEs, the potential benefits of transitional period after an IPO before the full set of regulation applies and the negative impact of the extension of the scope of MAR to MTFs).

We encourage the Commission to proceed along the lines envisaged in the consultation document regarding core elements of the European capital market law. At the same it must be ensured that a holistic approach is adopted: the attractiveness of EU capital markets can also be negatively impacted by excessive financial and non-financial reporting costs, by disproportionate requirements for Boards and in terms of corporate governance and if sustainable finance and, in particular, the “EU Taxonomy” eventually result in excluding companies instead of allowing them to finance their transition. The EU needs a more coherent framework for strong capital markets that is fit for purpose in serving the objectives of investor protection, cost efficiency for issuers and investors as well as attractiveness of capital market finance. This is even more true as other countries (namely the US and UK) already adapt their rules in order to attract listings and in order to improve their position in the global competition for capital as well as for the jobs of the future.

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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