

Ms. Nadia Calviño
First Deputy Prime Minister and Minister of Economic Affairs and Digital Transformation
Spain

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Transformation,

We are writing to you concerning the ongoing trilogues on the proposal for a Directive on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market, aiming to bring to your attention the worrying aspects of the recently adopted mandate of the European Parliament for this act, and outlining the reasons to conclude a political agreement closely aligned with the current Council's mandate.

Strengthening EU capital markets and enabling innovative and growing companies in the EU to get access to capital for further developing their operations is vital for promoting economic growth within the Union. Allowing companies to adopt multiple-vote share structures when listing their shares in the EU markets is an important way of contributing to this objective.

In our Member States, companies have for a long time been allowed to issue shares with multiple voting rights. Foremost, this provides founders of companies with an opportunity to obtain financing for further developing the company while still retaining control over the company. In addition, this system provides investors with extended possibilities to find profitable investments and to get access to returns created in companies whose shares would not otherwise have been listed.

There are many owners, not seldom founders, of emerging companies having a long-term vision for their companies, but who do not have enough capital to finance this vision. The possibility to get access to capital by taking up liabilities is usually depending on the size of the company's equity. It is therefore seldom possible to finance growth only through taking up debts, but instead venture capital from new shareholders must be gained. A listing of shares facilitates that. At the same time, it is not uncommon that a founder is reluctant to the

idea of listing shares because this, contrary to financing by taking up debts, may result in a loss of control over the company. History tells us that such worries are likely to prevent listings from taking place. They thereby also hinder economic growth that these listings could have rendered.

Any obstacle for companies to gain access to capital by listing securities at capital markets leads to missed opportunities. It will result in job opportunities never created, goods and services that will not be made available on the market, tax income that will never be generated and thereby cannot be used to finance our common welfare, and investors that will not be able to take part of the returns that these companies could have generated.

Consequently, our Member States welcomed the European Commission's proposal for a Directive on multiple-vote share structures for its ability to facilitate listing and enabling growth. Likewise, we welcomed the Council's mandate for this Directive, as it in our view further developed the benefits of the Commissions' proposal and promoted its purpose.

In its recently adopted mandate, the European Parliament recognises the benefits of allowing companies to issue multiple-vote shares. That is a good thing. However, the European Parliament also proposes far-reaching and interfering measures aimed at protecting the interests of investors that do not hold shares with enhanced voting rights. These measures not only go way beyond the objective of the proposal, i.e. to provide a legal basis for allowing businesses to seek admission to trading on a SME growth market using multiple vote-share structures, but they also risk having the complete opposite effect by discouraging founders from listing shares on EU capital markets.

While it is important to ensure adequate protection of the interests of shareholders who do not hold multiple-vote shares, it is paramount that the Directive respects the well-functioning systems already in place by allowing for alternative solutions and a high degree of flexibility in the national choice of appropriate measures for achieving this. As for the specific measures proposed by the European Parliament, we find the proposal to ban any use of enhanced voting rights during votes on shareholder resolutions particularly alarming, as it would undermine the possibility of owners to control a company by holding multiple-vote shares. Moreover, we find it disproportional to require the Member States to introduce either or both a maximum voting ratio ranging from one-to-two to one-to-twelve and a limit on the maximum percentage of the outstanding share capital that the total amount of multiple-vote shares can represent. Introducing such mandatory measures, which are of highly technical nature, will be counterproductive to the objective of the Directive. It will create barriers for listing, rather than remove them.

The European Parliament further proposes to broaden the scope of the Directive to include not only companies listing their shares on SME growth markets, but also to include companies listing their shares on regulated markets or multilateral trading facilities. In our view, multiple-vote share structures should of course be permitted on all these markets. However, as long as there are lingering concerns on their effects, resulting in requirements

for measures which may create barriers for listing, the scope of the Directive must not be enlarged to include any other market than SME Growth Markets. This is important not the least for allowing due evaluation of the system when introduced.

Lastly, we want to emphasise the importance of providing for transparency on capital markets. Investors must be able to understand the terms of the shares they are considering for investment. Any share with unfavourable terms would not be of interest for investors. With due transparency requirements, shares that are issued with unfavourable terms will not find an interested buyer at well-functioning capital markets. It must therefore not be forgotten that robust transparency requirements in themselves are a prominent protection for investors.

Taking into consideration the evident benefits of allowing multiple-vote shares structures, and the imminent risks of introducing measures creating barriers for listing, we strongly encourage the Presidency of the Council of the European Union to maintain the ideas and benefits of the Council's mandate in the ongoing trilogues.

Yours sincerely,

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