

PRESS RELEASE

EU Listing Rules need to offer more effective support for SMEs, investment industry surveys find.

Ahead of the European Parliament plenary vote on the EU Listing Act agreement, research from CFA Institute and BETTER FINANCE analyses investment professionals' and retail investors' views on whether EU listing rules are doing enough to reduce regulatory burdens for SMEs.

Brussels – 4 April 2024 | Following the political agreement between the European Council and European Parliament on the EU Listing Act, a new report by CFA Institute and BETTER FINANCE finds that investment professionals and retail investors believe the listing package needs to better support SMEs to more efficiently access capital markets for their funding needs.

Ahead of the European Commission's Listing Act package proposal in December 2022, which set out to increase the attractiveness of public markets and make capital more accessible to SMEs, CFA Institute and BETTER FINANCE carried out surveys with their EU-based memberships to gauge views on the obstacles European companies encounter when trying to get funding through capital markets. The Federation of European Securities Exchanges (FESE) provided inputs on the Listing Act package proposal in line with the themes of the survey.

The European Parliament's plenary vote on the Act is set to take place on 22nd April, and ahead of the vote, the report emphasises the necessity for Member States to judiciously adopt any multiple voting rights shares (MVRS) directives.

The Listing Act's proposals outlined in the political agreement include an amendment to the Prospectus Regulation that promises to reduce issuer burdens and enhance transparency for investors. However, the surveys found that there were several additional solutions that have the potential to reduce barriers for SMEs. Specifically, concerns related to the introduction of a directive on MVRS, as respondents felt allowing deviations from the 'one share, one vote' principle would encourage discrimination among shareholders.

The key takeaways from the surveys are:

- Any EU-wide MVRS directive is either unnecessary to encourage listing or unsuitable to boost investor confidence.
- The Prospectus Regulation would benefit from a review that would both reduce the regulatory burden and cost on issuers (standardisation, approval process) and facilitate investor information.
- A standardised EU definition for SMEs is difficult to reconcile with specific member state needs.
- SMEs need better coverage to address the lack of liquidity in SME growth markets while boosting investor participation.
- SME growth markets should be the main scope of revised legislation, whereby listing costs need to be alleviated, in addition to aid packages and improved cross-border information.
- Financial education programmes should be provided through various channels and for all investors in order to increase knowledge of primary (and secondary) market participation.

Josina Kamerling, Head of Regulatory Outreach for CFA Institute in EMEA, says:

“SMEs account for 99% of all businesses in the EU, so it is imperative they’re able to easily access financing from the public capital market. Although the EU Listing Act includes a series of recommendations to provide a more flexible regulatory environment for SMEs, our findings from both professional and retail investors set out additional recommendations for consideration.

“Specifically, we recommend further refinement of the suggested policy around the introduction of an MVRs directive, to effectively reconcile market integrity, investor protection and proportionality. Moreover, legislative debate would merit further consideration of the views of key stakeholders ahead of finalisation. We strongly urge policymakers and member states to review the recommendations ahead of April’s plenary vote.”

Aleksandra Mączyńska, Managing Director at BETTER FINANCE adds:

“Empowering SMEs to thrive in the European market is the next challenge, which must be reconciled with fostering a robust investment ecosystem characterised by transparency and fairness for investors. The introduction of multiple voting rights shares (MVRs) across the EU is a significant concern, particularly in light of potential measures that may restrict AGM participation, whether through virtual means or unbalanced hybrid models, all the while permitting contentious MVRs setups that threaten governance integrity and shareholder equality. Therefore, it’s crucial that Member States implement strict safeguards and ensure comprehensive transparency throughout the investment chain to protect prospective shareholders. Overall, while the EU Listing Act review makes strides in this direction, Level 2 technical standards require a balanced approach, on which BETTER FINANCE will actively engage with regulators and stakeholders.”

Read the full *CFA Institute and BETTER FINANCE Report on the Review of the Listing Rules in the EU* [here](#).

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Contact: Director of Communications | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu

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As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. We champion ethical behaviour in investment markets and serve as the leading source of learning and research for the investment industry. We believe in fostering an environment where investors’ interests come first, markets function at their best, and economies grow. Spanning nearly 200000 charter holders worldwide across 160 markets, CFA Institute has 10 offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.

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BETTER FINANCE, the European Federation of Investors and Financial Services Users, advocates for the interests of European citizens in the realm of financial services. Unique in its representation at the European level, BETTER FINANCE is dedicated to individual investors, savers, policyholders, and financial service users, striving for transparency, fairness, and consumer protection in financial markets. BETTER FINANCE promotes research, policy evaluation, and dissemination of information on investments, savings, and personal finance. With support from the EU, its efforts concentrate on

involving financial service users in EU policymaking, improving investor education, and cultivating sustainable and responsible investment practices.

About The Federation of European Securities Exchanges (FESE)

The Federation of European Securities Exchanges (FESE) represents 35 exchanges in equities, bonds, derivatives, and commodities through 16 Full Members and 1 Affiliate Member from 30 countries.

At the end of February 2024, FESE members had 7 181 companies listed on their markets, of which 18% are foreign companies contributing towards European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium-sized companies across Europe to access capital markets; 1 461 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their regulated market and MTF operations, FESE members are keen to support the European Commission's objective of creating a Capital Markets Union.

FESE is registered in the European Union Transparency Register: 71488206456-23.

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