

Multiple-vote share structures

2022/0406(COD) - 07/12/2022 - Legislative proposal

PURPOSE: to lay down common rules on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market in one or more Member States and that do not have shares already admitted to trading on any trading venue.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: to reinforce the attractiveness of SME growth markets and to reduce inequalities for companies seeking admission to trading in the single market, it is necessary to address obstacles to the access to such markets that stem from regulatory barriers. Companies should be able to choose governance structures that suit best their development stage, including by enabling controlling shareholders of those companies to retain control of the business after accessing SME growth markets, while enjoying the benefits associated to trading on those markets, as long as the rights of minority shareholders continue to be safeguarded.

Multiple-vote share structures, which are currently exclusively regulated at national level, are an effective mechanism to enable controlling shareholders to retain decision-making power in a company, while raising funds from the public.

There is currently fragmentation in the EU as regards multiple-vote share structures, which leads to unequal opportunities for EU companies when deciding to list. The existing differences in national regimes on multiple-vote share structures create an uneven playing field for companies in different Member States.

This proposal seeks to achieve a **minimum harmonisation** of national laws on multiple-vote share structures of companies listing on SME growth markets, while leaving sufficient flexibility to Member States for its implementation.

This proposal is part of the Listing Act package, a set of measures to make public capital markets more attractive for EU companies and facilitate access to capital for small and medium-sized companies (SMEs).

CONTENT: this Commission proposal lays down common rules on multiple-vote share structures in companies that seek the admission to trading of their shares on an SME growth market in one or more Member States and that do not have shares already admitted to trading on any trading venue.

Its specific provisions concern the following:

- the introduction or maintenance of national provisions on multiple-vote shares: Member States may introduce or maintain in force national provisions that allow companies to adopt multiple-vote share structures in situations not covered by this Directive;
- the adoption of multiple-vote share structures: Member States should ensure that companies that do not have shares that are admitted to trading on a trading venue have the right to adopt multiple-vote share structures for the admission to trading of shares on an SME growth market in one or more Member States.

Member States will not prevent the admission to trading of shares of a company on an SME growth market on the ground that the company has adopted a multiple-vote share structure.

Safeguards

This proposal provides for safeguards to ensure protection of minority shareholders and the interests of the company. Those safeguards require all Member States to ensure that any decision to adopt a multiple-vote share structure, or to modify that structure where there is an impact on voting rights, is taken by a qualified majority at the general shareholders' meeting. The safeguards set out in this proposal also introduce a limitation on the voting weight of multiple-vote shares by introducing restrictions either on the design of the multiple-vote share structure or on the exercise of voting rights attached to multiple vote shares for the adoption of certain decisions. These safeguards are designed to protect the interest of minority shareholders and the interests of the company, while at the same time allowing sufficient flexibility to controlling shareholders so as to not disincentivise the use of multiple-vote share structures. Furthermore, these safeguards are largely in line with those already in existence in the legal systems of the Member States with well-functioning multiple-vote share structure regimes. Thus, those Member States would require minimum adjustments to their current legal systems.

Transparency

Member States will ensure that companies with multiple-vote share structures whose shares are traded or are to be traded on an SME growth market make publicly available detailed information on all of the following:

- the structure of their capital, including securities which are not admitted to trading on an SME growth market in a Member State, with an indication of the different classes of shares and, for each class of shares, the rights and obligations attached to that class and the percentage of total share capital and total voting rights that such class represents;
- any restrictions on the transfer of securities, including any agreements between shareholders which are known to the company that could result in restrictions on the transfer of securities;
- the identity of holders of any securities with special control rights and a description of those rights;
- any restrictions on voting rights, including any agreements between shareholders which are known to the company that could result in restrictions on voting rights;
- the identity of the shareholders holding multiple-vote shares and of the natural person or legal entity entitled to exercise voting rights on behalf of such shareholders, where applicable.

Where the holders of multiple-vote shares or the persons entitled to exercise voting rights on their behalf or the holders of securities with special control rights are natural persons, the disclosure of their identity shall require only the disclosure of their names.

Review

By five years after the entry into force, the Commission will submit a report to the European Parliament and the Council on the implementation and effects of this Directive. To that effect by four years after the entry into force, Member States will provide the Commission with information in particular on the following:

- the number of companies admitted to trading with multiple-vote shares;

- the sector in which the companies are active and the respective capitalisation at the moment of issuance;
- the investor protection safeguard applied by the companies with respect to multiple-vote share structures.