

24 March 2023

The Swedish Securities Markets Association's views on the Listing Act of 2022

The Swedish Securities Markets Association (SSMA) represents investment firms active in the Swedish capital markets. The Swedish markets, especially the equity markets, are amongst the largest within the EU in relation to the size of the country's population and economy, and the markets have for many years been amongst Europe's most active markets in terms of issuances, investments, and participation. During 2020 and 2021 a total number of 186 IPOs took place in Sweden, with 41 companies going public in 2020 and 145 going public in 2021. The number of IPOs that took place in Sweden during 2021 does not only stand out from a European perspective, but also from an international perspective. The attractiveness of Swedish equity markets is partially thanks to its characteristics of a high degree of retail investor participation, which is facilitated both by the national taxation system as well as by the high level of digitalisation and fintech solutions. These solutions enable investors to easily access and manage their savings and investment portfolios through their internet banks and mobile apps. Finally, another benefactor for the Swedish markets is that the overall financial literacy is considered high in the Nordic region as compared to the EU as a whole.

In this paper, the SSMA expresses its views on the Listing Act proposal published by the EU Commission on 7 December 2022.

General comments

The SSMA is a strong advocate of action 2 in the CMU Action Plan, which aims to support companies' access to public markets. As shown in its response to the Commission's targeted consultation on the listing act: making public capital markets more attractive for EU companies and facilitating access to capital for SMEs, the SSMA believes that necessary **simplifications** and **harmonisations** are needed in the EU listing regulatory framework in order to **increase the attractiveness** of EU debt and equity markets. The last decade of economic growth has showed that EU capital markets are competitive in relation to other international major markets. However, the SSMA considers that there is still **room for improvement** and **strengthening**, which most definitely can be achieved by **lowering the costs** and **complexities** of seeking finance from investors in the capital markets.

Directive on markets in financial instruments (MiFID II)

Issuer-sponsored research

The SSMA is positive to the proposal that issuer-sponsored research should comply with a code of conduct. According to the SSMA, there has been an increase in the quality of issuer-sponsored research in Sweden and in the Nordic region. By introducing the proposed code of conduct, there is a possibility of promoting issuer-sponsored research as well as further increasing the quality and transparency of such research in Sweden and in the EU as a whole.

Bundling of costs

The SSMA does not believe that re-bundling trading execution fees and research fees as regards companies with a market capitalisation of up to EUR 10 billion will promote research coverage of SMEs. Since they came into existence, the rules regarding the unbundling of such fees have been adopted by both sell-side and buy-side actors in the European capital markets.

Although the increased market capitalisation threshold would include many of the companies listed on EU capital markets, the SSMA believes that investment firms will continue to refrain from bundling

the fees. The reason behind this may partly be that the investment firms see few advantages of having to administrate two separate systems (bundled and unbundled) for disclosing fees to their clients depending on the market capitalisation of the listed companies.

Specific conditions for the admission of shares to trading

Although decreasing the minimum free float requirement may make it easier for companies to list on European capital markets, the SSMA believes there are several risks involved with such a change.

Firstly, there is a risk that a low free float results in low liquidity of the shares after listing, which in turn may result in a dysfunctional secondary market with increased spreads and volatility.

Secondly, the SSMA has noted a certain difficulty in attracting capital from institutional investors when the free float is low. By allowing for an even lower free float, there is a risk of not attracting enough institutional capital to achieve a high subscription rate in certain IPOs.

Listing directive

The SSMA supports the proposal to repeal the Listing directive.

Prospectus regulation (PR)

Harmonised threshold for exempting small offers of securities to the public from the requirement to publish a prospectus

The SSMA is supportive of the proposal to harmonise the prospectus requirement threshold across the EU. As regards what the threshold should be, the SSMA believes that the threshold must strike the right balance between proportionality and safe-guarding of investor protection.

More standardised and streamlined prospectus for primary issuances of securities offered to the public or admitted to trading on a regulated market

The SSMA supports the proposal to allow prospectuses (except for the summary) to be drawn up in English only and to repeal the requirement that issuers, on request, must provide a paper copy of a prospectus.

Make permanent the amendments introduced by the CMRP and further clarify rules on supplements

The SSMA does not support making permanent the extension of the investors' right of withdrawal from two to three working days in Article 23(2) of the PR. The SSMA believes such an extension may lead to less flexibility and uncertainty for a longer period of time regarding the final outcome of the relevant issuance or offer.

The SSMA is furthermore not supportive of the proposed insertion of paragraph 4a in Article 23 of the PR, prohibiting the introduction of a new type of security to a base prospectus by means of a supplement. The SSMA believes such a change would reduce the necessary flexibility in the processes of raising capital.

Market abuse regulation (MAR)

Narrow down the scope of the obligation to disclose inside information and enhance legal clarity as to what information needs to be disclosed and when

The SSMA supports the intention to ease the burden for issuers as regards when they are required to disclose information relating to intermediate steps of a protracted process. However, it is crucial that any changes to the relevant provisions provide clear and distinct requisites for when such disclosures can be delayed, and that the changes do not create confusion and ambiguity as to when the provisions can be applied.

Clarify the conditions under which issuers may delay disclosure of inside information and modify the timing of the notification of the delay to the NCA

The SSMA is not supportive of the proposed amendment in Article 17(4) to advance the timing of the notification to the NCA when disclosure of inside information is delayed. We do not see the need for this requirement or the rationale behind the proposal.

Simplify the insider list regime for all issuers building on the alleviations introduced by the Regulation (EU) 2019/2115

The SSMA is not sure that the proposed amendments to Article 18 enhance the handling of insider lists. Furthermore, it is not clear how the article shall be interpreted and applied in practice. It is for example not clear how the insider list shall be kept since inside information is not considered to be always at hand.