COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 566 final

Brussels, 23 December 1992

Proposal for a

COUNCIL DIRECTIVE

Amending Directive 80/390/EEC coordinating the requirements for the drawing up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock exchange listing, with regard to the obligation to publish listing particulars

(presented by the Commission)

COMMISSION OF THE EUROPEAN COMMUNITIES

CORRIGENDUM Com (92)566 final du 23.12.92

La cote du document doit se lire :
Com (92)566 final – SYN 451
Concerne les 9 versions

COM(92) 566 final /2 – SYN 451

Brussels, 18 January 1993

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EXPLANATORY MEMORANDUM

I. GENERAL CONSIDERATIONS

Introduction

1. It has become widely accepted in the securities industry that the existing disclosure requirements to enter the Community official stock exchanges have become in certain cases excessive because part or all of the information essential for the correct evaluation of the corresponding securities is already widely available. In other words, part or all of the information needed by investors for the correct assessment of the assets and liabilities, financial position, profit and losses and prospects of certain issuers is already in the market and therefore its mandatory re-dissemination requested for reasons of investor protection by Directive 80/390/EEC, when official listing is sought, is no longer justifiable.

   As discussed below, that is the case of certain categories of companies which are already listed in one (or more) Member States for a number of years and want to be listed in other Member States. That is the case also of certain issuers in regulated junior markets wishing to enter the official market in the same Member State.

2. This proposal for a Directive consists basically in an extension of the scope of Article 6 of Directive 80/390/EEC. This article already includes a number of instances where the publication of listing particulars may be partially or fully waived by the competent authorities in each Member State, based on the merits of each case.

The proposed Community legislation is necessary not only because that represents the continuation of the policy of eliminating those regulatory obstacles which could prudently be removed, but also because it represents a real added value, measured in terms of higher efficiency in the operation of Community securities markets, resulting from the adaptation of existing Community legislation to new market needs and realities. It also responds, as discussed below, to the needs of the corresponding economic operators.

The proposal by providing sufficient new ground for exclusive responsibility of the competent authorities in each Member State, while still maintaining an adequate level of regulation at Community level, represents, for the time being, the most appropriate answer to the new needs in the field of securities listing.

3. This is the fourth occasion on which the Listing Particulars Directive has been amended. The most important modifications were introduced in the past via the approval of a Directive (87/345/EEC) providing for mutual recognition of listing particulars when admission is sought simultaneously in two or more Member States and via the approval of a Directive (90/211/EEC) recognizing public-offer prospectuses as listing particulars when admission to official listing is requested within a short period of the public offer.

Companies looking for cross-border listings

4. Many companies (mostly large ones) operating in the EC have traditionally considered appropriate to be listed in several markets, in or out of the Community, in order to, among other things, expand their sources of financing and liquidity.

As the single market develops, those companies (and others) increasingly organize their business operations on a transnational basis. This trend can only be expected to increase with closer economic integration.

This rapidly expanding presence in the markets for product and services of other Member States very often encourages to the relevant companies to consider the opportunity of being listed, if they are not already, in the official securities markets of the corresponding Member States in order to become more visible to the local public and authorities and at the same time continue expanding their sources of financing and liquidity.

5. The Directive on admission to official stock exchanges (79/279/EEC) does not allow for mutual recognition of listings. As a result, multi-listing in the EC and the corresponding compliance with the ongoing obligations contained in that Directive are considered by most issuers to be a cumbersome and expensive procedure. To try to solve this problem without modifying the existing regulatory framework the Federation of Stock Exchanges in the EC is promoting the EUROLIST project(1).

6. Whereas in effect the EUROLIST project, as conceived today, does not require any modification of the existing Community legislation, the Federation of Stock Exchanges in the EC suggested to the Commission to study the feasibility, in order to enhance the appeal of the project, of simplifying the requirements for cross-border listing of, at least, the type of companies which are potential candidates for EUROLIST.

(1) EUROLIST is a project promoted by the Federation of Stock Exchanges in the EC which aims at providing deeper and more liquid markets for those EC companies of large size, high-quality and international standing by listing their shares simultaneously in at least six EC Member States.

In particular the Federation was concerned about the effects of the requirement, in the absence of a new issue, of having to publish the full listing particulars mandatorily requested by Directive 80/390/EEC. Given that the companies they are aiming at are in general fairly well known in other Member States a full listing prospectus would be no longer needed for investor protection. These companies would in fact find themselves, from the disclosure point of view, in a situation which, to a certain extend, resembles that of a company looking for listing in a given country having several official stock exchanges. In addition, the cost associated with the publication of listing particulars is perhaps the most important deterrent for those companies seeking cross-border listing.

7. After analysing the question and consulting Member States, the Commission concluded that such an approach was justified on the basis that there are strong grounds for viewing this suggestion with favour because :

a) these are companies generally well known not only inside but also outside the Member State(s) where they are listed;

b) they would be selected only if, among other things, they were in full conformity with their obligations to provide information to investors in the Member State(s) where they are listed;

c) such information is already widely reported and available;

d) investors from any Member State, because of the existing freedom of capital movements (Directive 88/361/EEC) already can and do buy the securities of these companies, usually in the main market of the securities;

e) the lengthy procedures and the costs associated with the publication of listing particulars would be saved;

f) the securities of those companies might be cross-listed at any time without waiting, for instance, to make a new issue.

8. As a result of all these considerations, and after consulting the High Level Securities Supervisors Committee, the Commission considers it sensible to introduce a proposal to take care of the concerns expressed by the securities industry. It consists basically in an extension of the scope of Article 6 of Directive 80/390/EEC through the introduction of the new point 4.

9. The main effect of point 4 of Article 1 of the proposal would be that securities of those companies (not only those to be included in EUROLIST) of high quality, large size and international standing, listed in the Community for at least three years and showing a good record of compliance with EC listing Directives, would be able to be listed in other Member States without publishing a new listing prospectus. In its place a simplified set of documents would be made available to investors in the host Member States.

10. Whereas, as explained above, both the EUROLIST project and the proposal aim at simplifying the cross-border listing procedures in the Community of those companies which are most likely to be interested in cross-border listing, i.e. companies of high quality, large size and international standing already listed in the Community, it must be kept in mind that EUROLIST and the proposal are different things, independent of each other and not conceived as alternatives.

Whereas EUROLIST would be an active on-going joint venture of the EC exchanges, the proposal would represent for the relevant companies (not only those to be included in EUROLIST) just a single facilitating event in case of cross-border listing. In addition, whereas EUROLIST refers to multi-listing of shares in a minimum number of Member States, the proposal would be useful also when the cross-border listing is sought for any kind of security on just one or several additional exchanges. Finally, whereas EUROLIST is a project promoted by the Federation of Stock Exchanges in the EC, the proposal will be a piece of Community legislation.

On the other hand, it must also be borne in mind that in spite of the above-mentioned differences, EUROLIST and the proposal are related in the sense that the proposal would facilitate, among other things, the implementation of the EUROLIST project.

11. During the discussions in the working group of national experts convened by the Commission to receive technical opinions, considerable time and effort was devoted to solve the practical problem of how to select the companies which would benefit from the proposal. In particular, it was examined whether a set of quantitative (e.g. current market capitalization, annual equity turnover) and qualitative (e.g. broad dissemination of capital on the company's domestic market, component of a major domestic index, good record of dividend payments or profits) criteria should be included in the text.

Finally, the solution retained by the Commission (recital n° 11) was not to include any criterion in the text and leave the Member States the possibility of inserting in their national legislation a minimum figure for market capitalization, if so desired. The main argument for this solution was that the sizes of the existing companies in each member State differ so much that a common threshold would, most likely, be much lower than desirable and therefore, in practice, would not play any useful role.

A minimum amount of equity turnover was not considered necessary because the requirement of having enough liquidity is already implicit in point 4 schedule A of Directive 79/279/EEC. In this context it is important to remember that the setting up of quantitative selective criteria is not incompatible with EC competition or anti-discrimination rules in so far as the rules to select companies are applied on an objective and non-discriminatory basis.

Qualitative criteria were not retained because such criteria would be difficult to apply and therefore would create more problems than they would solve.

Companies in junior markets

12. At present, when companies in regulated second-tier or parallel markets want to move up to the official market in the same Member State they are requested, because of Directive 80/390/EEC, to publish a listing prospectus.

The Federation of Stock Exchanges in the EC considers that such requirement does not produce in certain cases any additional protection to investors and therefore is unnecessary. That would be the case in particular when companies in such markets are imposed disclosure requirements equivalent in substance to that imposed to officially listed companies.

After analysing the question, and consulting the High Level Securities Supervisors Committee, the Commission considers that indeed in the circumstances indicated by the Federation the requirement to publish a listing prospectus is no longer justifiable. As a result the proposal includes a new point 5 which would be added to Article 6 of Directive 80/390/EEC in order to extend its scope further. This point would allow competent authorities to waive, in the relevant cases, the above-mentioned requirement. It is important to bear in mind that this is exclusively a domestic provision, and therefore is totally unrelated to cross-border listing.

II. COMMENTS ON THE INDIVIDUAL ARTICLES

Point 4(a) of Article 6

13. This point implicitly identifies the country of origin of the relevant companies. As it stands, it refers to securities of companies from the EC, EFTA and third countries which are listed in a Member State in the Community. It must be borne in mind that once the agreement signed on 2 May 1992 between the EC and EFTA is ratified, the word "Community" would automatically mean any country of the EEA. This agreement includes Directive 80/390/EEC as part of the "acquis communautaire".

14. Some Member States have expressed interest in subjecting the inclusion of companies from third countries to an agreement on reciprocity, and others would like to include a clause similar to that in point 24a(5) of Directive 87/345/EEC (Mutual Recognition of Listing Particulars) in order to have the possibility of restricting the amendment to companies having their registered office in the Community. The Commission considers that such restrictions by rendering Community stock exchanges less attractive to many international companies would be unnecessarily detrimental for the future development of Community securities markets. In any event, because the use of the new possibilities under Article 6 of 80/390/EEC remain optional, Member States will be free, if they so choose, to exclude third country firms from the benefits of the new procedure.

Point 4(b) of Article 6

15. This point requires that the securities or the shares be officially listed for at least three years. This seems to be a reasonable period because it is the one already requested in, for instance, point 3 schedule A of Directive 79/279/EEC (Admission to Stock Exchanges) and in point 5.1.0 schedule A of Directive 80/390/EEC.

The reference to "certificates representing such shares" is made to take account of the situation in the Netherlands where such certificates, instead of the shares themselves, are listed in the official stock exchange.

Point 4(c) of Article 6

16. This point requires a good record of compliance with the listing Directives. It is similar to Article 11 of Directive 79/279/EEC. The only important difference is that whereas in the latter it is merely a possibility open to the competent authorities, in the proposal such condition is made mandatory.

17. This clause would require, in practice, a sort of "comfort letter" to be signed by the home country authorities. It is interesting to remember that this type of requirement is not new. It is, for instance, explicitly included in Article 46 of the UCITS Directive (85/611/EEC). This requires that when a UCITS wants to commercialize its units in another Member State it has to provide in advance "an attestation by the (home country) competent authorities to the effect that it fulfils the conditions imposed by this Directive". Another example is that in Article 24a.3 of Directive 87/345/EEC (Mutual Recognition of Listing Particulars) which explicitly requires the competent authorities of one Member State to provide the host authorities with a "certificate of approval" of the listing particulars.

Point 4(d) of Article 6

18. This point describes the set of documents which would be distributed to the investors in the host Member States in lieu of the listing prospectus. All such documents can easily and relatively cheaply be supplied by the issuer. The amount of information requested under this point is necessarily short because otherwise another listing prospectus would be created.

19. The obligation in the first paragraph to make available to the public in certain places copies of the documents in 4(d) is very similar to the one in Article 20.1, second indent, of Directive 80/390/EEC.

20. First indent of 4(d)(i) has been taken from the annexes of Directive 80/390/EEC. In the case of shares the text is a reduced combination of points 2.4.0 and 2.2.2 of schedule A. In the case of certificates representing shares the text comes from points 2.1.0 (partially) and 2.1.2 of schedule C. In case of debt instruments the text has been taken directly from points 2.1.0 and 2.1.1. of schedule B.

    Second indent of 4(d)(i) is broadly equivalent to Article 23 of Directive 80/390/EEC.

    Third indent of 4(d)(i) is a reduced version of Article 24a.1 "in fine" of Directive 87/345/EEC or Article 2 "in fine" of Directive 90/211/EEC.

    Fourth indent of 4(d)(i) is needed to have some person responsible for the information provided in 4(d)(i).

21. The inclusion in paragraph 4(d)(ii) of the annual report and the annual accounts (in addition to a possible half-yearly report) puts the company in the same situation as the other companies already having shares listed in the host country.

    The text in brackets in 4(d)(ii) is equivalent to that in Articles 8.4 and 9.3, and in point 5.1.1. of schedules A and B of Directive 80/390/EEC.

22. Paragraph 4(d)(iii) would not be of application in most cases because the amendment is conceived precisely for those companies which have neither made new issues in the recent past nor consider doing so in the near future. This is so because if a public offer prospectus has been published within the three months preceding the application for admission in another Member State, the issuer, by applying the mutual recognition rule inserted in Article 2 of Directive 90/211/EEC, is automatically fully exempted from the obligation to publish new listing particulars.

Point 4(e) of Article 6

23. This point is very similar to Article 20.2 of Directive 80/390/EEC. It also resembles Article 17.1 of Directive 79/279/EEC. The terms "all the information" (instead of "all the documents") and "other equivalent means" are included in order to allow the use of modern information technology such as computerized access to information. The justification for having this point is that it does not make sense to be more lenient than for the ongoing obligations of already officially listed companies.

Point 4(f) of Article 6

24. This point stipulates the pieces of information which have to be sent to the competent authorities before being released to the public. The reference to all notices, posters, etc. related to the admission to a stock exchange is similar to the existing requirement in Article 22 of Directive 80/390/EEC.

The idea of leaving to competent authorities to decide over the degree of scrutiny of each document is justified on the grounds that each of those documents is of very different nature and importance and therefore each one of them may deserve a different degree of revision.

Point 5 of Article 6

25. The main justification for having a "warm-up" period for the companies in junior markets is to prevent those companies using the amendment as a short-cut to enter the official market and even three years later, to become cross-border listed without having published any formal listing prospectus in the whole process.

The two-year "warm-up" period is a compromise solution between those countries requesting three years and those requesting one year.

Article 6a

26. The proposed text is in line with current jurisprudence in this area.

Articles 2-3

27. These articles contain the final provisions.

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(92/.../EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 54 thereof,

Having regard to the proposal of the Commission,(1)

In cooperation with the European Parliament,(2)

Having regard to the opinion of the Economic and Social Committee,(3)

Whereas one of the main goals of the directives in the field of securities listing is to provide for the conditions allowing greater interpenetration of securities markets in the Community, by removing those obstacles that could prudently be removed;

Whereas cross-border listing inside the Community is one of the available means to make such interpenetration a reality;

Whereas an important deterrent to seeking listing in other Member States is the lengthy procedures, as well as the costs associated with the publication of listing particulars required by Directive 80/390/EEC(4);

Whereas Directive 87/345/EEC(5), by providing mutual recognition of listing particulars when admission is sought simultaneously in two or more Member States, was an important step to simplify cross-border listing procedures;

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(1)
(2)
(3)
(4) OJ n° L 100, 17.4.1980, p. 1
(5) OJ n° L 185, 22.6.1987, p. 81

Whereas Directive 90/211/EEC[1], by recognizing a public-offer prospectus as listing particulars when admission to official listing is requested within a short period of the public offer, was another important step in the same direction;

Whereas all new measures simplifying even further cross-border procedures may accelerate the inter-penetration of securities markets in the Community;

Whereas Article 6 of Directive 80/390/EEC already defines a number of instances where competent authorities, could provide for partial or complete exemption from the obligation to publish listing particulars;

Whereas such partial or complete exemptions, which relate mainly to cases where securities of the same class are already listed in an official exchange of the same country and therefore have no application for most of cross-border cases, are provided on the assumption that investors in that country are already partially or fully protected because up-to-date, reliable information, partial or full, about the corresponding companies is already widely reported and available;

Whereas companies, which have already been listed in the Community for some time and are of high quality and international standing, are the most likely candidates to look for cross-border listing;

Whereas those companies are generally well known in most Member States; whereas information about them is widely reported and available;

Whereas, therefore, following the principle underlying Article 6 of Directive 80/390/EEC, when one of these companies seeks to have its securities listed in a host Member State, investors of that country may be sufficiently protected by receiving a simplified amount of information instead of the full listing prospectus;

Whereas Member States may find it useful to set an objective minimum quantitative threshold, such as the current equity market capitalization, which issuers must meet in order to become eligible to benefit from Article 6 of Directive 80/390/EEC;

Whereas, however, given the increasing integration of securities markets, it should equally be open to the competent authorities to give similar treatment to smaller companies;

Whereas, furthermore, many Stock Exchanges have second and third tier markets in order to trade shares of those companies not admitted to the official market;

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(1) OJ n° L 112, 23.4.1990, p. 24

Whereas in some cases the second tier markets are regulated and supervised by authorities recognized by public bodies that impose on companies disclosure requirements equivalent in substance to those imposed on officially listed companies and, therefore, the principle underlying Article 6 of Directive 80/390/EEC could also be applied when such companies seek to have their securities officially listed;

Whereas the envisaged measures represent a real added value measured in terms of higher efficiency in the operation of Community securities markets, resulting from the adaptation of existing Community legislation to new markets needs and realities. Whereas those measures by providing sufficient new ground for exclusive responsibility of the competent authorities in each Member State, while still maintaining an adequate level of regulation at Community level, also represent, for the time being, the most appropriate answer to the new needs in the field of securities listing;

Whereas Directive 79/279/EEC(1) coordinates the conditions for admission to official stock exchange listing; whereas this regime is not modified by the partial or complete exemption from the obligation to publish listing particulars envisaged by the present Directive;

HAS ADOPTED THIS DIRECTIVE:

Article 1

Directive 80/390/EEC is hereby amended as follows:

1. In Article 6, the following points 4 and 5 are added:

"4. where

(a) the securities for which admission to official listing is applied for are already admitted to official listing on a stock exchange in another Member State, and

(b) those securities or the shares of the issuer or certificates representing such shares have been officially listed in that other Member State for not less than three years prior to the application for admission to official listing; and

(c) during that period the issuer has complied with the requirements to publish information as well as other requirements imposed by Community listing directives to companies, whose securities are officially listed; and

(1) OJ n° L 66, 5.3.1979, p. 21

(d) the following are made available to the public, free of charge on demand, within a reasonable period of time (to be laid down in national legislation or by the competent authorities) before the date on which official listing becomes effective, at the office of the stock exchange and at the office of the paying agents in the Member State where admission to official listing is sought :

(i) a document containing the following information:

- a statement that application has been made for the listing of the securities. In the case of shares, the statement shall also specify the number and class of the shares in question, and the rights attaching thereto. In the case of certificates representing shares the statement shall also specify the rights attaching to the original securities and information about the possibility of obtaining the conversion of the certificates into original securities and the procedure for such conversion. In the case of debt securities the statement shall also specify the nominal amount of the loan (if this amount is not fixed, a statement to this effect shall be made), the nature, number and numbering of the debt securities and the denominations; except in the case of continuous issues, the issue and redemption prices and the nominal interest rate (if several interest rates are provided for, an indication of the conditions for changes in the rate);

- details of any significant change or development which has occurred since the date to which the documents referred to in (ii) and (iii) relate;

- information specific to the market in the country in which admission is sought concerning in particular the income tax system and the paying agents for the issuer; and

- a declaration by the persons responsible for the information given in accordance with the preceding indents that such information is in accordance with the facts and contains no omissions likely to affect the import of the document; and

(ii) the latest annual report, the latest audited annual accounts (where the issuer prepares both own and consolidated annual accounts both sets of accounts will be furnished. However, competent authorities may allow the issuer to furnish either the own or the consolidated accounts, on condition that the accounts which are not furnished do not provide any significant additional information), and the latest half-yearly statement of the issuer for the year in question where it has been already published; and

(iii) any listing particulars, prospectus or equivalent document published by the issuer in the twelve months before the application for admission to official listing; and

(e) either all the information in 4(d) or a notice stating where such information may be obtained by the public has been inserted in a publication designated by the competent authorities or is available by other equivalent means approved by the competent authorities; and

(f) the complete set of documents in 4(d), the notice referred to in 4(e) where appropriate, and any other notice, bill, poster or document announcing the admission of the issuer's securities to the official Stock Exchange have been sent to the competent authorities and have been subject by them either to an informal scrutiny or to a formal approval, as deemed more appropriate by the competent authorities, before being made available to the public.

5. where, companies whose shares have been previously traded for at least the last two years on a second tier market, which is regulated and supervised by authorities recognised by public bodies, seek to have their securities officially listed in the same Member State, and in the opinion of the competent authorities information equivalent in substance to that required by this Directive is available to investors before the date on which official listing becomes effective."

2. The following Article 6a is inserted:

"Article 6a

The information referred to in 4(d) and 4(e) of Article 6, as well as any other notice, bill, poster or document announcing the admission of the issuer's securities to the official stock exchange shall be published in a language which investors in the host Member State can easily understand."

Article 2

1. Member States shall bring into force the measures necessary to comply with this Directive at the latest by 1 January 1994. They shall immediately inform the Commission thereof.

2. When Member States adopt such measures, they shall contain a reference to this Directive or be accompanied by such reference on the occasion of their official publication. The methods of making such a reference shall be laid down by the Member States.

3. The Member States shall communicate to the Commission the texts of the main laws, regulations and administrative provisions which they adopt in the field covered by this Directive.

Article 3

This Directive is addressed to the Member States.

Done in Brussels, ...

For the Council,
The President

IMPACT ASSESSMENT FORM

THE IMPACT OF THE PROPOSAL ON BUSINESS
with special reference to small and medium-sized enterprises (SMEs)

Title of proposal : Proposal for a Council Directive amending Directive 80/390/EEC in order to extend the scope for the partial or complete exemption from the obligation to publish listing particulars.

Document reference number (répertoire) : COM(92)

The proposal

1. **Taking account of the principle of subsidiarity, why is Community legislation necessary in this area and what are its main aims?**

   The main aims of the directive are as follows :

   1. to simplify the cross-border listing requirements of the securities of those companies of high quality, large size and international standing, listed in the Community for at least three years and showing a good record of compliance with EC listing directives;

   2. to facilitate the official listing of those companies in junior markets when such companies are imposed disclosure requirements equivalent in substance to that imposed to officially listed companies; the junior and the official markets being in the same Member State.

Community legislation in this area is necessary not only because that represents the continuation of the policy of eliminating those regulatory obstacles which could prudently be removed, but also because it represents a real added value, measured in terms of higher efficiency in the operation of Community securities markets, resulting from the adaptation of existing Community legislation to new market needs and realities.

In addition, the proposal would constitute a useful instrument to accelerate a desirable higher interpenetration of Community securities markets. In this context, it is interesting to remember that whereas the Community listing Directives have already been in place for 10 or 13 years, little use has been made of them for cross-border listing. The proposal could also help to change this situation.

Finally, the proposal extends the scope of Article 6 of Directive 80/390/EEC. This article is not mandatory and therefore it is up to the competent authorities of each Member State to exercise judgement, by using a flexible approach, to provide for partial or complete exemption from the obligation to publish listing particulars. In this way, the proposal by providing new ground for exclusive responsibility of the competent authorities in each member State, while still maintaining a sufficient level of regulation at Community level, represents a clear example of balanced interpretation of the principle of subsidiarity.

<u>The impact on business</u>

2. Who will be affected by the proposal?

- which sectors of business

The measure would be able to affect positively issuers from every sector of the economy. In addition, official stock exchanges would be directly concerned, also positively, by the proposal. Finally, intermediaries usually in charge of setting up the listing prospectus might also be affected, in this case negatively.

- **which sizes of business** (what is the concentration of small and medium-sized firms).

  In relation to the provisions related to cross-border listings mainly companies of high quality, large size and international standing would benefit from the proposal. In relation to the provision to facilitate the passage from junior markets to the official market also small and medium-sized firms may be affected. Finally, in relation to official stock exchanges, even though all of them would be concerned, the largest ones (generally located in the largest Member States) would, most probably, be affected more than the others.

- **are there particular geographical areas of the Community where these businesses are found**

  Issuers of sufficiently large size able to benefit from the simplified cross-border listing procedure are found everywhere in the Community. However, their concentration varies. They are obviously more concentrated in the most developed Member States. In addition, it is generally in the largest countries where the largest firms can be found. In relation to the provision for companies in junior markets, they would not be of application in Luxembourg and Denmark because these countries do not have such parallel markets. In relation to official stock exchanges, they exist in every Member State but, as above mentioned, the ones located in the largest countries might enjoy a stronger impact.

3. **What will business have to do to comply with the proposal?**

Issuers will not need to take any direct action to comply with the proposal unless they want to become cross-border listed or to pass from the junior to the official market. In the case of the official stock exchanges, in those countries where they also perform the role of competent authorities for admission to listing (e.g. the UK) they would have, first, to select the companies which could benefit partially or fully from the proposal when they receive requests for that and,

second, they would have to check the documents to be given to the investors in lieu of the listing prospectus.

4. **What economic effects is the proposal likely to have?**

- on employment

The intermediaries usually in charge of setting up the listing prospectus might see a reduction on the demand for such activity. However, when considering the impact as a whole, the effect on employment would be positive because the proposal would most likely allow the relevant issuers to reach higher levels of activity as a result of the reduction in their cost of financing which may allow extra investment. Also, it is very likely that the activity in the official stock exchanges would increase as a result of the proposal.

- on investment and the creation of new businesses

As explained above, the reduction in the cost of financing will have a positive effect on investment. On the other hand, the proposal would not stimulate directly the creation of new business. However, the better economic performance mainly of large companies might induce the development of smaller companies and the creation of new businesses, which would cater for the increased input demand of the larger ones.

- on the competitive position of business

The lower cost of financing by reducing the final cost of the corresponding products and services and/or by providing extra funds for investment in more efficient technologies would improve the competitive position of the corresponding companies.

5. **Does the proposal contain measures to take account of the specific situation of the small and medium-sized firms (reduced or different requirements, etc.)**

In relation to cross-border listing, competent authorities of the host Member States may consider, on a case-by-case basis, that certain SMEs are from the investor protection point of view in the same situation than larger companies and therefore they would benefit from the proposal. In relation to the provision for the companies in junior markets, it may affect SMEs because very often this kind of companies remain in such parallel markets for a certain time before considering listing in the official market.

Consultation

6. **List of organizations which have been consulted about the proposal and outline their main view.**
The Federation of Stock Exchanges in the EC.

The Federation fully supports the proposal because it reflects the suggestions they made to the Commission in order to facilitate the implementation of their EUROLIST project.

ISSN 0254-1475

COM(92) 566 final

DOCUMENTS

EN 09

Catalogue number : CB-CO-92-590-EN-C

ISBN 92-77-50889-2

Office for Official Publications of the European Communities
L-2985 Luxembourg