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STRATEGIC TOOLS FOR OPTIMIZING THE OWNERSHIP CONCENTRATION IN THE CORPORATE SECTOR

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***Abstract.** The article contains research on the listing requirements for shareholder ownership, established by stock exchanges of different countries. Stock exchanges of such countries as Ukraine, USA, Japan, Great Britain, Italy, Germany, France, China, and Poland were considered for comparative analysis of listing requirements. Among the requirements for shareholder ownership of issuers were considered: the minimum Free float, the number of shareholders, the share price, the market capitalization of the tradable shares, the number of tradable shares, and requirements for minority shareholders. Also, the issue of compliance with the requirements of listing as a strategic tool for optimizing the ownership concentration was investigated. The prospects of the Ukrainian corporate sector in terms of compliance with the established listing requirements (from the standpoint of requirements for the shareholder ownership structure) were assessed. Optimizing the ownership concentration of corporations involves the distribution of ownership rights among shareholders, which will help to increase the efficiency of the company and ensure the achievement of its strategic goals.*

***Keywords:** strategic tools, optimizing, optimizing the ownership concentration, stock exchange, listing, free float, corporation, corporate sector.*

***JEL Classification:** G32; O16.*

Introduction. High ownership concentration in corporations leads to consequences, which are reflected in the weak institutional development of the financial market and reduced access to resources in its various sectors. In turn, the weak development of the financial market, especially the capital market, increases the constraints and risks for companies. This encourages companies to continue the process of ownership concentration or maintain their high level in order to protect private capital. One of the main directions of such a link is non-compliance with the requirements

of the listing procedure, which significantly reduces the securities share of guaranteed quality and liquidity on the stock exchange market of Ukraine. High ownership concentration is a significant limitation of the public offering of shares on national stock exchanges.

Body of paper. Compliance with the requirements of inclusion in the stock exchange register is one of the strategic tools for optimizing the ownership concentration in the corporate sector. The ownership structure is optimal if it helps to maximize the company's value in the long term.

«Public» status is only a consequence of privatization processes for a significant part of public joint-stock companies. That is why it does not add any value to their business. In this regard, the National Securities and Stock Market Commission [1] proposed in the draft law «On Amendments to Certain Legislative Acts of Ukraine Concerning Simplification of Doing Business and Attracting Investments by Issuers of Securities» to recognize that all public joint-stock companies are considered such that they did not make a public offer of securities unless they declare otherwise. Today this is the current Law of Ukraine. It solves the problem of the «pseudo-publicity» of joint-stock companies in Ukraine. Joint-stock companies themselves have a choice - to be or not to be public. The decision to remain on the stock exchange list or to go through the procedure of inclusion in the stock exchange register will be the prerogative of the company's shareholders.

International practice shows that the presence in the listing of securities on the stock exchange is an indicator of the investment attractiveness of the company for shareholders, an indicator of its quality and financial stability. Because listing usually makes high demands on companies. It is the quality of listed companies that foreign institutional investors evaluate the country's securities market.

That is why the legal requirements for securities that can be included in the stock exchange register (listing) have been increased. After all, there must be companies that meet high criteria of reliability and transparency, adherence to best practices, and standards of corporate governance. Then the stock listing will not be an unnecessary expense for companies but will have a positive effect on the company value for investors, both external and internal [1].

The listing requirements for shareholder ownership imposed by stock exchanges in different countries were compared (Table 1). In Ukraine, the requirements for the structure of shareholder ownership of issuers meet similar listing standards on the exchanges of developed countries, where the ownership concentration is not a problem.

Table 1. Comparison of listing requirements for shareholder ownership imposed by stock exchanges of different countries

Name of Stock Exchange, Country	Exchange Divisions / Listing Levels	Requirements for shareholder ownership of issuers
PFTS, Ukrainian Exchange, PERSPEKTIVA, Ukrainian Interbank Currency Exchange	Stock Exchange Register	The minimum Free float is not less than 10% and / or the value of such share is UAH 75 million and more. Number of Shareholders - not less than 150 shareholders
	Non-listed Shares	Number of Shareholders - not less than 50 shareholders
NASDAQ, USA	The NASDAQ Global Select Market	The company's securities should have at least one of the following: At least 550 total holders and average monthly trading volume over the past 12 months of at least 1.1 million shares. At least 2,200 total holders. A minimum of 450 holders of 100 or more shares, with at least 50% of them holding unrestricted securities with a market value of at least US\$2,500.
	The NASDAQ Global Market	A bid price of at least US\$4 per share. At least 1.1 million unrestricted publicly held shares. At least 400 holders of 100 or more shares, with at least 50% of them holding unrestricted securities with a market value of at least US\$2,500.
	The NASDAQ Capital Market	At least 1 million unrestricted publicly held shares. At least 300 holders of 100 or more shares, with at least 50% of them

		holding unrestricted securities with a market value of at least US\$2,500.	
NYSE, USA	Domestic standards (general NYSE standards)	Company must have at least 1.1 million publicly held shares and meet one of the following three criteria: Have at least 400 holders of 100 shares or more and an average monthly trading volume of at least 100,000 shares for the most recent six months. Have at least 2,200 total shareholders and an average monthly trading volume of at least 100,000 shares for the most recent six months. Have at least 500 total shareholders, with an average monthly trading volume of at least 1 million shares for the most recent 12 months.	
		For IPO - have at least 400 holders of 100 shares or more and at least 1.1 million publicly held shares.	
Tokyo Stock Exchange, Japan	Growth Market	Number of Shareholders - 150 or more. The number of tradable shares: 1,000 units or more. The market capitalization of the tradable shares: JPY 0.5 billion or more. The number of tradable shares: 25% or higher of the listed stocks. Public Offering - 500 trading units or more.	
	Standard Market	Number of Shareholders - 400 or more. The number of tradable shares: 2,000 units or more. The market capitalization of the tradable shares: JPY 1 billion or more. The number of tradable shares: 25% or higher of the listed stocks.	
	Prime Market	Number of Shareholders - 800 or more. The number of tradable shares: 20,000 units or more. The market capitalization of the tradable shares: JPY 10 billion or more. The number of tradable shares: 35% or higher of the listed stocks.	
London Stock Exchange, Great Britain	AIM	There are no regulations	
	Main Market	Premium	The number of shareholders is not regulated.
		Standard	Minimum free float - 10%.
		High Growth Segment	The number of shareholders is not regulated. Minimum free float - 10% with a minimum value of £30m
Milan Stock Exchange, Italy	Euronext Milan (EXM)	Free Float – 25%. The number of shareholders is not regulated.	
	Euronext STAR Milan (STAR)	Free Float – 35%. The number of shareholders is not regulated.	
	Euronext Growth Milan (EGM)	Free Float – 10% - 5 institutional investors	
	Professional Segment	Free Float – 10% - 5 investors*	
Frankfurt Stock Exchange, Germany	Entry Standard	Minimum 30 shareholders, 10% minimum free float shares	
	General Standard		
	Prime Standard	Minimum 30 shareholders. Free float minimum of 25%. Nominal issuing volume minimum of 10,000 shares.	
Euronext Paris, France	Euronext Access Paris	N/A	
	Euronext Growth Paris	Free float - €2.5 million	
	Euronext Paris (A/B/C)	Free float - 25% or 5% if >€5 million	
Shanghai Stock Exchange, China	Main Board Stocks	Stocks have been offered to the public with the approval of the CSRC. Publicly offer 25 % or more of total stocks; or 10 % or more of total stocks if total capital stock exceeds RMB 400 million.	
	STAR Markets		
Warsaw Stock Exchange, Poland	Primary Floor listing	Minority shareholders must hold either: at least 25% of the company's share capital. at least 500,000 shares, with a total value of at least the PLN equivalent of €17 million (approximately US\$19.24 million).	
	Secondary Floor listing	Minority shareholders must hold either: at least 15% of the company's share capital. at least 100,000 shares, with a total value of at least the PLN equivalent of €1 million (approximately US\$1.13 million).	

* If the free float is between a minimum of 2% and 10% Borsa Italiana orders the admission and the simultaneous suspension. If the free float requirement has not met for 2 years, Borsa Italiana orders the delisting from the Professional Segment

Source: [2]-[11]

However, it is obvious that the high ownership concentration (75-80 percent in the hands of the one largest shareholder in the corporate sector of Ukraine [12]) is a significant restriction on public offerings of shares on national stock exchanges.

Today, the PFTS Listing Level 2 includes shares of PJSC «Pivdennyi», PJSC CNDCIF «BOND STRATEGIES» - IFUSFN, and the Exchange Register (Listing Level 1) includes shares of MHP SE. To assess the prospects of the Ukrainian corporate sector in terms of compliance with the established requirements from the standpoint of requirements to the ownership structure, the PFTS stock exchange list (with a listing level of 0) was considered. This list includes shares of 133 companies (of which only 79 Ukrainian companies). Among Ukrainian companies, in accordance with the requirement for a minimum number of shareholders, 88.8% are not suitable. It is noteworthy that 35% of companies have an ownership concentration per one shareholder of more than 90% [13] - [16]. Free float information is provided by four companies. In turn, the shares of these companies are listed on other exchanges:

- ASTARTA HOLDING N.V. (WSE) – Free float 27,1%;
- IMC S.A. (WSE, MUN, BER, STU, FRA) – Free float 18,53%;
- Kernel Holding S.A. (WSE, FRA, STU) – Free float 54,09%;
- UKRPRODUCT GROUP LIMITED (LSE) - Free float 22,82%.

Conclusion. Optimizing the ownership structure of national corporations is impossible without increasing their investment attractiveness. This will help reduce the level of ownership concentration in accordance with the requirements of inclusion in the stock exchange register. This may be a decrease in the ownership concentration by expanding the circle of investors and reducing the share of the majority shareholder (including the state), attracting foreign investors, and selling stakes in management. Optimizing the ownership concentration makes it possible to attract owners who are really interested in the development of the corporate structure while protecting the rights of minority shareholders. Companies with a large enough number of owners are better at raising capital from the financial markets, effectively managing their costs. The transparency of the corporation's ownership structure and the availability of information about the majority shareholders make it possible to take control of them when the quality of business deteriorates. One of the fundamental principles of corporate governance - one share is equal to one vote. This reduces the possibility of manipulation in management decisions. Thus, compliance with listing requirements can be one of the important strategic tools for optimizing the ownership concentration of national corporations.

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