

KINSTELLAR

Multiple voting rights

A chance for
European capital
markets?

CAPITAL MARKETS SERIES

Background

The European Union has successfully established a single market for goods and services, yet its capital markets remain fragmented and less efficient than those of other major economies. This fragmentation reduces liquidity and limits investor access, particularly for smaller, locally focused enterprises. Under Sweden's Council Presidency, momentum built around addressing these challenges, leading to the adoption of Directive 2024/2810 on multiple-vote share structures for companies seeking admission to multilateral trading facilities, including SME growth markets ("MSVD"), introduced as part of the broader EU Listing Act.

01. Key objectives of the MSVD

- The European Commission has identified a key obstacle to listings on public markets, particularly on multilateral trading facilities ("MTFs"): controlling shareholders often hesitate to list due to the perceived risk of losing control while raising capital. Dilution of voting power may reduce their influence over significant investment and operational decisions—a concern that is especially acute for SMEs, where leadership is typically concentrated.
- At present, Member States diverge significantly in their treatment of multiple-vote share ("MVS") structures: some prohibit them outright, while others permit them only under restrictive conditions. This lack of harmonisation has prompted companies in jurisdictions that ban MVS structures to consider relocating within or even outside the EU to access more favourable frameworks.

- International practice highlights the importance of flexible voting structures. Many successful Nasdaq-listed tech companies, such as Alphabet (Google) and Meta, rely on dual-class shares to retain founder control while raising growth capital. Similarly, Alibaba opted for the NYSE in 2016 after the Hong Kong Stock Exchange (HKEX) declined to allow disproportionate voting arrangements. In response to such competitive pressures, both the HKEX and the Singapore Stock Exchange introduced rules in 2018 permitting dual-class structures.

The MVSD aims to address these challenges by harmonising Member State rules on shares with enhanced voting rights. The directive is designed to facilitate SME access to public markets without forcing shareholders to surrender control, thereby improving the competitiveness of EU capital markets. In particular, for start-ups and companies pursuing long-term projects, MVS structures enable shareholders to maintain strategic control and pursue bold, long-term decisions without undue influence from short-term market dynamics. A dual-class structure also lowers the risk of hostile takeovers.



02. Scope of the MVRD

- The MVRD implements the idea of MVSs, which are shares of a distinct class that carry voting rights in excess of the capital invested in the company. Member States are required to allow companies **seeking an initial listing on an MTF, including an SME growth market**, to adopt a structure containing at least one class of MVS (MVS structure) or to modify an existing MVS structure, in each case, prior to admission to trading of their shares.
- The MVRD applies to all companies listed in Annex II to Directive (EU) 2017/1132 that may under national law issue shares and seek admission to the trading of their shares on an MTF. In Austria, for example, only stock corporations (*Aktiengesellschaften*) before admission to trading on an MTF qualify for the adoption of MVS structures.
- Companies with limited liability (*Gesellschaften mit beschränkter Haftung*), companies whose shares are already admitted to trading on a regulated market or an MTF, and companies that do not seek to list their shares on an MTF shall not be entitled to adopt or modify MVS structures.
- The MVRD covers only multiple-vote shares, but not loyalty shares or other control-enhancing mechanisms.
- Member States are free to allow MVS structures to a greater extent or impose greater restrictions than in the MVRD (gold plating).

03. Protection of Minority Shareholders

- To safeguard the interests of shareholders without an MVS structure, Member States must implement protective mechanisms.



A qualified majority as specified in national law is required at the general meeting for resolutions related to the initial adoption of new MVS structures or the modification of existing MVS structures. Where different classes of shares exist, any resolution to introduce an MVS structure must also be voted on separately by each class of shares whose rights are affected.

In Austria, the implementation of dual-class shares will require both a majority of votes cast and of three-quarters of the share capital represented at the general meeting.



Additionally, Member States must limit the voting power of their MVS structures by either of the below mechanisms:

- a **maximum voting ratio** between the number of votes attached to the MVS and the number of votes attached to the shares with the lowest voting rights, or
- **stricter requirements for the resolutions of the general meeting subject to a qualified majority of the votes cast** as specified in national law; however, unrestricted use of MVS is allowed for the appointment and dismissal of members of the administrative, management, and supervisory bodies of the company and for the operational decisions to be taken by such bodies that are submitted to the general meeting for approval.

- Member States are free to introduce additional protective measures such as sunset clauses.

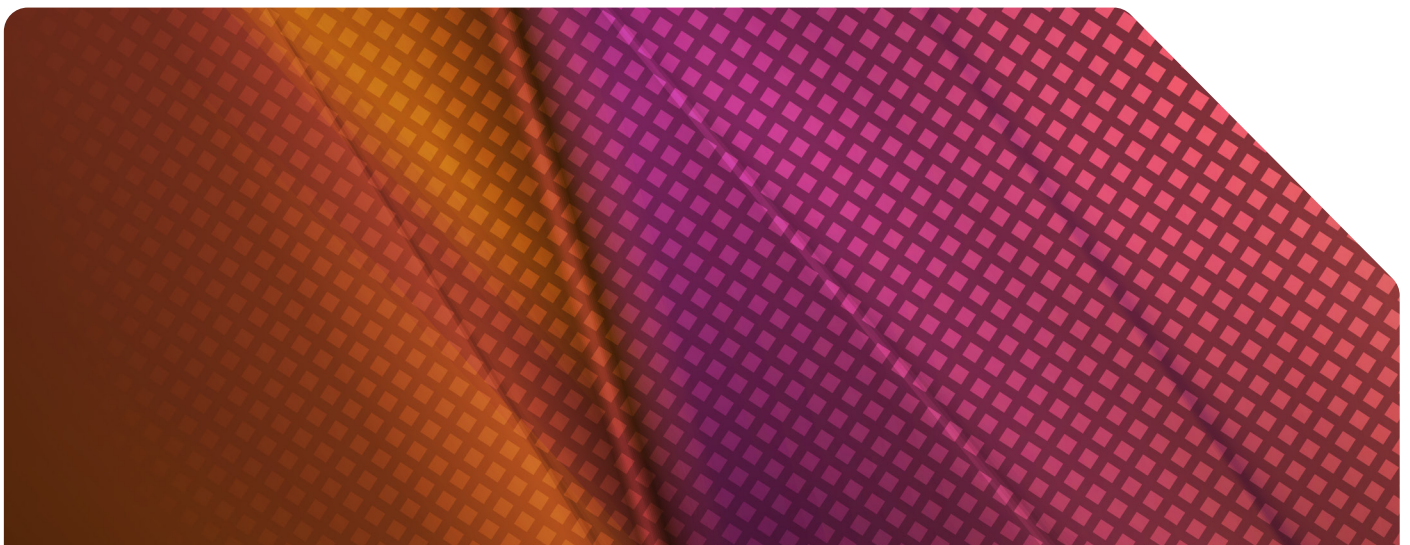
- Aside from potential risks to minority shareholders, MVS structures may allow controlling shareholders to face limited economic risk while taking the decisions and facilitate unilateral benefits.

04. Transparency and Disclosure Requirements

- The MVSD requires comprehensive disclosures in the company's annual financial reports or listing document, providing the following information: (i) share structure of the company; (ii) any restrictions on the transfer of shares or voting rights; and (iii) the identity of shareholders holding MVSs representing more than 5% of the voting rights of all shares in the company.
- Investment companies and market operators must identify shares issued by companies with MVS structures in accordance with the regulatory technical standards to be drawn up by the European Securities and Markets Authority by 5 December 2025.



The Member States must transpose the MVSD by 5 December 2026 at the latest.



05. A look at Germany...

MVSs were reintroduced in Germany in 2023 through the Future Financing Act (*Zukunftsfinanzierungsgesetz*). The law allows any stock corporation to issue registered shares with multiple voting rights, provided that this is expressly set out in its articles of association. Unlike the MVSD, the German regime is broader, as the issuance of MVSs is not limited to future listings on MTFs or SME growth markets. Here are the key provisions:



Voting rights: an MVS may carry up to ten votes per share (maximum 10:1 ratio to ordinary shares).



Implementation: Unanimous approval of all shareholders is required for the issuance of MVSs.



Restrictions:

- Holders of MVSs have only one vote in relation to the appointment of statutory or special auditors.
- MVSs may be admitted to trading on a stock exchange; however, the enhanced voting rights expire upon transfer of the share or, at the latest, ten years after the listing, with a one-time extension of up to ten years (sunset clause).



Safeguards: No statutory safeguards against misuse or conflicts of interest are provided, but the company's articles of association may limit the exercise of MVSs to specific resolutions.



Outlook

The MVSD is relatively limited in scope. Member States are required only to permit the introduction of MVS structures, implement certain safeguards for minority shareholders, and ensure transparency obligations. However, the MVSD provides flexibility in how these requirements are implemented. As a result, the adoption and practical use of MVS structures will continue varying across Member States, depending on the extent to which each jurisdiction exercises this discretion. In Austria, the introduction of MVS structures will mark a paradigm shift by departing from the one-share-one-vote principle, while it remains to be seen whether the Austrian legislator will adopt an approach similar to that taken in German law.

Exceptional, together.

Contact us



Petra Heindl

Capital Markets / Corporate
Vienna

petra.heindl@kinstellar.com

www.kinstellar.com