



# Main Market rulebook Consultation

Information meeting, 17 January 2023

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# Content/timing of consultation

- Sent our 14 December 2022 to wide range of Swedish stakeholders
- Response requested by 27 January 2023
- Sweden only despite rulebook being pan-Nordic.
  - Sweden-only rules: free float, legal reviewer, 12 months working capital
  - Sweden-only rule guidance: governance and internal control
- Input received will be summarized and published H1 2023
- Potential rule changes during 2023



# 1) Liquidity / free float

- Current rule requires liquidity, with presumption of fulfilment at 25% free float
- Number of advance rulings in Stockholm at levels under 25% where liquidity nonetheless assured.
- International developments, e.g. LSE and European Commission Listing Act moving towards lower free float threshold.



# 1) Liquidity / free float (cont.)

- Proposal:
  - Either fulfil 25% FF as today, or
  - Fulfil at least 10% FF with minimum FF value EUR 10 million.
  - Qualified shareholder requirement remains unchanged.
- 10%/EUR 10 million is new FF floor both at listing and on ongoing basis.
- Our analysis is that this revised threshold will allow for sufficient liquidity.



# Sufficient liquidity as a listing requirement

Market liquidity: *“Degree to which an order can be executed within a short time frame at a price close to the security’s consensus value.”*

What drives liquidity:

- Asymmetric information: disclosure rules, analyst coverage, corporate governance, (retail and institutional) investor interest, etc.
- Inventory costs: investor interest, securities lending, stock and market volatility

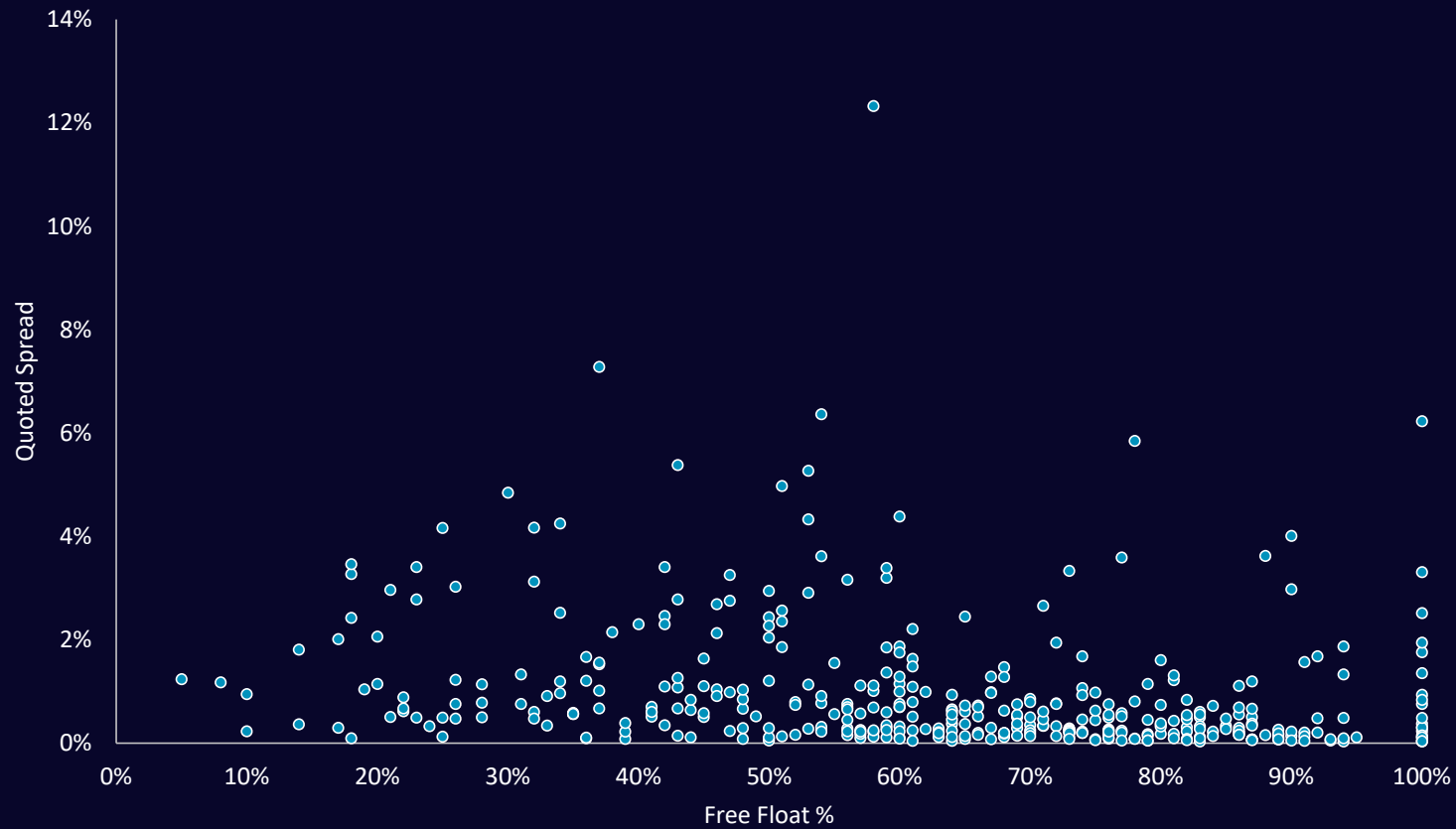
Variables that capture liquidity: firm size (market cap, float), firm history, volatility, index inclusion, market segment (MM vs FN), availability of shares (free float %, no. of shareholders), retail interest, and more





## Listing Requirements

# Float % vs Quoted Spread: Nasdaq Stockholm



## 2) Legal professionals performing IPO due diligence

- Sweden supplement to rulebook requires an “advokat” perform this
  - Unique to Sweden
  - Excludes various legal professionals – e.g. lawyers in accounting firms – who have specialist knowledge in relevant areas of law.
  - No guarantee in itself that an “advokat” has relevant specialist knowledge in this area
  - Foreign issuers / issuers with foreign operations must at least in part be reviewed by non-Swedish lawyers.





## 2) Legal professionals performing IPO due diligence (cont.)

- Proposal:
  - Replace “advokat” with “independent legal advisor”
  - Strengthen independence requirement in Terms of Reference (e.g. not in-house counsel)
  - Require “sufficient expertise” in Terms of Reference – company decides, Nasdaq to adjudicate if required



### 3) Working capital at time of listing

- Currently companies may list either on basis of profitability during last financial year or on basis of 12 months working capital
- Equivalent rule recently updated on First North to require all companies to have 12 months working capital
- International peers such as London and Hong Kong require this. Nasdaq Copenhagen and Helsinki in practice do too
- Strong investor protection angle



## 4) Review of internal governance and control

- Guidance on Governance and Internal Control in Listed Companies
  - Explains to companies what is expected at listing and on ongoing basis
  - Tool to achieve consistency of review
  - Reflects global trend of increased importance attached to this area in recent years
- Nasdaq invites views on the Guidance, especially areas that are unclear, too far-reaching or insufficiently detailed.



# Response format and next steps

- Response template in consultation
- Response by 27 January 2023
- Input received will be summarized and published H1 2023
- Potential rule changes during 2023

