Cross-Border Listings Guide - Frankfurt Stock Exchange

Overview of exchange

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# Overview of exchange

[Last updated: 1 January 2024, unless otherwise noted]

The Frankfurt Stock Exchange (more commonly referred to as the FSE) is the largest German Exchange with the deepest market. Most German companies maintain their primary listing on this exchange. The FSE attracts more than 85% of the turnover in the German market and also has a significant share in the European market. Mainly through its electronic trading system XETRA®, the FSE is open to foreign investors and market participants.

The Frankfurt Stock Exchange is operated by Deutsche Börse AG (DBAG), which is itself a public company whose shares are listed on the FSE. It pursues an integrated market model. In particular, Clearstream Banking AG, a subsidiary of DBAG, acts as the sole German central custodian and is responsible for the settlement of all trades transacted on the FSE and the other German exchanges. DBAG also operates EUREX, the largest German derivatives exchange and is the majority shareholder of Tradegate, a securities exchange specializing in retail investors, and of EEX AG which operates the EEX (European Energy Exchange), the leading European exchange for energy and a number of other energy markets across the globe. Finally, Deutsche Börse AG also owns 360T a trading platform for foreign exchange.

All trading is electronic trading via its XETRA® trading platform where orders are matched automatically. A "specialist" model for small and midcap issuers still allows some human interference before a transaction is executed. It is possible to participate in the trading via remote membership, and about 55% of the more than 140 XETRA® market participants are located outside Germany.

The FSE has three market segments for a primary listing of shares:

[Link to Table](https://resourcehub.bakermckenzie.com/en/-/media/crossborder-listings-handbook/files/2020-update-8th-edition/frankfurtseoverview-of-exchange.pdf)

A key difference in market segments is the distinction between EU-regulated markets and markets that are regulated by the stock exchanges themselves (regulated unofficial markets). On the FSE, companies that are listed on the EU-regulated market are admitted to the General Standard or to the Prime Standard, a segment with even higher transparency requirements. Membership in the Prime Standard is required in order to be eligible for inclusion in one of the selection indices (DAX®, MDAX®, SDAX® and TecDAX®).

Securities may be "included in the trading" (rather than being listed) on the unofficial market (*Freiverkehr*), which the FSE has branded as "Open Market" (which is regulated by the stock exchange itself and classifies also as a multilateral trading facility). No primary listing of equity securities is possible any more in the exchange-regulated Open Market other than on the Scale segment (or its predecessor, the Entry Standard segment, now renamed "Basic Board"). In the "Open Market" shares can be traded:

On the Quotation Board, but only if this is their secondary "listing" venue.

On the Scale segment, if they meet additional transparency requirements.

On the Basic Board, for former issuers listed in the disbanded Entry Standard segment, but which do not meet the requirements (or did not apply) for a listing on the Scale segment. Moreover, Scale issuers who do not fulfill the criteria for a Scale listing any longer can be "downgraded" to the Basic Board. In the following, we do not discuss the Basic Board, since it is not possible to commence a primary listing on the Basic Board.

Companies admitted to the General Standard and the Prime Standard fulfill the transparency requirements under the EU Transparency Directive and gain all the advantages of a full listing.

Since March 2017 the new SME market segment "Scale" has replaced the former Entry Standard market segment. Scale has introduced stricter admission and post-listing obligations compared to the former Entry Standard requirements. Issuers are also subject to the post-listing obligations under the European Market Abuse Regulation (publication of inside information, insider lists, reporting of directors' dealings), with some modifications, given that Scale obtained the status of an SME growth market in December 2019. With the Scale segment, the FSE has created a simple, quick and cost-efficient way of including shares in exchange trading without application of the EU Transparency Directive, but with some elements of comparable transparency, which is particularly suited for small and medium-sized companies.

The aggregate market capitalization of all company shares listed either on the Prime Standard or the General Standard, that is, of the entire Regulated Market, was €1,973 trillion (approximately US$2,180.17 trillion) in December 2023 (€2,210 trillion (approximately US$2,442.05 trillion) in December 2021). As of December 2023, there were 395 companies listed on the Regulated Market (435 companies in December 2021) and 44 companies in Scale (47 companies in December 2021). Of these companies, 40 in the Regulated Market and 2 in Scale were non-German (in December 2021, 45 and 1 company, respectively). Thus, in December 2023, 9.8% of all listings in the Regulated Market were cross-border listings (9.7% in December 2021), and 6.8% in Scale (versus 2.1% in Scale in December 2021).

There is no particular specialization in any of the segments, except that the Scale segment loosely compares with the London Stock Exchange's AIM segment to attract SMEs with a primary focus on institutional investors.

After a wave of IPOs of internet, telecoms and software companies during the "dotcom bubble," there is no particular outstanding trend in the types of companies seeking a listing in Germany. Recent years have seen a relative abundance of (German) spin-offs, but there are also biotech, fintech and other high-tech companies, as well as companies from more traditional industries, listed on the FSE. Private-equity backed IPOs also play an important role. In 2023, there were 6 new listings with a strong focus on the tech sector and one SPAC listing: IONOS (web hosting); ParTec (Supercomputers and Quantum Computers); thyssenkrupp nucera (renewable energies); Schott Pharma (pharmaceutical glass); SMG Technology Acceleration (SPAC); Rigsave (financial services). Notably, two companies were non-German (SMG and Rigsave), four IPOs were on the Regulated market and two on Scale. It should be noted that at the same time some German companies chose to go public in the US, most notably Birkenstock, which went public on the NYSE in October 2023 via a Dutch listing vehicle.

In January 2024, the Future Financing Act went into force, which made important amendments to German corporate law to increase the attractiveness of the German capital market and the attractiveness of using a German stock corporation as a listing vehicle (also to counter the recent wave of German IPOs on US stock exchanges using Dutch listing vehicles).

The most important changes include:

(Re-)introduction of shares with multiple voting rights – thus allowing dual class share structures, which will allow founders to float a company without losing control.

Simplifying the creation of SPACs under German corporate law and also modifying the listing rules for SPACs.

Allowing shares to be registered using distributed ledger technology (crypto shares).

Increasing the ceiling for share offerings with simplified exclusion of pre-emptive subscription rights from 10% to 20% of existing capital.

Improvements in the tax treatment of employee share plans.

While the FSE's supervisory authority is the Ministry of Economy of the State of Hesse, the relevant regulatory authorities for a listing on the FSE are the FSE's management board (*Geschäftsführung*) and the BaFin (*Bundesanstalt für Finanzdienstleistungsaufsicht*), which is the German Federal Financial Supervisory Authority responsible for prospectus review and approval and for the supervision of DBAG as MTF operator.

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