

Minimum Free Float Requirement for Admission to Trading on a Regulated Market

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NOTE: The documents circulated by the MFSA for the purpose of consultation are in draft form and consist of proposals. Accordingly, these proposals are not binding and are subject to changes and revisions following representations received from license-holders and other involved parties. It is important that persons involved in this consultation bear these considerations in mind.

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1. Introduction

The [EU Listing Act](#) was published in the Official Journal of the European Union on 14 November 2024. It consists of the following legislative acts: -

1. a regulation amending the Prospectus Regulation (Regulation (EU) 2017/1129), Market Abuse Regulation (Regulation (EU) 596/2014) and MiFIR (Regulation (EU) 600/2014) ([Regulation \(EU\) 2024/2809](#), the "Listing Regulation");
2. a directive amending MiFID II (Directive 2014/65/EU) and repealing Directive 2001/34/EC ([Directive \(EU\) 2024/2811](#), the "Listing Directive"); and
3. a new directive on multiple vote share structures in companies that seek the admission to trading of their shares on an SME growth market ([Directive \(EU\) 2024/2810](#)).

One of the amendments made through the Listing Directive to MiFID II includes a **revision in the minimum free float requirement** (also referred to as the **"Public Float"** in this Consultation Document) for admission to trading on a regulated market. In this respect, the Listing Directive shall be transposed by **05 June 2026**.

The objective of this Consultation Document is to gather views on the revision of the Public Float and the corresponding requirements being proposed in Malta. This Consultation Paper is of particular interest to investors, issuers (including those already admitted to trading on a regulated market), issuers' legal representatives, sponsors, and persons asking for admission to trading on a regulated market.

2. Background

Prior to the publication of the Listing Act, the level of minimum free float required by Directive 2001/34/EC is 25% as prescribed in Malta by Rule 3.26 of the MFSA's Capital Market Rules.

To allow for more flexibility for issuers and to make Union capital markets more competitive, the Listing Directive **decreases the minimum free float requirement from 25% to 10%**, assuming that such a threshold generally ensures a sufficient level of liquidity in the market.

However, to better take into account the characteristics and sizes of issuances of shares, EU member states (Member States) are allowed, by way of derogation, to require **alternative ways to measure whether a sufficient number of shares have been distributed to the public**.

Compliance with the 10% threshold, or with the alternative requirements provided at national level for ensuring a minimum free float, should be assessed at the time of admission to trading. Additionally, the free float requirement laid down in Directive 2001/34/EC that a sufficient number of shares are to be distributed to the public in one or more Member States, is no longer applicable as Directive 2014/65/EU does not provide for such a geographical restriction for financial instruments admitted to trading.

The new Article 51a of MiFID II as amended by the Listing Directive also makes reference to specific conditions for the admission of shares to trading and its sub-articles (4) and (5) state as follows: -

4. Member States shall ensure that regulated markets require that at least 10 % of the subscribed capital represented by the class of shares concerned by the application for admission to trading is held by the public at the time of admission to trading.
5. By way of derogation from paragraph 4, Member States may require that regulated markets establish, at the time of admission, at least one of the following requirements for an application for admission to trading of shares:
 - a) sufficient number of shares is held by the public;
 - b) the shares are held by a sufficient number of shareholders;
 - c) the market value of the shares held by the public represents a sufficient level of subscribed capital in the class of shares concerned.

Whereas currently, there is a requirement of at least 25% public float, the new Article 51a allows for the public float to be, as a minimum, 10%. This means that Member States may adopt any public float requirement above 10%.

In this regard, the Authority understands that in certain instances, the current 25% public float requirement may be unnecessarily excessive and inappropriate, especially considering the depths of the local capital markets and the relatively high number of small and medium-sized enterprises (SMEs). Against this background, it is also noted that the 25% minimum free float requirement may also deter companies from pursuing a local Initial Public Offering (IPO) if they are not willing to forgo a minimum of 25% of their shares and the corresponding control.

Therefore, the 10% threshold can be seen as a positive development whereby current shareholders would be able to retain a more acceptable level of control which would likely see a significant increase in IPO activity on the local market, and therefore which may have a positive impact on the overall number of shares listed on the local market.

3. Proposal

The MFSA is consequently of the view that a revision to the 25% threshold locally is required. Having said that, the MFSA is also sensitive to the size and liquidity of the local market and has taken into consideration the distribution of shares amongst the number of investors together with the total value of the market capitalisation when considering the extent of the distribution of shares in the public hands.

Having considered market data available to the MFSA, it is being proposed that rather than simply amending (or reducing) the public float threshold from the current 25% to the 10% as permitted by Article 51a(4), **issuers should have the option to apply a lower threshold than the original 25%, provided certain conditions are fulfilled.**

More specifically, it is being proposed that issuers could be allowed admission to trading in the following scenarios: -

- i. **10%-14%** of the subscribed capital is held by the public, provided that:
 - a. there is a minimum number of **200 investors**, whether directly or through intermediaries and custodians at the date of admission to listing of the same shares; and
 - b. the company has a minimum **total market capitalisation of €100M** at the time of admission.
- ii. **15%-24%** of the subscribed capital is held by the public, provided that:
 - a. there is a minimum number of **200 investors**, whether directly or through intermediaries and custodians at the date of admission to listing of the same shares; and
 - b. the company has a minimum **total market capitalisation of €50M** at the time of admission.

If an issuer chooses not to fulfil the abovementioned conditions which would allow for a lower public float threshold, then a 25% minimum free float (as is currently required) would be required for admission to trading on a regulated market.

Q1	Do you agree that the proposed minimum number of 200 investors is adequate to ensure sufficient distribution which would ensure a good level of liquidity in the local market?
Q2	Do you agree that a total market capitalisation of €100M for the band of 10% - 14% Public Float and of €50M for the band of 15% - 24% Public Float are an adequate benchmark to ensure sufficient distribution of shares which would ensure a good level of liquidity in the local market?
Q3	Do you agree with the suggested bands of 10% - 14% and 15% - 24% of the Public Float?
Q4	Do you agree that where the respective number of investors and total market capitalisation thresholds are not met, the current 25% minimum free float requirement would apply?
Q5	Do you envisage any challenges should the above proposals be adopted?

Proposed amendments to the rules:

Currently, requirements related to the free float are contained in the MFSA Capital Markets Rules, specifically Chapter 3 thereof. Consequently, transposing Article 51a would require amendments to the Capital Market Rules, possibly removing rules relating to conditions for admission of shares to trading from the Capital Market Rules altogether, and introducing new provisions that apply to regulated markets and which transpose Article 51a of MiFID II.

Transposing Article 51a would *inter alia* require the introduction of new rules within the Financial Market Rules, the deletion of Capital Market Rule 3.26 and the amendment of Capital Market Rules 3.29 and 10.23. Consequently, this would mean that the entity responsible for ensuring the adherence of these Public Float requirements would be the Regulated Market (and not the MFSA).

4. Conclusion and Consultation Period

Industry stakeholders are invited to provide feedback to the consultation on the minimum free float requirement for admission to trading on a regulated market as well as to the proposed criteria for the different levels of the Public Float.

Comments are to be submitted through an email on capitalmarkets@mfsa.mt by no later than **16 July 2025**.