

Feedback Statement on the Consultation Document on the Minimum Free Float Percentage

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1.0 Introduction

On 16 June 2025, the MFSA issued a [Consultation Document on the Minimum Free Float Requirement for Admission to Trading on a Regulated Market](#). The Consultation Document proposed that issuers should have the option to apply a lower free float percentage threshold than the current 25%, provided that certain conditions are fulfilled.

This proposal was submitted in light of the adoption of the [EU Listing Act](#), which introduced Article 51a into the Markets in Financial Instruments Directive (MIFID II). Article 51a of the MIFID II reduced the required free float percentage from 25% to 10%.

The EU Listing Act's main objective is to make European capital markets more attractive to companies, by simplifying listing rules, reducing compliance costs, and increasing access to funding to support growth and innovation.

Given the specificities of the Maltese market, which is not considered as deep and liquid as its counterparts in the EU, the MFSA proposed that rather than simply reducing the free float percentage from 25% to 10% as stated in the EU Listing Act, the following free float percentage bands would be introduced:

- i. Where there is a minimum of 200 investors and the company has a minimum total market capitalisation of €100M at the time of admission, between 10% and 14% of the subscribed capital should be held by the public;
- ii. Where there is a minimum of 200 investors and the company has a minimum total market capitalisation of €50M at the time of admission, between 15% and 24% of the subscribed capital should be held by the public.
- iii. Where the requirements outlined in either point (i) or point (ii) above are not met, the required percentage of the subscribed capital to be held by the public would remain at 25%.

The period to submit comments effectively elapsed on 31 July 2025. Further to the said Consultation Document, the MFSA reviewed the comments received from the respondents and is now issuing a feedback statement.

In total, seven responses were received by the Authority, with responses emanating from minority shareholders, issuers, industry professionals and the Malta Financial Services Advisory Council (MFSAC). The diverging views within the responses, therefore, reflect the diverse background of the same respondents.

2.0 Main Comments Received and the MFSA's Position

2.1 Comment Received: *The MFSA proposal in the Consultation Document increases, or at least does not improve, risks related to a lack of sufficient liquidity.*

It was suggested that adopting a lower free float percentage would reduce the number of Securities available on the market and hence decrease liquidity. Overall, the issue of liquidity was a persistent concern throughout most of the seven responses received.

MFSA's Position: Although the MFSA acknowledges that the lower free float percentage may increase risks related to a lack of sufficient liquidity of individual companies, the lowering of the minimum free float will attract more companies to the market, which in turn will increase the overall liquidity of the market.

From queries received from the market, it appears that the present required free float acts as a barrier to listing on a regulated market, especially for large companies which have an interest in listing their shares on the market. Lowering the free float as proposed will attract more companies and subsequently improve the overall liquidity of the market, for the benefit of the issuers and the investors alike.

This proposal from the MFSA is not expected to solve the issue of liquidity on its own, whereby it is important to consider and bring into effect other complementing policy proposals and initiatives.

2.2 Comment Received: *In order to increase liquidity, a prospective Issuer should be required to engage the services of a number of distributors.*

It was suggested that to ensure that there would be a pool of investors which is sufficiently large, it should be obligatory for the issuer to engage the service of a number of distributors. The proponent suggested that around five distributors should be required for the issuer to be able to pursue listing on a regulated market. The proponent clarified that the stature of the distributors would also make a significant difference with regards to the result and hence opting for a set number, such as five, would still bring about results which may vary greatly.

MFSA's Position: The MFSA considers that this suggestion in the feedback could prove to be effective to ensure improved distribution of securities and will adopt it in its revised position. However, the number of distributors may be different than the proposed five in exceptional circumstances and when the MFSA believes that a lower number of distributors will not negatively impact the distribution of the shares.

2.3 Comment Received: *The number of investors threshold should be higher/lower than what is being proposed.*

With regards to this specific comment, the number of investors suggested by the different respondents varied greatly. Whilst some respondents opined that the number of investors is secondary and others stated that the 200-investor threshold is an unnecessary barrier, others stated that the number should be at least 400, or 800 investors as per another suggestion.

A clarification was also sought as to whether institutional investors would be included within this threshold.

MFSA's Position: The MFSA has opted to maintain the 200-investor threshold as according to its ongoing analysis of the local issuers, this target is considered as realistic within the local context and is not expected to create further challenges related to liquidity. However, following consideration of the feedback received, the MFSA understands that adding distributors, as explained in the MFSA's Position in point 2.2 above, to complement the 200-investor threshold, would be a positive contribution towards the Maltese market.

The MFSA understands that the number of investors mentioned in this point and the number of distributors mentioned in point 2.2 above are interlinked, given that improving distribution amongst investors is expected to facilitate reaching a higher number of investors.

Moreover, the MFSA clarifies that all the investors which are not related, in any capacity (e.g. including employees, directors, parent or subsidiary undertakings of the issuer), are included within the 200-investor threshold. Therefore, institutional investors are also included.

Regardless, as noted under previous points the threshold can be varied by the Authority in exceptional circumstances where the market can still operate properly.

2.4 Comment Received: *The market capitalisation threshold should be higher than what is being proposed by the MFSA.*

One respondent stated that the market capitalisation required for the 10 – 14% band should be €1,000M whilst the market capitalisation required for the 15 – 24% band should be in the region of €500M. Furthermore, the same respondent stated that the 10% threshold should only apply if a very large company with a market capitalisation much higher than €1,000M wishes to list on the Maltese regulated market.

MFSA's Position: With regards to this comment, the MFSA is not aware of data that supports the idea of increasing the condition relating to market capitalisation, particularly to the extent referred to in the feedback received. The MFSA reiterates that the amounts proposed with regards to the market capitalisation were not arbitrary but were based on data from the securities currently listed on the local regulated markets.

2.5 Comment Received: *The free float percentage should be tied to the offer size/number of shares and not the market capitalisation.*

As opposed to the claim in point 2.4 above which stated that the market capitalisation should be much higher than what was proposed by the MFSA, a comment was made that market capitalisation is not the most important metric to consider whether a company is viable for listing or not, but rather that the offer size/number of shares is the best metric for our purposes.

MFSA's Position: Whilst acknowledging the respective comments, the MFSA reiterates the importance of market capitalisation as one of the metrics to determine the size of issuers, especially when considering the benefits of attracting larger issuers to the local regulated markets. Moreover, in its original proposal, the MFSA considered the market capitalisation as an important variable because, generally, during the initial public offering (IPO) it offers a relatively objective valuation.

However, from the feedback received, the MFSA appreciates that the offer size is also an important variable. In its revised proposal, the MFSA will give greater weighting to the offer size. To this effect point 2.6 below is to be read in conjunction with this response.

2.6 Comment Received: *The bands as being proposed bring about an added layer of complexity which is unnecessary.*

It was noted that the creation of bands, which one respondent highlighted were not required by the new Article 51a of MIFID II, may create complexity. To this effect, one respondent suggested that the market capitalisation of the respective bands may be reduced and consequently the respective 10% minimum free float would be smaller.

MFSA's Position: Whilst the MFSA believes that the given clear free float percentages and clear market capitalisation thresholds are not overly complex to work with, having considered the feedback received, the Authority welcomes any other method which is easier for the market to apply. Accordingly, the MFSA agrees to revise the proposal as explained in more detail below.

Moreover, with respect to the suggestion to reduce the market capitalisation required under the bands, the MFSA considers that the smaller the market capitalisation, the larger the free float percentage should be. The objective of the bands was to incentivise companies with a larger market capitalisation to list on the regulated market, including by requiring larger companies to cede a smaller percentage as their free float percentage.

However, the MFSA does find value in a suggestion wherein an offer size of €10 million is introduced alongside a free float percentage that is not less than 10%. The MFSA clarifies that, regardless of an issuer's offer size or market capitalisation, it would not be required for the free float percentage to be greater than the current 25%.

In this way, depending on the market capitalisation of the company, the free float percentage required for listing on the regulated market would vary as outlined in Section 3.0 of this document. This would be aligned with the objective of the original proposal, without requiring the creation of the bands.

2.7 Comment Received: *The proposal put forward by the MFSA in the Consultation Document excludes smaller issuers from listing on the regulated market.*

It was stated that the focus on market capitalisation (wherein the larger the size of the company the more favourable the free float percentage is for the issuer), would preclude and discourage smaller prospective issuers even if they have a large growth potential.

MFSA's Position: The MFSA highlights that funding opportunities specifically catered for small companies or start-up companies are better met by other funding venues such as private equity or multilateral trading venues.

By its nature, regulated markets do not cater for very small companies or start-up companies, given that generally the admissibility to listing conditions and the ongoing obligations of companies having securities listed on a regulated market are more onerous than alternative venues.

Moreover, it is noted that there are other opportunities for smaller companies, which are less onerous and would thus be more suitable to them for their own benefit, whilst still allowing the issuer to get significant funding from the general public. These opportunities include the Prospects MTF or the Alternative Company Listing (ACL) as governed by Chapter 10 of the Capital Markets Rules (CMRs).

2.8 Comment Received: *The reduction of the free float percentage will facilitate the squeezing-out of minority shareholders by the issuer.*

A common concern amongst respondents was that in light of Rule 11.42 of the CMRs, if the free float percentage is in certain instances decreased to 10% from 25%, the issuer would be in a better position to squeeze out the minority shareholders given that it is possible that the issuer obtains the 90% mentioned in CMR 11.42 without needing to obtain any individual shares from the minority shareholders prior.

Therefore, the concern was that the smaller the free float percentage, the easier it is for the issuer to squeeze-out the minority shareholders and potentially delist in accordance with Appendix 1.2 of the CMRs.

In this respect, a respondent suggested that the percentage required for a squeeze-out would be increased to 95% from the 90% as is currently stated in CMR 11.42.

MFSA's Position: The MFSA notes that it is a common misconception that an issuer can at any time it obtains 90%, proceed with the squeeze-out and subsequently have the option to delist. However, CMR 11.42 is clear that a squeeze-out can only occur following a Takeover Bid, as defined in, and regulated by, Chapter 11 of the CMRs.

Therefore, a squeeze-out may only occur directly following a Mandatory or Voluntary Bid as defined in the said rules. In this respect, a squeeze-out cannot be exercised under any other circumstance.

Moreover, in terms of paragraph 3.3 of Appendix 1.1 of the CMRs, a resolution for delisting shall be ineffectual if 5% of the shareholders oppose it.

To this effect, the amendments to the free float percentage in accordance with EU law are not anticipated to, in and of themselves, render the minority shareholders more vulnerable with respect to an issuer who may want to delist the company.

3.0 The Way Forward

Throughout the formulation of the original proposal and when considering the feedback received from the respondents, the MFSA considered the protection of retail investors, including the minority shareholders, as well as the orderly operation of the local regulated markets.

In this respect, the MFSA notes that paragraph (4) of the newly introduced Article 51a of MIFID II requires that at least “...10% of the subscribed capital...” is held by the public. However, by way of derogation from paragraph (4), paragraph (5) allows member states to establish alternative requirements, including in terms of Article 51a(5)(c) by referring to the “*the market value of the shares held by the public...*”. Moreover, the requirements of Articles 51a(5)(a) and (b) are also being complied with through the 200-investor threshold and the requirement on the part of the issuer to engage five distributors as will be explained more in detail further below in this section.

The MFSA has decided to apply the derogation and use alternative means, including *market capitalisation*, as a measure of “*market value*”, to determine the sufficient level of subscribed capital held by the public. On this basis, in its way forward, the MFSA refers to the market capitalisation as a proxy and instead of the subscribed capital.

Moreover, following the consultation and the corresponding feedback, the MFSA has decided to give greater importance to the offer size, together with the market capitalisation, when determining the required free float percentage of each issuer. Therefore, there would not be a one-size-fits-all approach.

The MFSA has also decided that the offer size would be set at €10 million, which offer size may be amended depending on the resulting free float percentage. The free float percentage would be determined by calculating the said offer size as a percentage of the market capitalisation.

Further to the above, and in any case, **the free float percentage shall never be below 10% of the market capitalisation of the issuer.** In this respect, those issuers for which the €10 million offer size would result in a free float percentage of less than 10%, would be required to increase their offer size at least until the minimum free float percentage of 10% is reached. However, those smaller issuers which, following this method, would have a free float percentage which is higher than the current 25% **will be allowed to keep the current 25% as their free float percentage**, even if the respective offer size would be smaller than the €10 million threshold mentioned in the preceding paragraph.

To this effect, for the purposes of better understanding the impact of the amended proposal, Table 1 below consists of three hypothetical examples of companies of different sizes highlighting how this proposal would work in practice. In this regard, Table 1 illustrates the following data in their respective columns:

- **Column 1 - Market capitalisation:** The market capitalisation is calculated by multiplying a company's share price by its total number of outstanding shares. Therefore, the market capitalisation determines the size of the company, wherein the larger the market capitalisation, the larger is the size of the company.
- **Column 2 - Offer size:** The offer size is the amount of shares being offered to the public and is set at a minimum of €10 million (or equivalent in other currency).
- **Column 3 - Calculated free float percentage:** The free float percentage is calculated by taking the offer size (€10 million) as a percentage of the market capitalisation (therefore, the calculation is €10 million divided by the respective market capitalisation, with the sum multiplied by 100 to obtain a percentage).
- **Column 4 - Actual (adjusted) free float percentage:** The actual free float percentage, as adjusted given that it shall not be less than 10% and it does not need to be greater than 25%. Hence, if the calculated free float percentage in Column 3 is lower than 10%, the offer size must be greater than €10 million so that the actual (adjusted) free float percentage would be at least 10%.

- **Column 5 - Actual (adjusted) offer size:** The actual offer size, as adjusted whereby if the calculated free float percentage in Column 3 is greater than 25%, the (adjusted) offer size may be reduced from the €10 million threshold, so that the free float percentage does not exceed 25%.

	Market capitalisation	Offer size	Calculated free float percentage	Actual (adjusted) free float percentage	Actual (adjusted) offer size
Issuer A	€104M	€10M	9.62%	10%	€10.4M
Issuer B	€53M	€10M	18.87%	18.87%	€10M
Issuer C	€33M	€10M	30.3%	25%	€8.25M

Table 1 – Illustrative example of the revised proposal

In the examples provided in Table 1 above, Issuer A has a relatively large market capitalisation (€104 million), with a calculated free float percentage (9.62%) which is lower than the required 10%. Therefore, its actual free float percentage was adjusted and increased to 10% (Column 4). Consequently, the actual (adjusted) offer size would be greater than the set €10 million (Column 2), at €10.4 million (Column 5).

On the other hand, Issuer C has a relatively small market capitalisation (€33 million), whereby the €10 million offer size results in a calculated free float percentage (30.3%) which is higher than the currently required minimum of 25%. Given that issuers are not required to have a free float percentage which is higher than 25%, Issuer C has adjusted its actual offer size by reducing it to €8.25 million (Column 5). In this way, the actual free float percentage, as adjusted, does not exceed the current 25% (Column 4).

Finally, Issuer B has a €53 million market capitalisation, with its calculated free float percentage at 18.87% (Column 3). Given that the calculated free float percentage is higher than the minimum of 10% and does not exceed the current 25%, the actual (adjusted) free float percentage (Column 4) would be the same as the calculated free float percentage

(Column 3), without the need to carry out any adjustments. Similarly, the actual (adjusted) offer size (Column 5) would be at the set €10 million (Column 2).

Further to the above, whilst in the amended proposal there is no direct reference to the different bands in view of the introduction of the offer size, it appears that the effect of the amended proposal is similar to that of the original proposal. This can be seen through Table 2 below which shows how the 34 equity issuers at the time the data for Table 2 was extracted, would have had their free float percentage calculated, had they applied for listing with either the original or the amended proposal in force. For illustration and comparative purposes, Table 2 conveys the resulting number of issuers that would have fallen under each band, as referred to in the original proposal, albeit the amended proposal not including direct reference to the bands. The classification under both proposals was therefore analysed in the light of the bands which were put forward by the MFSA in the original proposal.

	Number of existing issuers which would fall under this bracket from the original proposal under the original proposal	Number of existing issuers which would fall under this bracket from the original proposal under the amended proposal
10 – 14%	11	15
15 – 24%	5	4
25%	18	15

Table 2 – Illustrative example depicting the effect of the original and amendment proposal, split into different bands

Table 2, above, illustrates that under the original proposal, 11 out of the 34 existing issuers would have fallen under the 10 – 14% band. However, under the amended proposal, the number of issuers within the 10 – 14% increases to 15. Whilst not considered to be a significant difference, the Authority understands that the amended proposal appears to allow more issuers a lower public float than the original proposal.

Similarly, whilst under the original proposal, 18 out of the 34 existing issuers would have been required to hold 25% of their shares in public hands, under the amended proposal the

number of issuers falls to 15. This supports the understanding that the amended proposal requires less entities to hold a 25% free float percentage and allows more issuers to benefit from a smaller free float percentage than the original proposal.

On this basis, the Authority notes that the increased flexibility offered by the amended proposal is aligned with the objective of incentivising more entities to list on the local regulated markets.

In addition to the above, the originally proposed **200-investor threshold** and the newly proposed requirement of the issuer to **engage the services of five distributors** will be included in the conditions for admissibility. These thresholds can be waived by the MFSA in exceptional circumstances, when the Authority believes that despite the fact that these thresholds would not be reached, there is sufficient distribution in the market.

The MFSA believes that the final proposal provides this clarity and predictability whilst still allowing sufficient flexibility to the issuers in order to attract more equity issuers in the market.

This proposal would also be subject to regular review and adjustments by the Authority, as it is required and authorised to do by law.

4.0 Conclusion

The MFSA reiterates that this proposal as a standalone proposal would not solve issues such as those related to liquidity of the market but, as part of a holistic set of proposals, it would have an important role to play in increasing the available securities from the supply side.

The MFSA believes that this proposal is in line with the new Article 51a of the MIFID II and is a balanced, well-thought proposal, which takes into account the specific realities of the Maltese market, considering the data that the MFSA has at its disposal as part of its ongoing duties when it comes to listing and to the subsequent continuing obligations.

Subsequently, in order for the amended proposal to come into force locally, the necessary amendments will be made to the Financial Markets Act (Chapter 345 of the Laws of Malta) and to the MFSA's Capital Markets Rules, with the latter currently governing the free float

percentage requirement. Through the respective amendments, this proposal would become law and enter into effect following further notice.

Therefore, any company which opts to list its shares on the regulated market, following the entry into force, would be subject to these amended rules as to the percentage of shares they are required to cede in public hands.

At the time of issuance of this feedback statement, the correspondingly proposed amendments to the Financial Markets Act and the Capital Markets Rules are still subject to the respective approvals and undergoing the applicable legislative processes.

Any queries or requests for clarifications as to the contents of this document are to be addressed by email on CapitalMarkets@mfsa.mt.