

The Passionate Shepherd

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Listing

I. Check your vocabulary on capitalization

A public company may decide to list its securities on a formal securities exchange to raise capital from the public. An important benefit of listing on a securities exchange is that it increases _____ (1) of the securities, enabling investors to _____ (2) their shares into cash easily and efficiently. Another benefit of listing is that it provides access to currently quoted prices for securities. When a company becomes listed on a securities exchange or bourse (such as, for example, the London Stock Exchange, the NYSE Euronext, Nasdaq, Deutsche Börse AG, or the Australian Securities Exchange) its securities will become 'quoted', or admitted to the official list, and can then be _____ (3) on the market operated by the exchange. Many securities exchanges throughout the world are today themselves listed public companies.

Some exchanges operate a two-tier system which will include a market for mature companies, and a _____ (4) market, with more relaxed listing requirements, for smaller developing companies, including venture _____ (5) start-up companies. Many companies that initially list on the secondary market will later convert to listing on the main securities exchange.

Before a company can be admitted to the official list, it must satisfy certain _____ (6) preconditions. The listing authority may impose requirements concerning, for example, the minimum market capitalization and spread of shares for listing, and the company's governance structure. The listing authority may also _____ (7) the company to prepare a _____ (8) for any new securities which are to be issued to the public, as a precondition of admission to the official list.

Listing may affect the capital structure of companies. In general, companies possess considerable _____ (9) concerning the terms on which shares are issued and the rights attached to shares. Companies also generally have the power to issue different classes of shares. Listing, however, will sometimes _____ (10) this freedom, since the listing rules may provide for minimum voting rights, prohibiting dual class shares and other control enhancing mechanisms.

Companies may choose to list on more than one securities exchange, in order to _____ (11) finance in different capital markets. This practice, known as cross-listing, has been viewed by some commentators as a form of regulatory competition, which would inevitably result in further harmonization of governance practices across different jurisdictions. Nonetheless, the conspicuous trend in favour of cross-listing on US securities exchanges, appears to have been _____ (12) in recent times, following the introduction of more stringent regulation adopted in the wake of Enron and other corporate scandals.