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*The Equity Markets, Ownership Structures and Control: Towards an International Harmonisation?*

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*Existing ownership structures are relatively stable and adjusting slowly. The importance of the non-financial sector is diminishing in most European countries while foreign shareholders and institutional investors extend their stakes. These trends do not indicate that control in most European countries has shifted towards the markets: the non-financial sector still holds most of the large stakes and controls a significant number of small and large stock exchange listed companies in continental Europe.*

*This new evidence has important consequences on the existing research on the influence of legal aspects of external finance. Not only the ownership concentration but also the nature of the shareholding concentration must be added in those models.*

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Abstract

This paper provides an overview of the evolution of the equity markets and ownership structures in the nineties. Data on the equity markets show that the primary distinction between market-oriented and network-oriented systems must be readjusted. In some network-oriented countries equity markets became broader and more valuable. It seems that firms in network-oriented countries are seeking external capital without opting into legal systems that are more protective of minorities.

Existing ownership structures are relatively stable and adjusting slowly. The importance of the non-financial sector is diminishing in most European countries while foreign shareholders and institutional investors extend their stakes. These trends do not indicate that control in most European countries has shifted towards the markets: the non-financial sector still holds most of the large stakes and controls a significant number of small and large stock exchange listed companies in continental Europe.

This new evidence has important consequences on the existing research on the influence of legal aspects of external finance. Not only the ownership concentration but also the nature of the shareholding concentration must be added in those models.

**The Financial Markets, Ownership Structures and Control: Towards an International Harmonisation?**

## I. INTRODUCTION

Since the publication of "The Modern Corporation and Private Property" by Berle and Means a large literature on the separation of ownership and control emerged. Commentators identified two broad types of systems. The bank-oriented model is characterised by the concentration of shareholder power with banks and families and to a lesser extent the government. A market for corporate control was not developed. The market-oriented system is characterised by large and liquid equity markets without powerful shareholders and a developed market for corporate control.

Japan and Germany are identified as bank-based systems where companies raise most of their finance from banks that have close, long-term relationships with their customers. The banks tend to hold considerable equity portfolios themselves and often name representatives to the board. The ownership is highly concentrated and that has as a negative consequence a relative illiquid equity market. Take-overs are negotiated and the market for corporate control plays an insignificant role. Block-ownership facilitates control of management and limits executive compensation.
In a market-based system, like the U.K. and the U.S., the relations between companies and investors are at arm's length. Investors are interested in short-term returns. Equity markets are very liquid and the market for corporate control is highly developed. Table 1 gives an overview of the main differences of both systems.

Table 1: Bank-based and market based governance systems

| Governance system | Bank-based system | Market-based system |
|---|---|---|
| Ownership | concentrated | diffuse |
| Board | two tier or one tier | one tier |
| Equity markets | illiquid | very liquid |
| Take-over market | minor role | major role |
| Executive compensation | moderate | high |
| Banking system | universal | fragmented |

In more recent studies the qualification of the systems was redefined. Four groups of well-developed industrialised countries are identified: besides the market based system a network oriented system with three subsystems is introduced.[1] The latter contains Germanic countries, Latin countries and

[1] Other studies differentiate between the insider and the outsider systems, the former prevalent in Europe (ex. UK), Korea, Japan, ..., the latter in the U.S. and the U.K. (See M. MAHER en T. ANDERSSON, *Corporate performance: Effects on Firm Performance and Economic Growth*, paper presented at Tilburg University Law and Economics Conference on "Convergence and Diversity in Corporate Governance Regimes and Capital Markets", Eindhoven, November 4-5, 1999, 13-28).

Japan. The main characteristics of the three subsystems are identified in table 2.

The differences between these systems are a result of the legal and regulatory environment.
First, constraints on large investors arise from differences in company and bankruptcy law, portfolio regulation of financial institutions, tax laws, insider trading laws, disclosure rules and antitrust law. An example illustrates this thesis: initial public offerings represent a major turning point in the life of a company and frequently need a change of the company's legal status.[2] In Germany, for instance, the legal requirements for employee representation on the supervisory board of the "Aktiengesellschaft", discourages the selling of financial instruments on the market.[3]
Secondly, the rules on corporate finance of companies differ. Equity issuance and trading in equity are in some countries subject to a variety of taxes: loans and internal finance have a competitive advantage to equity finance.[4]

Table 2: Characteristics of the network oriented systems

| | Germanic | Latin | Japan |
|---|---|---|---|
| Ownership | moderate/high | high | moderate/low |
| Board | two tier | in general one tier | de facto one tier |
| Importance of equity markets | moderate/high | moderate | high |
| Take-over market | minor role | minor role | minor role |
| Perf.-dependant exec. compensation | low | moderate | low |
| Time horizon of economic relationships | long term | long term | long term |

Based on J. WEIMER and J. PAPE, "A taxonomy of systems of corporate governance", *Corporate Governance - An International Review* 1999, 154.

The complex ownership patterns caused by these differences in regulations were in most studies documented by aggregate figures on the distribution of ownership. These figures reveal nothing about the concentration of ownership, nor about the identity of the large shareholders. The data contain no information on the evolution of the ownership patterns. This study presents new material on the ownership, the identity of the large shareholders and recent developments of equity financing and ownership structures.

2 E. FERRAN, *Company Law and Corporate Finance*, Oxford, Oxford University Press, 1999, 72.
3 S. PROWSE, *Corporate governance in an international perspective*, Basle, Bank for International Settlements, Economic paper n° 41, July 1994, 27-28.
4 S. PROWSE, *Corporate governance in an international perspective*, Basle, Bank for International Settlements, Economic paper n° 41, July 1994, 25.

This paper is structured as follows. Part one gives an overview of the developments and importance of the equity markets. First some general data on the evolution of the number of stock exchange listed companies, the market capitalisation, the size of the listed companies and the ratio market capitalisation to GDP are presented. Secondly, equity issues are studied. The evolution of the number and the value of the initial public offerings indicates the convergence of some network-oriented and market-oriented countries. Equity issues of listed companies show a different pattern.
Part two starts with an analysis of the evolution of the shareholdings of different classes of investors. Section two describes the identity of important minority shareholders in four European countries. The third section of part two analyses recent data on major shareholdings: the voting block of the largest shareholder of different classes of companies is studied. Next, the class to which the majority shareholder belongs is identified. Finally, section five analyses the liquidity of the stock market and the importance of the different classes of investors. Part three concludes.

## II. Equity markets

### 1. General data

** number of companies*

In all countries the structure of corporate sectors is as follows. A large number of small companies are privately owned by individuals, families and partners. The number of companies set up as a public company differs quite substantially in the different European countries. In the U.K., Germany, Austria and the Netherlands only a small number of companies are public companies. In France, Belgium, Sweden, Spain and Switzerland the number is much larger.[5]

In all countries only a small proportion of those public companies are listed. Table 3 gives an overview of the evolution of the number of stock exchange listed companies in the different European countries, Japan and the U.S. In France, Germany and Spain the number of companies rose substantially. Among other possibilities, this seems to indicate that financing by public issues of equity became more important in these countries. This phenomenon took place in the second half of the nineties, whereas in the first half the number of listed companies remained unchanged in Germany and Spain.

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[5] See for some figures E. WYMEERSCH, "A Status Report on Corporate Governance in Some Continental European States", in *Comparative Corporate Governance - The State of the Art and Emerging Research*, K. HOPT, H. KANDA, M. ROE, E. WYMEERSCH en S. PRIGGE (eds.), Oxford, Clarendon Press, 1998, 1049.

One should take note that the definition is crucial: some stock exchanges only include those companies listed on the official market while other stock exchanges also include those companies listed on other markets; some countries, like Spain, include the investment funds in the figures, ...

Table 3: Evolution of the number of stock exchange listed companies (1990-1999)

| | 1990 | 1993 | 1996 | 1999 | growth 1990-99 |
|---|---|---|---|---|---|
| **Network-oriented** | | | | | |
| Belgium | 182 | 159 | 136 | 140 | -23.1% |
| France | 443 | 726 | 686 | 968** | 118.5% |
| Germany | 548 | 568 | 579 | 1043 | 90.3% |
| Italy | 257 | 242 | 244 | 247 | -3.9% |
| Netherlands | 222 | 239 | 217 | 233 | 5.0% |
| Spain | 429 | 404* | 357 | 718 | 67.4% |
| Japan (Tokyo) | 1627 | 1667 | 1766 | 1892 | 16,3% |
| **Market-oriented** | | | | | |
| U.K. | 1946 | 1927 | 2339 | 2292 | 17.8% |
| USA NYSE | 1774 | 1945 | 2476 | 2631 | 48.3% |
| USA Nasdaq | 3876 | 4310 | 5167 | 4829 | 24.6% |
| USA Amex | 789 | 814 | 688 | 650*** | -17.5% |

*: 1992; **: Marché libre excluded; ***: 1998

Source: FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq and NYSE.

**Market capitalisation*

The development of the financial markets is not only measured by the number of stock exchange listed companies but also by the intensity of the use of the securities markets, measured by market capitalisation and by the relationship between market capitalisation and GDP.

Table 4 indicates that during the nineties the differences between the market-based system and the network-based system diminished while other differences emerged. The equity markets of the U.S., Germany, France and the Netherlands grew much more than the markets in Japan, Belgium and the U.K.

The patterns of growth of the different equity markets diverged: the market capitalisation of individual companies listed on Nasdaq rose significantly. The same pattern, although to a lesser extent can be found in Italy, the

Netherlands and Belgium, while in Spain, Germany and France the growth was driven by new listings (table 5).[6] In the latter countries the average individual capitalisation of a stock exchange listed company only doubled during the nineties, while in the former the growth reached between 272% in Belgium and 991% for Nasdaq listed companies.

Table 4: Market capitalisation of stock exchanges (1990-1999)

| in bill. $ | 1990 | 1993 | 1996 | 1999 | growth 90-99 |
|---|---|---|---|---|---|
| **Network-oriented** | | | | | |
| Belgium | 65,4 | 78,2 | 119,1 | 187,3 | 186,4% |
| France | 311,7 | 455,5 | 587,0 | 1508,8 | 384,1% |
| Germany | 355,3 | 460,8 | 664,9 | 1437,7 | 304,7% |
| Italy | 148,8 | 145,3 | 256,6 | 731,1 | 391,3% |
| Netherlands | 119,8 | 182,6 | 375,4 | 697,9 | 482,6% |
| Spain | 111,4 | 118,9 | 241,0 | 432,6 | 288,3% |
| Japan | 2928,5 | 2906,3 | 3011,2 | 4200,0 | 43,4% |
| **Market-oriented** | | | | | |
| U.K. | 850,0 | 1150,6 | 1642,6 | 2966,0 | 248,9% |
| USA (NYSE) | 2692,1 | 4213,0 | 6842,0 | 11564,0 | 329,6% |
| USA (Nasdaq) | 310,8 | 791,7 | 1511,8 | 4226,2 | 1259,8% |

Source: FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq and NYSE.

** Size of listed companies by market capitalisation*

In the beginning of the nineties only very large companies were listed on the NYSE and in Japan, while on Nasdaq and to a lesser extent in Spain and Belgium small companies raised equity capital in the public market. In 1999, on average the largest companies could not only be found at the NYSE but also at the Italian and the Dutch stock exchange. Companies listed in France, Belgium, Germany and the U.K. have on average the same size. The difference between the London Stock Exchange and the other large continental European Exchanges diminished significantly.

It is said that in larger companies, where the shareholding is already atomised, shareholders will not resist new equity issues, where companies in the hands of a few individuals will use their right of first refusal if the issue is not on a pre-emptive base and the proprietors do not possess the capital to subscribe the issue. Part 2 will examine whether the evolution of the

6 for a more detailed analysis, cf. infra table 7.

differences of the size of companies influences the capital structure. This paper will also show to what extent ownership structure diverges from voting control.

Table 5: Evolution of the average market capitalisation of listed companies (1990-99)

| in mln. $ | 1990 | 1993 | 1996 | 1999 | growth 90-99 |
|---|---|---|---|---|---|
| **Network-oriented** | | | | | |
| Belgium | 359,3 | 491,8 | 875,7 | 1337,8 | 272,3% |
| France | 703,6 | 627,4 | 855,7 | 1558,7 | 121,5% |
| Germany | 648,4 | 811,3 | 1148,4 | 1378,5 | 112,6% |
| Italy | 579,0 | 600,4 | 1051,6 | 2959,8 | 411,2% |
| Netherlands | 539,6 | 764,0 | 1730,0 | 2995,3 | 455,0% |
| Spain | 259,7 | 294,3 | 675,1 | 602,5 | 132,0% |
| Japan | 1799,9 | 1743,4 | 1705,1 | 2285,1 | 27,0% |
| **Market-oriented** | | | | | |
| U.K. | 436,8 | 597,1 | 702,3 | 1294,1 | 196,3% |
| USA (NYSE) | 1517,5 | 2166,1 | 2763,3 | 4395,3 | 189,6% |
| USA (Nasdaq) | 80,2 | 183,7 | 292,6 | 875,2 | 991,4% |

Source: own calculations based on data of FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq and NYSE.

** Capitalisation to GDP*

As table 6 shows, equity finance by the public market was insignificant in Italy, Sweden, France, Germany, Belgium and Spain in 1975. In those countries the market capitalisation of quoted companies was less than 15% of GDP. By 1990 this pattern had not substantially changed: market capitalisation figures rose quicker than GDP but except for Sweden the percentages of those countries were lower in 1990 than those for the U.K. and U.S. in 1975.

Since 1990 the picture changed substantially. In Switzerland and the Netherlands the stock markets are in 1999 at least as important as in the U.S., while even in France the market capitalisation became higher than GDP. In the second half of last decade the ratio market capitalisation to GDP rose significantly in Germany, Italy and Spain.
Table 6: Evolution of market capitalisation as percent of GDP (1990-1999)

| | 1975 | 1980 | 1985 | 1990 | 1994 | 1996 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|
| **Network-oriented** | | | | | | | | |
| Belgium | 15% | 8% | 26% | 33% | 36% | 44% | 97,5% | 75,4% |
| France | 10% | 8% | 15% | 26% | 34% | 38% | 67,8% | 105,3% |
| Germany | 12% | 9% | 29% | 22% | 24% | 28% | 50,6% | 68,1% |
| Italy | 5% | 6% | 14% | 14% | 18% | 21% | 47,9% | 62,4% |
| Japan | 28% | 36% | 71% | 99% | 77% | 66% | 64,5% | 102,5% |
| Netherlands | 21% | 17% | 47% | 42% | 67% | 95% | 157,6% | 177,3% |
| Spain | | 8% | 12% | 23% | 25% | 33% | 71,9% | 72,6% |
| Sweden | 3% | 10% | 37% | 40% | 66% | 95% | 122,3% | 156,3% |
| Switzerland | 30% | 42% | 91% | 69% | 109% | 136% | 259,4% | 267,5% |
| **Market-oriented** | | | | | | | | |
| U.K. | 37% | 38% | 77% | 87% | 114% | 142% | 167,3% | 198,0% |
| U.S. | 48% | 50% | 57% | 56% | 75% | 114% | 157,0% | 181,1% |

Source: own calculations based on data of FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq, NYSE and OECD.

## 2. Equity financing

** Initial public offerings*

Another aspect of convergence between countries of the network-oriented and market-oriented system is illustrated in table 7. During recent years there have been many new listings on most markets. The growth has been unevenly spread: large markets like the NYSE were growing at a lower percentage rate than smaller markets like France. The primary market of Belgium and Italy is lagging behind.

The emergence and survival of new firms is affected by the possibility and cost of obtaining finance. It is said that in a network-oriented system new firms may find it very hard to obtain equity finance. In a market-oriented system external funding is more important. So, a way of measuring the convergence of countries belonging to those two different groups, is comparing the volume of equity finance raised by initial public offerings. In order to compare those figures between countries the ratio between the market value of the initial public offerings and GDP was calculated in table 8.

Table 7: Number of initial public offerings during the nineties

| | 1990-92 | 1993-95 | 1996 | 1997 | 1998 | 1999 | Total | Total nev total 199 |
|---|---|---|---|---|---|---|---|---|
| **Network-oriented** | | | | | | | | |
| Belgium | 5 | 4 | 8 | 13 | 19 | 24 | 73 | 40,1 |
| France | 58 | 83 | 57 | 82 | 226 | 75 | 581 | 131,2 |
| Germany | 51 | 39 | 20 | 35 | 67 | 168 | 380 | 69,3 |
| Italy | 18 | 26 | 15 | 13 | 21 | 31 | 124 | 48,2 |
| Netherlands | 14 | 22 | 6 | 15 | 22 | 17 | 96 | 43,2 |
| Spain | 102 | 78 | 11 | 43 | 111 | 10* | 355 | 82,8 |
| **Market-oriented** | | | | | | | | |
| U.K. | 386 | 540 | 345 | 217 | 169 | 198 | 1855 | 95,3 |
| NYSE | 465 | 527 | 219 | 210 | 162 | 49 | 1632 | 62,0 |
| Nasdaq | 772 | 1328 | 598 | 453 | 437 | 485 | 4073 | 84,3 |
| Amex | 185 | 240 | 92 | 91 | 92 | 11 | 711 | |

Source: FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq and NYSE.

The figures do no longer confirm one of the differences between market-oriented and network-oriented systems. Between 1990 and 1997 U.S. and U.K. companies raised on average each year 1% of GDP as equity capital.[7] During that same period continental European companies raised on average only a small fraction of a percent of GDP as equity. The percent is substantially higher in years in which a large privatisation took place, like Deutsche Telekom in 1996.
In 1998 and 1999 the funding by equity in network-oriented systems is as high or higher as in the network oriented system. Especially in Spain, Germany and Italy the 1999 initial public offerings raised more equity than those in the U.K.. In 1998 the highest percentages can be found in France and Spain. The 1999 figure for Spain includes the important initial public offerings of R.E.E. and T.P.I.. In Italy more than 60% of the value of the 1999 equity issues resulted from the privatisation of Enel.

The figures for the Netherlands are difficult to compare. Since 1990 equity financing has become a major source of finance. Between 1963 and 1989 the issue of equity was almost zero.[8] A major part of the issues in the

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7 Except between 1990 and 1992 where U.S. companies raised on average 0,51% of GDP as equity capital.

8 L. SCHOLTENS, “De veranderende rol van de beurs in de samenleving”, *Ondernemingsrecht* 1999, 446.

nineties are due to privatisations - DSM, KPN, Postbank - and the reduction of stakes by the government - ING, KLM. Still, in 1999 the initial public offerings of UPC, Versatel, Libertel, KPNQuest and Foxkids raised more than 3 percent of GDP as equity capital.

Table 8: Equity raised by initial public offerings as per cent to GDP (1990-1999)

| | 1990-92 average | 1993-95 average | 1996 | 1997 | 1998 | 1999 | 1990-99 average |
|---|---|---|---|---|---|---|---|
| **Network-oriented** | | | | | | | |
| Belgium | 0,04% | 0,09% | 0,46% | 0,25% | 0,52% | 0,72% | 0,24% |
| France | 0,23% | 0,21% | 0,09% | 0,65% | 1,12% | 0,55% | 0,41% |
| Germany | 0,10% | 0,11% | 0,65% | 0,15% | 0,20% | 1,02% | 0,26% |
| Italy | 0,18% | 0,51% | 0,19% | 0,09% | 0,19% | 2,53% | 0,55% |
| Netherlands | 2,37% | 2,31% | 1,12% | 2,40% | 4,43% | 8,58% | 3,06% |
| Spain | 0,15% | 0,20% | 0,20% | 0,22% | 1,14% | 5,07% | 0,73% |
| **Market-oriented** | | | | | | | |
| U.K. | 0,93% | 1,00% | 1,29% | 0,93% | 0,82% | 0,69% | 0,90% |
| USA | 0,51% | 0,88% | 1,13% | 0,89% | 0,82% | 1,23% | 0,82% |

Source: own calculations based on data of FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq, NYSE and OECD.

** other equity issues*

Data on the equity financing by stock exchange listed companies is presented in table 9. Again, the highest figures can be found in the Netherlands where each year listed companies raise equity equal to more than 3 percent of GDP. There seems no clear explanation for the major differences of equity financing in the Netherlands and the other countries. It is an open question whether the specific organisation of ownership and control of Dutch companies can explain this difference in equity financing.

French, Spanish and Belgian companies, although all belonging to the Latin network-oriented system tap the market differently. The data show that external financing by Belgian companies is limited while French and Spanish companies raise on average almost as much equity through new equity issuances as U.S. listed companies. Note that the 1999 average of Spain is highly influenced by the capital increase of Repsol.

Italian companies do not frequently issue new shares. The average for Italian listed companies is, like for the Belgian companies, lagging behind the other network-oriented countries. The 1999 figure is rather exceptional: 90% of the equity raising is directly linked with the take-over of Telecom by Olivetti and Tecnost.

German listed companies raise even less equity capital. One possible explanation could be that after the flotation of the company the founders of German, and also Italian and Belgian companies do not want to dilute their stakes.
French companies can raise equity without losing control. Double voting rights are a major factor in the French corporate governance system. Those aspects are examined in part 3 of this paper.

Table 9: Equity raised by already listed companies as per cent of GDP (1990-1999)(share buy backs excluded)

| | 1990-92 average | 1993-95 average | 1996 | 1997 | 1998 | 1999 | 1990-99 average |
|---|---|---|---|---|---|---|---|
| **Network-oriented** | | | | | | | |
| Belgium | 0,18% | 0,30% | 0,68% | 0,47% | 0,66% | 0,34% | 0,36% |
| France | 0,62% | 1,12% | 0,80% | 0,86% | 1,12% | 1,55% | 0,96% |
| Germany | 0,62% | 0,68% | 0,19% | 0,29% | 0,92% | 0,45% | 0,57% |
| Italy | 0,43% | 0,83% | 0,18% | 0,43% | 0,81% | 2,15% | 0,74% |
| Netherlands | 1,87% | 3,29% | 2,47% | 3,04% | 6,71% | 8,87% | 3,66% |
| Spain | 0,86% | - | 0,68% | 0,40% | 1,07% | 5,48% | 1,02% |
| **Market-oriented** | | | | | | | |
| U.K. | 1,36% | 1,67% | 1,21% | 0,84% | 0,80% | 1,28% | 1,32% |
| USA | 0,54% | 1,13% | 1,87% | 2,04% | 1,61% | 1,18% | 1,17% |

Source: own calculations based on data of FIBV, FESE, Bourse de Paris, Italian, Belgian and Tokyo Stock Exchanges, Nasdaq, NYSE and OECD.

A possible explanation of the differences between France and other network-oriented countries could be that the one-share one-vote principle in the latter countries reduces the attractiveness of raising equity capital. Further research is necessary to conclude whether these findings are in line with the view of La Porta e.a.[9]. They concluded that the German equity

9 R. LA PORTA, F. LOPEZ-DE-SILANES, A. SHLEIFER and R. VISHNY, "Legal Determinants of External Finance*", Journal of Finance* 1997, 1131-1150.

market is broader than these belonging to the French legal system. They argue that the German law system offers better protection for minority shareholders. La Porta e.a. found that in countries where this protection is better, equity markets are broader.

### 3. Preliminary conclusion

The importance of the stock market for equity financing has risen substantially in all countries. The second half of the 1990s are characterised by a large number of initial public offerings and equity issues by listed companies. This was not only the case in countries belonging to the market based system, but also in countries belonging to the network-oriented economies.

The patterns of growth converged: some differences between network-oriented systems and market-oriented systems have disappeared. However, other differences between network-oriented countries emerged. The importance of the equity markets as measured by market capitalisation to GDP and by equity financing no longer is a discriminating variable.

## III. Evolution of ownership and control in the nineties

### 1. Introduction

At the end of the eighties and in the beginning of the nineties the ownership structure was analysed by the portfolio composition of the different classes of shareholders.[10] This information was used to explain among other things the existence or absence of an active market for corporate control: when the individuals own a large portion of the shares the degree of concentration will be low and mechanisms to influence managerial decision-making are absent.[11] While this can be the case for the U.S. and to a lesser extent the U.K., that conclusion can not be drawn for Europe.

The first study which considered the concentration of ownership and the identity of the large shareholders in Europe was published by Franks and Mayer.[12] They observed that the pattern of ownership as described by Berle and Means are by no means universal. In most European countries

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[10] See e.g., CENTRE FOR EUROPEAN POLICY STUDIES, *Corporate governance in Europe*, Brussels, 1995, 12-15; G. GELAUFF en C. DEN BROEDER, *Governance of stakeholder relationships: the German and Dutch experience*, CPB, Den Haag, 1996, esp. 54-56.

[11] J. WEIMER and J. PAPE, "A taxonomy of systems of corporate governance", *Corporate Governance - An International Review* 1999, 156.

[12] J. FRANKS and C. MAYER, "Corporate Ownership and Control in the U.K., Germany and France", *Journal of Applied Corporate Finance*, 1997, reprinted in *Studies in International Corporate Finance and Governance Systems*, D. CHEW (ed.), Oxford, Oxford University Press, 1997, 281.

ownership is concentrated. In 1990, almost 85% of the German and 80% of the French large listed non-financial companies had at least one shareholder with 25% of the shares.

The study of Franks and Mayer was expanded by La Porta, Lopez-de-Silanes and Shleifer who identified for 27 wealthy economies the ultimate controlling shareholders of the 20 largest and 10 medium-sized firms in 1995.[13] They classify a company as a controlled firm when a shareholder's direct and indirect voting rights exceed 20 per cent. The main results of their research are presented in table 10.

As table 10 shows less than 25% of the companies in Belgium, Italy, the Netherlands, Sweden and Spain have no major shareholder. Families, the state, or trusts in the Netherlands, are the most important shareholders.[14] The number of German, French and Swiss companies having the same classes of major shareholders is also significant. The typical Berle and Means corporation can be found in the U.S., the U.K. and in Japan.
The authors of the study explain those differences in voting structure by the poor legal protection of minority shareholders in the former states. Only radical legal reforms which give shareholders explicit rights to prevent expropriation could change this ownership structure.

Table 10: Control of large and medium publicly traded firms in eleven countries

| | Widely held (no shareh. >20%) | Family | State | Widely held Financial | Widely held comp. | Miscel-laneous | number of comp. |
|---|---|---|---|---|---|---|---|
| Belgium | 10,0% | 46,7% | 13,3% | 23,3% | | 6,7% | 30 |
| France | 40,0% | 30,0% | 16,7% | 10,0% | | 3,3% | 30 |
| Germany | 36,7% | 20,0% | 23,3% | 16,7% | 3,3% | | 30 |
| Italy | 13,3% | 30,0% | 30,0% | 3,3% | 6,7% | 16,7% | 30 |
| Netherlands | 23,3% | 20,0% | 6,7% | | 10,0% | 40,0% | 30 |
| Spain | 23,3% | 20,0% | 26,7% | 20,0% | 10,0% | | 30 |
| Switzerland | 56,7% | 36,7% | | 3,3% | | 3,3% | 30 |
| Sweden | 20,0% | 50,0% | 13,3% | 10,0% | | 6,7% | 30 |
| U.K. | 86,7% | 13,3% | | | | | 30 |
| U.S. | 83,3% | 16,7% | | | | | 30 |
| Japan | 70,0% | 6,7% | 3,3% | | | 20,0% | 30 |

R. LA PORTA, F. LOPEZ-DE-SILANES and A. SHLEIFER, "Corporate Ownership Around the World", *Journal of Finance* 1999, 492-494, table 2 and 3.

13 R. LA PORTA, F. LOPEZ-DE-SILANES and A. SHLEIFER, "Corporate Ownership Around the World", *Journal of Finance* 1999, 471-517.

14 In Belgium the widely held financial companies also have an important role. It is not clear which companies are included: it could be that Paribas who controlled several listed Belgian companies is included in this figure.

The European Corporate Governance Network analysed the voting structures in nine OECD countries.[15] Again, this database only contains data on one specific year. The composition of the database and the methodology differed substantially between the different countries. This hampers international comparison. The concentration of voting blocks are very high in Austria, Germany, Italy, the Netherlands, Spain and Belgium. In other countries, like France and the U.K. they found a lower concentration. However, for those countries only a relatively small number or only the largest companies were included in the database.

## 2. Data collection

** Major shareholdings*

This paper is based on a new database of ownership and voting structure of companies from 6 European countries: Belgium, Germany, France, Spain, Italy and the U.K.
All those countries had to implement the Council Directive 88/627/EEC of 12 December 1988 on the information to be published when a major holding in a listed company is acquired or disposed of.[16]
Natural persons and legal entities in public or private law who acquire, dispose or hold directly or through intermediaries holdings in companies whose shares are officially listed on a Stock Exchange in a member state that reaches, exceeds or falls below 10%, 20%, 1/3, 50% or 2/3 must inform the company and the competent authority of the proportion of the voting rights he holds.[17] The threshold of 20% and 1/3 need not to be applied where the Member States apply the single threshold of 25%. The declarations must be disclosed to the public not more than nine calendar days after the receipt by the company.[18]
Article 6 and 7 explain which voting rights should be attributed to the declarant: the most important attributions are the voting rights belonging to subsidiaries, concert parties, nominees and trustees and deposited shares.

Table 11 informs on the laws which implemented the Directive in the different European States. In most Member States the implementation of the Directive created difficulties which cannot be discussed in this paper.[19]

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15 For an overview see M. BECHT and A. ROELL, "Blockholdings in Europe: an international comparison*", European Economic Review* 1999, 1049-1056.

16 *O.J. L* 348, December 17 1988, 62-65.

17 Article 1, 4, 5 and 6 of the Directive.

18 Article 10 of the Directive.

19 See for Germany M. BECHT en E. BOEHMER, *Transparency of Ownership and Control in Germany*, Universität Osnabrück, Working Paper n° 69, 1998, 91 p.; for Belgium F. DE BAUW, "La déclaration des participations importantes dans les sociétés cotées en bourse (Loi du 2 mars 1989 et arrêté royal du 10 mai 1989)", *T.B.H.* 1990, 306-307; for the UK read Davies: "the basic principle is easy enough to state, though its detailed implementation has led to some

The Directive imposes only minimum standards and all member states require the disclosure at other thresholds than the ones imposed by the Directive.
In France and Germany the law states that crossing the 5% threshold must be notified. The latter uses the 25% exemption. This deteriorates the reliability of the data.
In Belgium and Spain every multiple of 5% must be declared. In the former the articles of association of a company can implement a threshold of 3%. About 1/4 of all listed companies include in their bylaws the 3% threshold.
In the U.K. and in Italy each fluctuation exceeding a 1% level must be disclosed, from 3% on in the former state and from 2% on in the latter. The 1998 reform in Italy confirmed the 2% threshold and left the Consob defining the other thresholds. The Consob regulation defines that a disclosure is due when the relevant holding crosses the thresholds of 5%, 7,5% and all the multiples of 5%.[20]
In the U.K. directors must disclose every share they hold in the company.[21] Those data are included in the analysis.

Table 11: Implementation of the major shareholdings directive in the member states

| | | |
|---|---|---|
| Belgium | Loi relative à la publicité des participations importantes dans les sociétés cotées en bourse et réglementant les offres publiques d'acquisitions - Wet op de openbaarmaking van belangrijke deelnemingen in ter beurze genoteerde vennootschappen en tot reglementering van de openbare overnamebiedingen | March 2, 1989 |
| France | Loi n° 89-531. Sécurité et transparence du marché financier, changing or introducing articles 356-1 and following of the Loi n° 66-537 du 24 juillet 1966 sur les sociétés commerciales | August 2, 1989 |
| Germany | Wertpapierhandelsgesetz[22] | July 24, 1994 |
| Italy | Artt. 1/5 up to 1/5-bis legge nr. 216/74 modified by legge 149/92[23] | June 7, 1974 |
| Spain | Real decreto 377/1991 sobre comunicacion de participaciones significativas en sociedades cotizadas y de adquisiciones por estas de acciones propias | March 15, 1991 |
| U.K. | Disclosure of Interest in Shares (Amendment) Regulations 1993 (SI | Sept. 18, 1993 |

horrendously complex rules" in (P. DAVIES, *Gower's Principles of Modern Company Law*, London, Sweet&Maxwell, 6° ed., 1997, 486; for the Netherlands: S. PERRICK, "De nieuwe Wet Melding Zeggenschap", *T.V.V.S.* 1997, 97. In the Netherlands, due to the different calculation of the numerator and the denominator, declarations of more than 100% frequently occur.

20 M. BIANCHI, M. BIANCO and L. ENRIQUES*, Pyramidal Groups and The Separation between Ownership and Control in Italy*, paper presented at the European Corporate Governance Network Conference "Ownership and Control: A European perspective", Milan, November 4-5, 1998, 10.

21 Section 324 Companies Act 1985.

22 Substantially changed in 1998 by Gesetz über den Wertpapierhandel in der Fassung der Bekanntmachung vom 9. september 1998 (*BGBl.* I S. 2708).

23 Significantly changed in 1998 by legge nr. 58/1998 and Regolamento di attuazione degli articoli 120, comma 4 e 122, comma 2, del decreto legislativo 24 febbraio 1998, n. 58, in materia di comunicazione delle partecipazioni rilevanti e di trasparenza dei patti parasociali (Adottato dalla Consob con delibera n. 11715 del 24 novembre 1998)

1993/1819) changing Companies Act 1985, section 198 and following

Although article 10 of the Directive explicitly requires the company or the competent authority to disclose the notifications to the public, the member states complied in a substantially different manner. Therefore the data on corporate ownership are often difficult to assemble. In addition, the presentation of the notifications differs throughout the member states, making the analysis even more complicated. For some countries it was necessary to use the stored information in other databases. Table 12 gives an overview of the source of the data used in this paper.

The databases of the "Bundesaufsichtsamt für den Wertpapierhandel" (Germany), the "Commissione Nazionale per le Societa' e la Borsa" (Italy) and the "Comision Nacional del Mercado de Valores" (Spain) are overwritten regularly or each time a declaration is notified, so a print of the data of all companies at the end of 1999 was made.

Table 12: Sources of information

| | |
|---|---|
| Belgium | 1990 data: Annual reports of companies; Memento der Effecten;<br>1999 data: Notifications published by the Brussels stock exchange in the financial newspapers "Financieel-Economische Tijd" and the "Echo de la Bourse" and annual reports of companies |
| France | 1990 data: J. FRANKS and C. MAYER, "Corporate Ownership and control in the U.K., Germany and France*", Journal of Applied Corporate Finance*, 1997, reprinted in *Studies in International Corporate Finance and Governance Systems*, D. CHEW (ed.), Oxford, Oxford University Press, 1997, 281-296;<br>1996 data: Dafsa, Des Liens Financiers, 2 volumes, 1998, 2436 p. (capital rights);<br>1999 data: Annual reports of companies (voting and capital rights); Database Bourse de Paris at http://www.bourse-de-paris/fr/frnews7/fsg710.htm ("déclarations de franchissement de seuil"and "conventions d'actionnaires") |
| Germany | 1990 data: J. FRANKS and C. MAYER, "Corporate Ownership and control in the U.K., Germany and France*", Journal of Applied Corporate Finance*, 1997, reprinted in *Studies in International Corporate Finance and Governance Systems*, D. CHEW (ed.), Oxford, Oxford University Press, 1997, 281-296;<br>1999 data: Hoppenstedt Aktienführer 2000/ Bundesaufsichtsamt für den Wertpapierhandel - Datenbank für bedeutenden Stimmrechtanteile: http://www.bawe.de/db_site.htm |
| Italy | 1992 data: Commissione Nazionale per le Societa' e la Borsa, Bollettino.<br>1999 data: Commissione Nazionale per le Societa' e la Borsa database consulted at http://www.consob.it/trasparenza_soc_quot/assprop/attuale/menu.htm |
| Spain | 1999 data: Database of the Comision Nacional del Mercado de Valores http://www.cnmv.es/english/queries/reg_ofi_ent_emisoras/reg_ofi_ent_emi.htm |
| U.K. | 1994 data: Crawford's Directory of City Connections, London, 1995, 1160 p. |
| Stoxx 50 | 1998/1999 data: Hoppenstedt Aktienführer 2000/ Annual reports of companies |

For the U.K. no recent public data are available for free. No reliable public databases could be found. Recently, Goergen and Renneboog state: "The London Stock Exchange (LSE) covers the changes in an on-line Regulatory News Service but does not store any information. These LSE data are collected and stored by Extel Financial, which cannot make data accessible electronically but publishes a Weekly Official Intelligence Report. Copies of the hardcopy notifications have been available since 1992 at substantial cost (for this information £15,000 is charged)."[24]

** Voting rights - Voting blocks*

In some countries, like Belgium, the notified stakes reveal not only the real but also the potential voting rights. The database of other countries, like Spain, do not contain information on the potential voting rights. Therefore only real voting rights are included in the analysis.

The analysis focuses on voting blocks which for most companies coincide with group blocks.

** Capitalisation*

Capitalisation figures of each company were delivered by the national stock exchanges. For U.K. companies the market capitalisation published in the financial pages of the Financial Times is used. The market capitalisation of German companies was found in Börse Online-Statistik.

## 3. Methodology

** Classification of the shareholders*

Some hypotheses have been made to classify shareholders in nine different classes: Individuals, non-financial companies, public authorities, foundations, banks, insurance companies, pension funds, investment funds, foreign shareholders.

Usually, consolidated figures are used. As information on "acting in concert" was not available in all the member states due to the use of different databases, the analysis was made as if no concert action takes place. For Italy and Belgium data on the blockholding of the concert parties are available. Those data are added but not integrated in the model.

[24] M. GOERGEN and L. RENNEBOOG, *Strong Managers and Passive Institutional Investors in the UK*, paper presented at the European Corporate Governance Network Conference "Ownership and Control: A European perspective", Milan, November 4-5, 1998, note 21.

- Individuals, non-financial companies and foundations

Individuals who notify their shareholdings are often families. If the latter declares their stake as a group, the consolidated figure is used. If each member of the family declares a stake, the different notifications are not summed up. From a point of view of "control" this means that the figures are at the bottom end. The same method is applied when the founding shareholders of the firm are mentioned. Especially for recent German initial public offerings the data seem to indicate that control has shifted to the markets, while it seems reasonable to assume that the founding members still control the company.

In some cases it was difficult to differentiate between families and non-financial companies. Families often use holding companies as an investment vehicle to control indirectly a variety of listed companies. This is especially the case in Belgium, Italy and France. When the data indicate who controls the holding company - like the French notifications - the stakes are counted as family controlled stakes. In the other cases where the control chain was less clear, the direct stake was mentioned as a non-financial company stake. Belgium and Italy are famous for their pyramid structures. This implies that the figures for some member states are underestimating the real influence of families in listed companies.

Individuals include also employee ownership. The number of declarations of this class was very small. In some French cases the stakes of employees are managed by a fund manager. Those figures are included in the "investment fund" figure.

For the U.K. only the aggregated number of shares of the board of directors is available. In a significant number of cases the board "controls" the company. However, it is not known whether the members are acting in concert. Therefore, the board of directors is mentioned as a separate class in the table on majority shareholders.

About the structure of foundations no information is available. For this reason this class is kept separate.

- Public authorities

This class includes not only the national government but also local communities and cities. For Spain it was not possible to identify the government as "ultimate shareholder". Therefore, it is reasonable to assume that the Spanish data underestimate the influence of the government.

- Banks and insurance companies

The globalization of the financial sector created large financial groups offering a wide range of financial services including insurance. The Dutch-Belgian Fortis group offers insurance services but, after the take-over of the largest Belgian bank, Generale Bank, the banking activity became more important than the insurance services. If financial groups are offering all services the main historical activity was used to determine the class: in the case of Fortis Group, insurance services.

- Investment funds, pension funds and “other financial”

Those three classes rarely declare major shareholdings in stock exchange listed companies. Only if thresholds are beneath 5%, like in Italy and in some Belgian companies, some stakes are notified.[25]

In the U.K. the stakes of pension and investment funds are generally managed by fund managers. The relationship between the latter and other entities like custodians is rather unclear.[26] Voting rights belonging to these entities were therefore mentioned as “other financial”.

- Foreign shareholders

Foreign shareholders are not specified in detail. All classes are summed up. In some cases the determination of the nationality of the shareholder was rather tricky. This was especially the case when a major shareholder has a foreign majority parent, like AGF in France or Cobepa in Belgium. The stakes belonging to the latter controlled by a foreign shareholder are treated as if they belong to a “national” shareholder. This method is preferred as not all “ultimate” shareholders are known.

** Free float*

The sum of all stakes is never 100%. The other stakes are unidentified. In continental European companies, with their typical large stable shareholders only the unidentified stakes - the free float - are traded on the market. This explains the illiquid continental markets.

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25 In the U.K. only stakes of more than 5% are mentioned in Crawford’s Directory.

26 See G. STAPLEDON and J. BATES, *Enhancing efficiency in corporate governance: how recognising the nature of modern shareholding can lead to a simplified voting process*, paper presented at Tilburg University Law and Economics Conference on “Convergence and Diversity in Corporate Governance Regimes and Capital Markets”, Eindhoven, November 4-5, 1999, 42 p.

** Averages and medians*

To compute the concentration and distribution of blockholder stakes, different aggregation methods can be used. In this model the mean and the total ownership of the notified voting rights is calculated as follows:

$$\text{Mean} = (\ PCTL_i\ ) / N$$

with PCTL = percentage of voting rights of the largest identified shareholder;
i = firm belonging to the population;
N = population of companies

$$\text{Total ownership of class j of shareholders} = (PCT_{ij} * V_i)$$

with PCT = percentage of voting rights of an identified shareholder
j = class to which the shareholder belongs (i.e. individual, non-financial company, public authority, foundation, bank, insurance company, investment fund, pension fund, other identified financial).
$V_i$= market capitalisation of company i.

The total value of class j of shareholders is presented as a percentage of the market capitalisation of all companies.

** Portfolio composition*

Section 4 starts with a descriptive analysis of the evolution of the national ownership structure of listed companies. These figures are based on the portfolios of the different classes of investors. Except for Belgium, for which own calculations are made, the figures stem from different sources.[27] The

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[27] Germany: 1990: H. HANSEN, "Die Beteiligungsverhältnisse am deutschen Aktienmarkt*", Die Aktiengesellschaft*, 1996, R88; 1998: DAI, *Privater Aktienbesitz in Deutschland: Aufwärtstrend setzt sich fort*, Frankfurt am Main 1999, 5.
France: 1990: FESE, *Shareownership stucture in Europe*, Brussels, 1995; 1998: M. CHOCRON, H. GRANDJEAN and L. MARCHAND, "Les Marchés des Capitaux", *Bulletin de la Banque de France*, May 1999, 46;
Italy: 1991: FESE, *Shareownership stucture in Europe*, Brussels, 1995; 1997: DAI, *DAI-Factbook 1999*, Frankfurt am Main, 1999, 08.7 Italien;
Spain: 1992: FESE, *Shareownership stucture in Europe*, Brussels, 1995; 1998: BOLSA DE MADRID, *Rivista*, diciembre 1999, 60;

data are for 1990 and 1998 except for U.K.: 1990-1997, Italy: 1991-1997, Spain: 1992-1998; the Netherlands: 1990-1996 and Japan; 1990-1999.

## 4. Analysis

4.1. Evolution of the shareholdings of different classes of investors

** Domestic non-financial sector*

- General

In the beginning of the last decade the non-financial sector held more than 60% of the shares in continental European companies. In the Netherlands foreign shareholders dominated.[28] In the U.S. and Japan the non-financial and the financial sector equally divided the shareholdings in listed companies. In the U.K. ownership was institutionalised.

By the end of the decade, the influence of the non-financial sector decreased, most significantly in France and Spain. In the U.K. less than 20% of the shares are held by the domestic non-financial sector. Only in Italy and in Belgium more than 50% of the shares are owned by the domestic non-financial sector. The latter still has major holding companies controlling - directly of indirectly - stock exchange listed companies. In the former families, coalitions and groups controlled by families extended their shareholdings.

Table 13 shows that the ownership structure is diverging in the network-oriented countries. The influence of the foreign investors increases in France and Spain but remains unchanged in Italy and Belgium. In Germany the financial sector significantly raised their shareholdings.

Table 13: Non-Financial Sector

| | Germany | France | Italy | Spain | Belgium | Netherl. | U.S. | U.K. | Japan |
|---|---|---|---|---|---|---|---|---|---|
| **1990** | | | | | | | | | |
| Individuals | 16,9% | 37,6% | 21,8% | 35,2% | 28% | n.a. | 50,8% | 20,3% | 20,5% |
| Companies | 41,6% | 22,8% | 20,6% | 10,7% | n.a. | n.a. | 0,0% | 2,8% | 29,5% |
| Public authorities | 3,6% | 5,9% | 27,6% | 16,6% | n.a. | n.a. | 0,0% | 2,0% | 0,2% |

Belgium: 1990: C. VAN HULLE, "Bedrijfsfinanciering in België: waar naartoe?", *Tijdschrift voor Economie en Management*, 1998, 1, 80; 1998: own research;
Netherlands: 1990 and 1996: Peeters rapport 1998, 42;
U.S.: 1990: DAI, *DAI-Factbook 1999*, Frankfurt am Main, 1999, 08.7 USA ; 1998: New York Stock exchange;
U.K.: 1990: DAI, *DAI-Factbook 1999*, Frankfurt am Main, 1999, 08.7 GB 2; 1997: OFFICE FOR NATIONAL STATISTICS, *Share Ownership: A report on the ownership of Shares at 31st of december 1997*, London, 1999;
Japan: 1990: DAI, *DAI-Factbook 1999*, Frankfurt am Main, 1999, 08.7 Japan 1; 1999: Tokyo stock exchange shareownership study 1999.

28 Though no voting rights were attached to the ("certificates" of) shares.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **1998** | | | | | | | | | |
| Individuals | 15,0% | 11,1% | 52,9% | 34,6% | 17,7% | n.a. | 41,9% | 16,5% | 19,0% |
| Companies | 30,5% | 17,7% | 15,8% | 5,5% | 43,8% | n.a. | 0,0% | 1,2% | 24,6% |
| Public authorities | 1,9% | n.k. | 8,1% | 0,6% | 3,9/% | n.a. | 0,0% | 0,1% | 0,2% |

n.a.: not available.
Source: see note 27.

- Individuals

The trend of the declining importance of the individuals, which started already in the fifties, continued in the nineties. In continental Europe, with the exception of the Southern European countries, individual investors own less than 20% of the shares. In France, due to different privatisation laws, individual shareownership was vigorously promoted. As the data show, those measures have failed. The study of the French National Bank shows that only 11% of the shares are owned by individuals. However, this study is oriented towards larger companies.
It seems reasonable to assume that individuals in the U.S., where institutional investors are well established and ownership taken separately, is widely dispersed, hold smaller stakes than individuals in European countries.

- Non-financial companies

Ownership by non-financial companies is particularly striking in Belgium and to a lesser extent in Germany and Japan. One can find the explanation in the group phenomenon related to a high degree of concentration of ownership. The difference between the former and the two latter countries lies in the organisation of those groups. Belgium is famous for his shareholding cascades - pyramids, a phenomenon that is somewhat transformed during the last decade but still remains the most important organisation structure. In Japan, the Keiretsu is organised as a web of cross-shareholdings. The Keiretsu system tends to be restructured in programs that cover many years. In Germany, a country where group law is well developed, the number of listed companies with non-financial shareholders holding a (super) majority decreased.

In Anglo-Saxon countries non-financial companies do not hold stakes in other companies. For the Netherlands, no figures are available.
- Public authorities.

The influence of the theory of Keynes on European public policy in the sixties and the seventies, and in some countries in the eighties, disappeared completely in the nineties. As a consequence of privatisations, the government is no longer a major shareholder. The process is still continuing in Italy and in France. In the latter no data are available for 1998, although stakes in terms of capital owned by the government are far below its voting power.[29]

** The financial sector*

The evolution of the importance of the financial sector shows a mixed picture. The sector substantially raised its shareholdings in Germany, France and the U.S.. In Italy and the U.K. these investors were selling. Financial institutions remained important shareholders In Japan and to a lesser extent in Spain and the Netherlands.

These trends have not an unidimensional explanation. They must be seen as a consequence of the differentiation of portfolios by the individual classes of institutional investors. This will be discussed in the following paragraphs.

Table 14 gives detailed information on the ownership of the different financial classes.

Table 14: Ownership of the different domestic financial classes

| | Germany | France | Italy | Spain | Belgium | Netherl. | U.S. | U.K. | Japan |
|---|---|---|---|---|---|---|---|---|---|
| **1990** | | | | | | | | | |
| Banks | 10,3% | 4,0% | 10,5% | 16,6% | - | 0,6% | 5,4% | 0,7% | 23,2% |
| Insurance comp. | 11,2% | 7,4% | 3,5% | 3,0% | - | - | 5,0% | 20,4% | 15,7% |
| Pension funds | - | - | - | - | - | - | 24,2% | 31,6% | 0,9% |
| Investment funds | 4,3% | - | 7,8% | 1,0% | - | 1,5% | 7,1% | 7,7% | 3,7% |
| **1998** | | | | | | | | | |
| Banks | 10,3% | - | 7,7% | 11,7% | 0,8% | 0,8% | 3,4% | 0,1% | 22,6% |
| Insurance comp. | 13,7% | - | 2,7% | 2,8% | 5,8% | - | 6,0% | 23,5% | 14,1% |
| Pension funds | - | - | - | - | 1,2% | - | 24,0% | 22,1% | 4,7% |
| Investment funds | 12,9% | - | - | 7,4% | 8,3% | 1,1% | 16,3% | 10,6% | 1,6% |

Source: see note 27.

- Banks

Banks are, together with non-financial companies, the most important shareholders of Japanese companies. This was the case in 1990 and the picture didn't change in 1999. The figures of Germany show the same pattern, although the overall influence of banks as direct shareholders is

29 Cf. infra note 41.

smaller in Germany as compared to Japan.[30]

In Spain and Italy the consolidation in the financial sector reduced the number of stock exchange listed banks and insurance companies. These companies frequently had banks as major shareholders.

In all the other countries, banks keep only small stakes.

- Insurance companies

The data in table 14 show that the policy of most British insurance companies is to invest in British companies. This policy became even more intensified in the second half of the nineties. The insurance companies are the most important shareholders of British companies. In Germany and Japan, insurance companies have large share stakes in listed companies but the evolution is different in both countries: only German insurance companies expanded their shareholdings. However it is said that new German tax rules would cause a significant decrease of the shareholdings of insurance companies.[31]

In other countries the importance of insurance companies is rather small, although some large French insurance companies like AXA still belong to the group of large companies with cross-shareholdings ("GAS" or "Groupe actionnaire stable").

- Investment Funds

During the last decade the number and size of investment funds exploded. In the U.K., the U.S. and Germany those funds already hold more than 10% of the shares of stock exchange listed companies. Only in Japan and the Netherlands the importance of this class of investors is lagging behind.
Investment funds are a major force in the recent developments of the financial markets, investor relations and corporate governance.

- Pension funds

The last major class are the pension funds. Data on the evolution of their portfolios of shares are only available for Japan, U.S. and U.K..

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[30] Though the proxy voting system grants banks the majority of the votes at general meetings of most large stock exchange listed companies. For an analysis see T. BAUMS and C. FRAUNE, "Institutionelle Anleger und Publikumsgesellschaft: Eine empirische Untersuchung", *Die Aktiengesellschaft* 1995, 97-112.

[31] T. MAJOR, "Allianz enjoys profit rise in spite of winter storms", *Financial Times*, February 17, 2000, 26.

Due to changes of the law, inter alia the 1995 reform, the importance of U.K. pension funds as shareholders decreased significantly.
In the U.S. the ownership of this class of investors stabilised at a high level. In other countries, like Japan the awareness of old-age provisions significantly increased and slowly pension funds start investing in listed companies.
Although no figures are available it is said that Dutch pension funds are decreasing their portfolios in Dutch companies since 1998. In 1990 the ownership of Dutch insurance companies and pension funds was estimated at 19%, in 1996 at 20,4%.

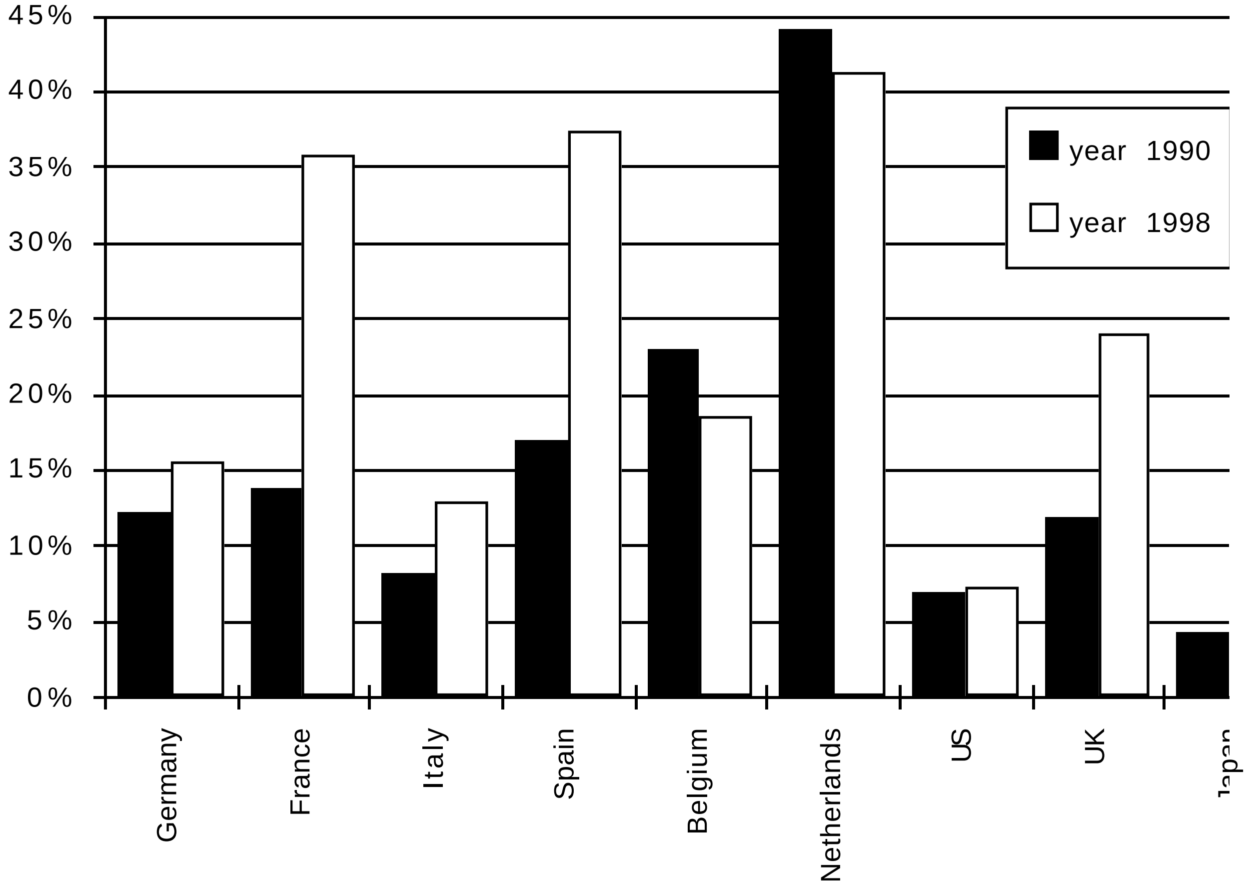
** Foreign ownership.*

Trends of globalisation, liberalisation and internationalisation result in a diversification of portfolios of investors. Foreign ownership is rising in all countries except in Belgium (figure 1). Two reasons explain the diminishing importance of foreign shareholders in Belgian companies. First, companies with major foreign shareholders were taken over and de-listed and secondly the Brussels stock exchange is rather illiquid, thus deterring foreign institutional investors.

In the Netherlands foreign shareholders own more than 40% of all shares, though this percentage was even higher in the beginning of last decade. In Spain and France, foreign shareholders own already more than 35% of all shares. In the latter a recent study shows that in 10 companies of the CAC-40 foreign shareholders own more than 50% of the shares. In Totalfina more than 75% of the shares are owned by foreign shareholders.[32]

[32] A. TRICORNOT and J.-B JACQUIN, "En France les étrangers ont investi la place", *L'Expansion,* November 4, 1999, 46.

Figure 1: Ownership of foreign shareholders




Source: see note 27.

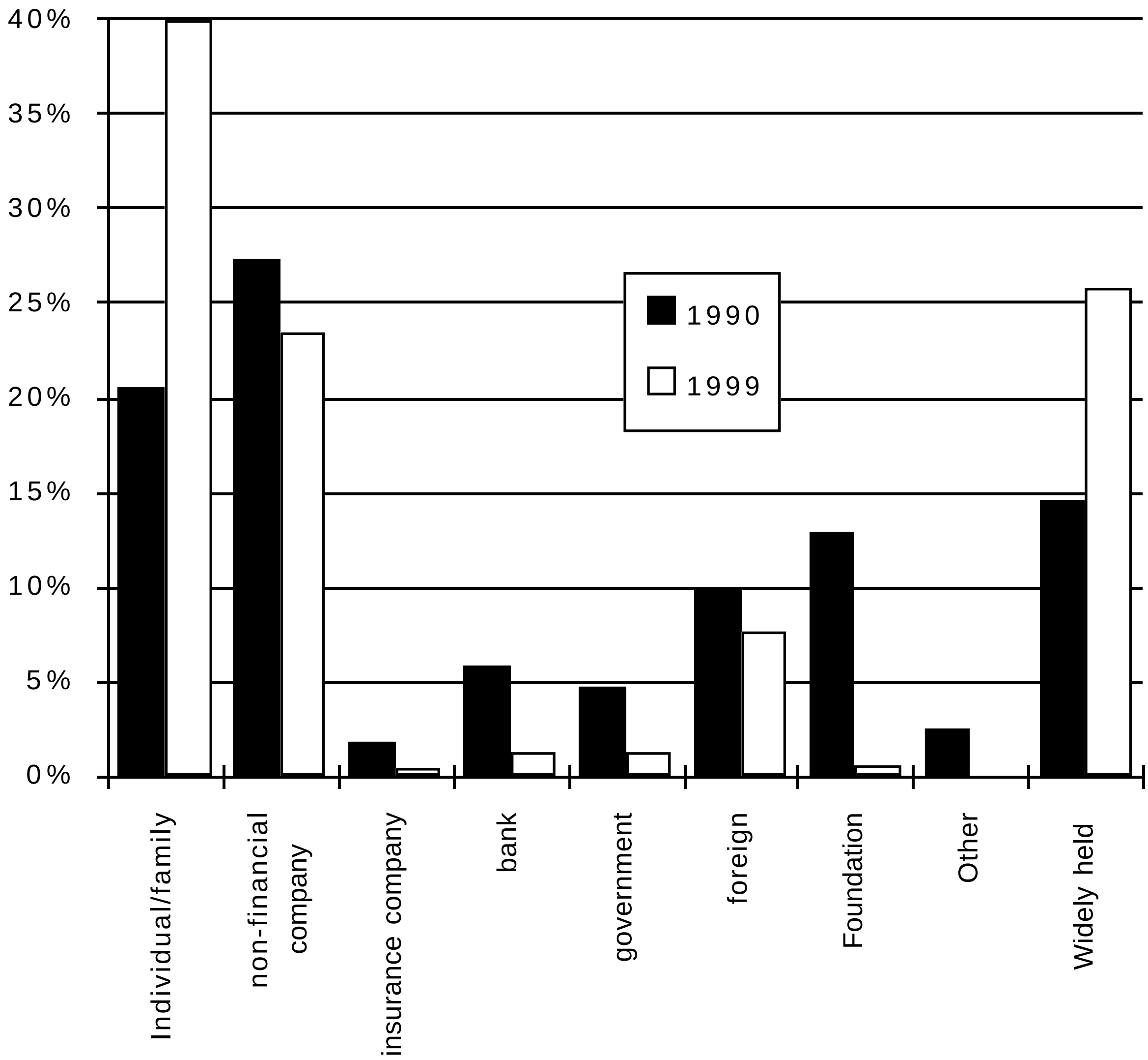
## 4.2. Analysis of the evolution of major shareholders in 4 European countries

Franks and Mayer studied the large shareholdings in three European countries in 1990. They used 25% blockholdings to show the differences between the UK, France and Germany. Their figures allow us to compare them with the recent trends on large shareholdings in the latter countries.

** Germany*

Franks and Mayer's study indicated that in Germany in 1990 85% of the German firms had at least one shareholder owning more than 25% of the shares (figure 2). Families and non-financial companies play a significant role in corporate ownership holding more than 20%, resp. more than 27% of those large stakes. Trusts and institutional investors are sometimes large shareholders, though banks actually come far down the list. Their major influence stems from the proxy votes they exercise on behalf of dispersed shareholders.

Figure 2: Percentage of companies with share stakes in excess of 25% in 171 (1990) and 501 (1999) German industrial and commercial companies




Source: own research based on data sources in table 12.

This pattern significantly changed in 1999. An analysis of more than 500 German non-financial companies shows that more companies are widely held (25,7%). Due to initial public offerings families own in 39,9% of the companies a stake of more than 25%. As no "action in concert" is included the total number of widely held companies is probably lower and the number of family controlled firms higher. One should take note that some of the differences are probably due to the different population for 1990 and 1999.

The importance of all the other classes significantly diminished. In 23,4% of the companies a non-financial company has a stake of more than 25%. Large stakes of banks diminished to 1,2%.

** France*

Like in Germany, Franks and Mayer found that other French companies and to a lesser extent French families have the largest proportion of large shareholdings. 21,4% of the companies did not have one shareholder with more than 25% of the shares (figure 3).[33] More than in Germany, the government, banks and foreign shareholders held large stakes. This is due to the existence of double voting rights. Analysis of 156 companies in 1999 shows that 68% had a regime of double voting rights.[34]
Recent research of the voting blocks of 150 non-financial French companies shows that the German and French pattern of ownership does not differ substantially. The majority of the companies has one large shareholder, mostly a family or another non-financial company. Between 22% and 26% of the companies is widely held. Further research must show whether these data are influenced by the different composition of the database.

The number of companies with large foreign shareholders developed differently in France and Germany. In France more than 11% have a foreign shareholder with a voting block of more than 25%, in Germany the number diminished from 10% in 1990 to 7,5% in 1999.

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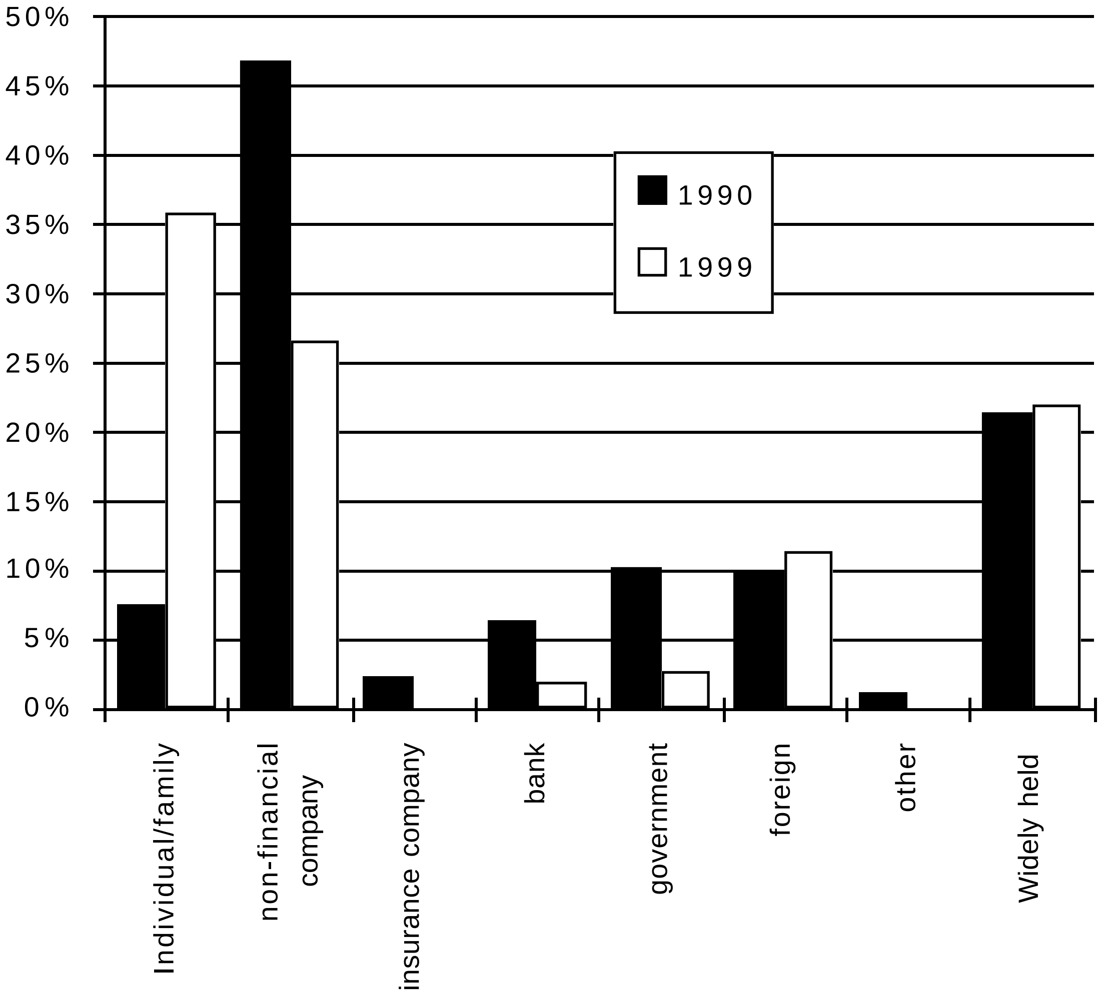
33 When all the percentages in the study of Franks and Mayer are summed, the result however is 105,5%.

34 In some companies the regime of double voting rights differs between ordinary and extraordinary general meetings.

Figure 3: Percentage of companies with share stakes in excess of 25% in 155 (1990) and 150 (1999) French industrial and commercial companies




Source: own research based on data sources in table 12.

** Belgium*

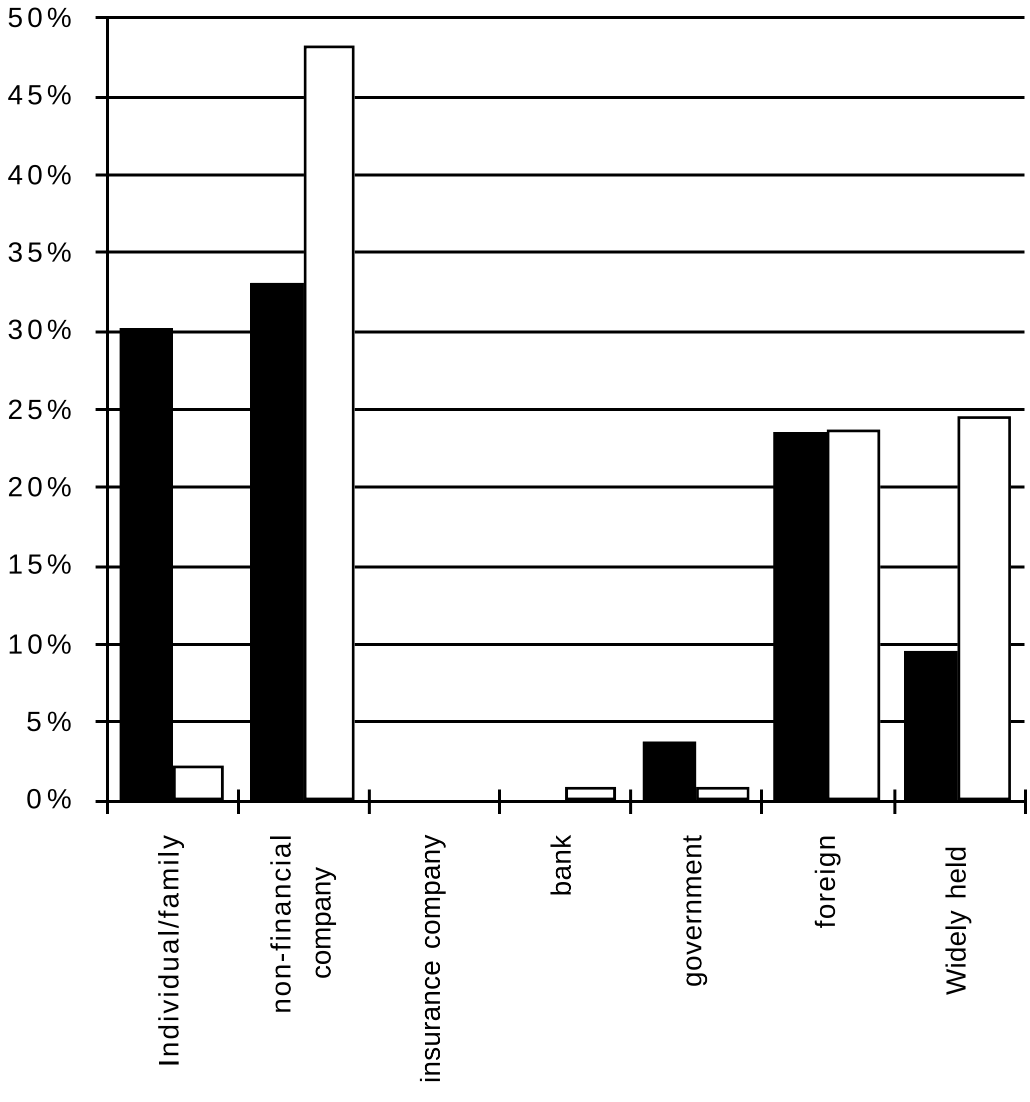
The analysis made by Franks and Mayer was further expanded with two other countries: Belgium and Italy.

In the last decade Belgian families and individuals sold their stakes in listed non-financial companies to other non-financial companies which the former control. In 1999 the number of companies having another company as a large shareholder is almost 50% (figure 4). Approximately 1/4 of all companies have a large foreign shareholder.
When looking at figure 6 one could think that more companies are widely held in 1999 than in 1990. This is not the case. In several companies

shareholders are acting in concert. Only 11,1% of the companies are widely held, 13% have shareholders acting in concert who are controlling the company. In 1990 9,6% of the companies was widely held.

All the other classes of shareholders do not have large stakes in Belgian companies.

Figure 4: Percentage of companies with share stakes in excess of 25% in 136 (1990) and 135 (1999) Belgian industrial and commercial companies

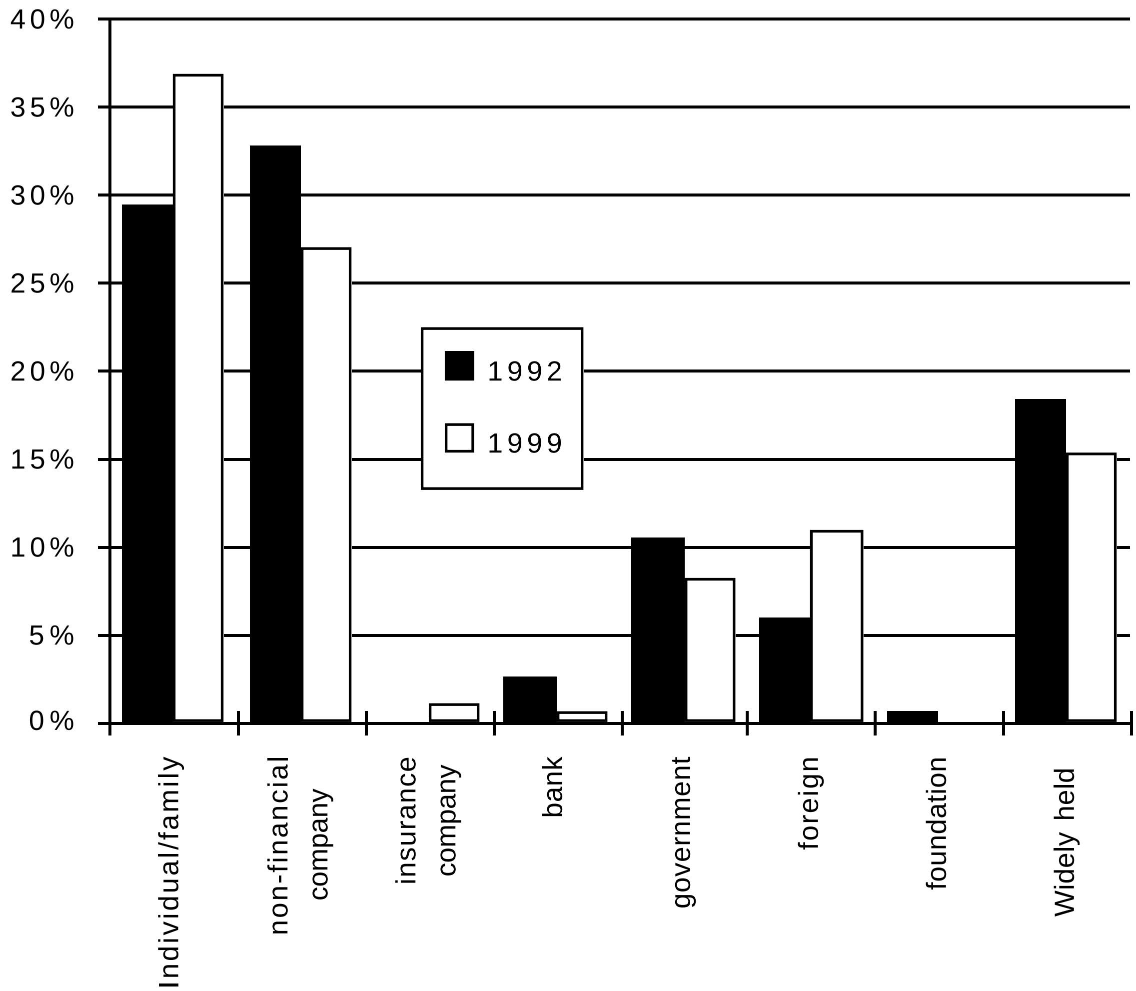



Source: own research based on data sources in table 12.

** Italy*

In Italy several major developments took place during the last decade. Between 1992 and 1999 the number of family controlled firms increased with 7% from 29,4% to 36,8% while the number of firms having a non-financial company as a large shareholder decreased with 6% from 32,7% to 26,9% (figure 5). The number of foreign controlled companies almost doubled from 5,9% to 11%. Like in Belgium there are very few companies widely held. Their number decreased from 18,3% to 15,4%.

Figure 5: Percentage of companies with share stakes in excess of 25% in 153 (1992) and 182 (1999) Italian industrial and commercial companies




Source: own research based on data sources in table 12.

## 4.3. The largest shareholder of stock exchange listed companies

** all companies*

The third section of this paper analyses recent figures on major shareholdings. The study focuses on the voting blocks in European companies. The study of Becht makes it possible to compare our figures with the largest voting blocks in U.S. companies. Becht studied the largest shareholder of 6559 U.S. companies.[35]

The average voting block of the largest shareholder of a U.S. company is 22,7% (figure 6). However, this percentage is significantly influenced by some majority shareholdings. The median value is only 15,1%. These results are comparable with those of the U.K. where the average shareholding of the largest shareholder is 22,5%, and the median value 16,6%.

In all Continental European countries the average voting block of the largest shareholder is at least twice as high: 36,6% in Spain, 41,7% in Belgium, 46,1% in Germany, 48,1% in Italy and 52,0% in France. The median is even higher in France, Germany and Italy. In some countries only non-voting stock is traded on the stock market, while the voting shares are held by one identified shareholder. This explains the maximum figure of 100%.

Less than 10% of continental European companies have no shareholder with more than 10% of the voting rights (table 15). In the U.K. this ownership structure is dominant: 25% of all listed companies belong to this class.

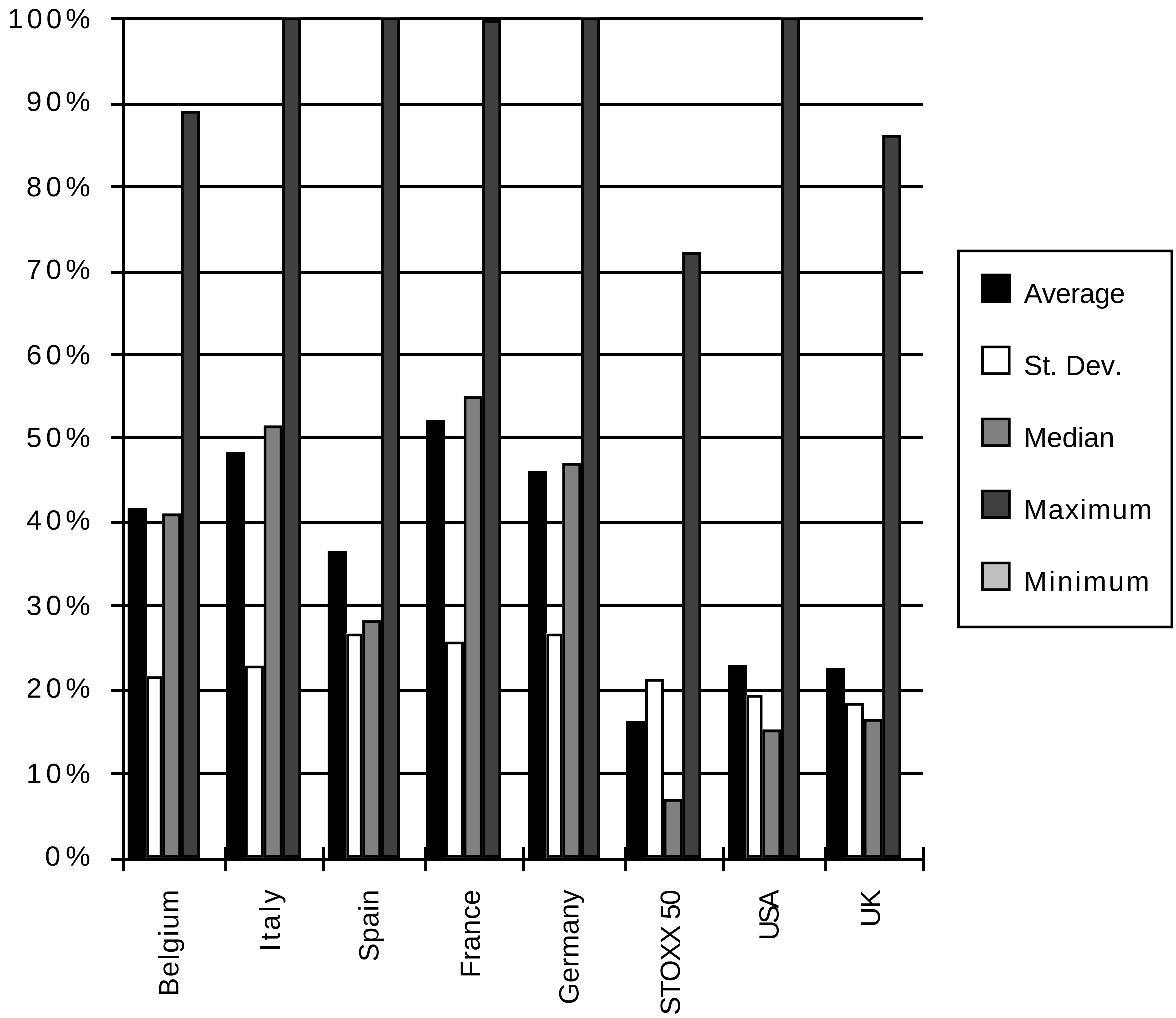
Table 15: Number of companies with no shareholder holding more than 10% of the votes

| Belgium 1999 | Italy 1999 | Spain 1999 | Germany 1999 | France 1999 | U.K. 1994 | U.S. 1996 |
|---|---|---|---|---|---|---|
| 8 | 13 | 26 | 39 | 12 | 333 | 1961 |
| 5,7% | 5,6% | 10,7% | 7,2% | 7,5% | 25,0% | 29,9% |

Source: see note 34 and own research based on data sources in table 12.

35 M. BECHT, *Beneficial Ownership of Listed Companies in the United States*, paper presented at the European Corporate Governance Network Conference “Ownership and Control: A European perspective”, Milan, November 4-5, 1998, 16 p.

Figure 6: Voting block of the largest shareholder in stock exchange listed companies (1999)




Note: for the number of included companies see table 17.
Source: own research based on data sources in table 12.

** Index listed companies*

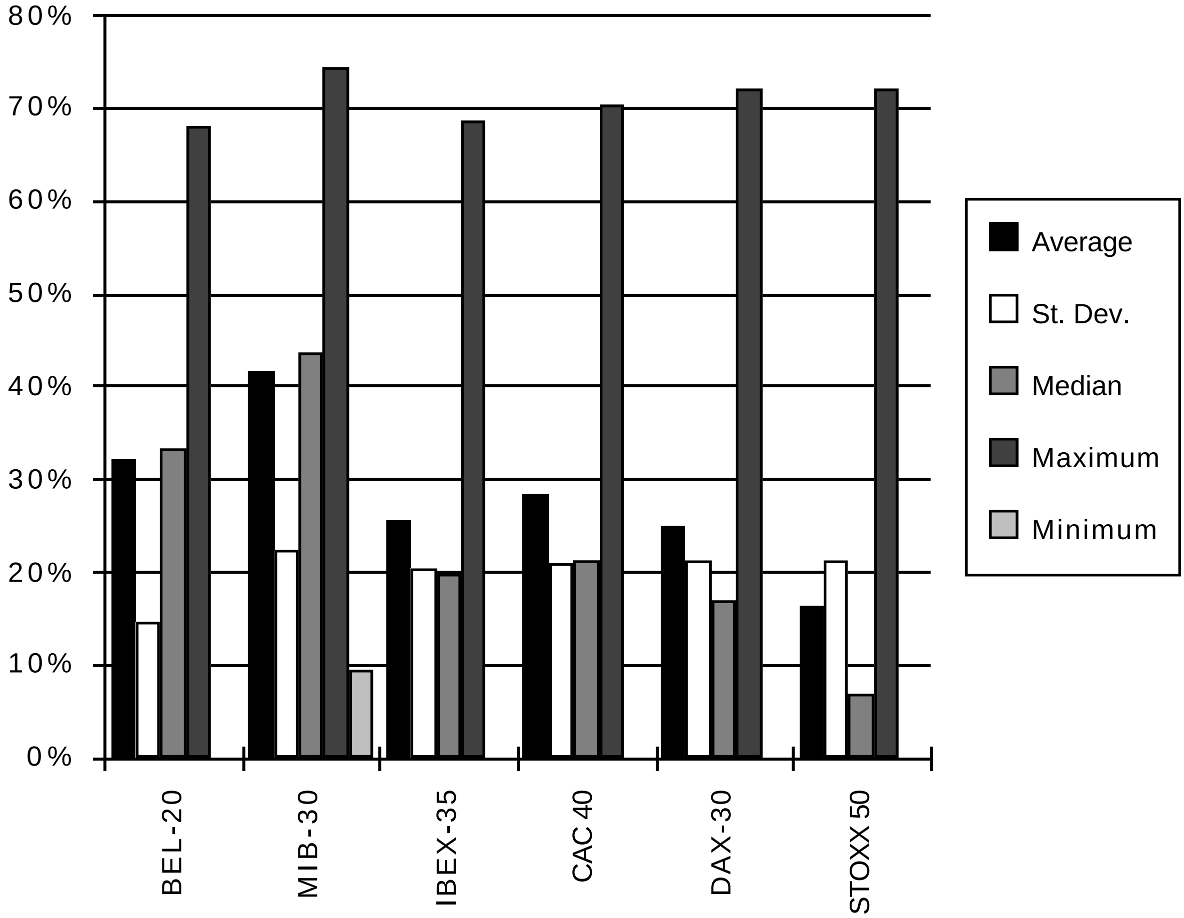
Index listed companies are, on average, the largest listed companies. Harold Demsetz argued that those companies have a wide ownership.[36] Figure 7 indicates that in Europe even some of the largest national stock exchange listed companies are in firm hands: some shareholders hold up to 70% of the votes.

On average large companies have one shareholder with a voting block of 24,8% (DAX) to 41,6 % (MIB). Due to the take-over of Telecom Italia and the introduction of Enel the average of the latter went up from 35,5% in

36 H. DEMSETZ, *Ownership, Control, and the Firm*, Oxford, Basil Blackwell, 1988, 203-204.

1998 to more than 41% in 1999.

Figure 7: Voting block of the largest shareholder in national index listed companies




Number of companies included: Belgium: 20; Italy: 30; Spain: 35; France: 38; Germany: 30; Stoxx: 45.
Source: own research based on data sources in table 12.

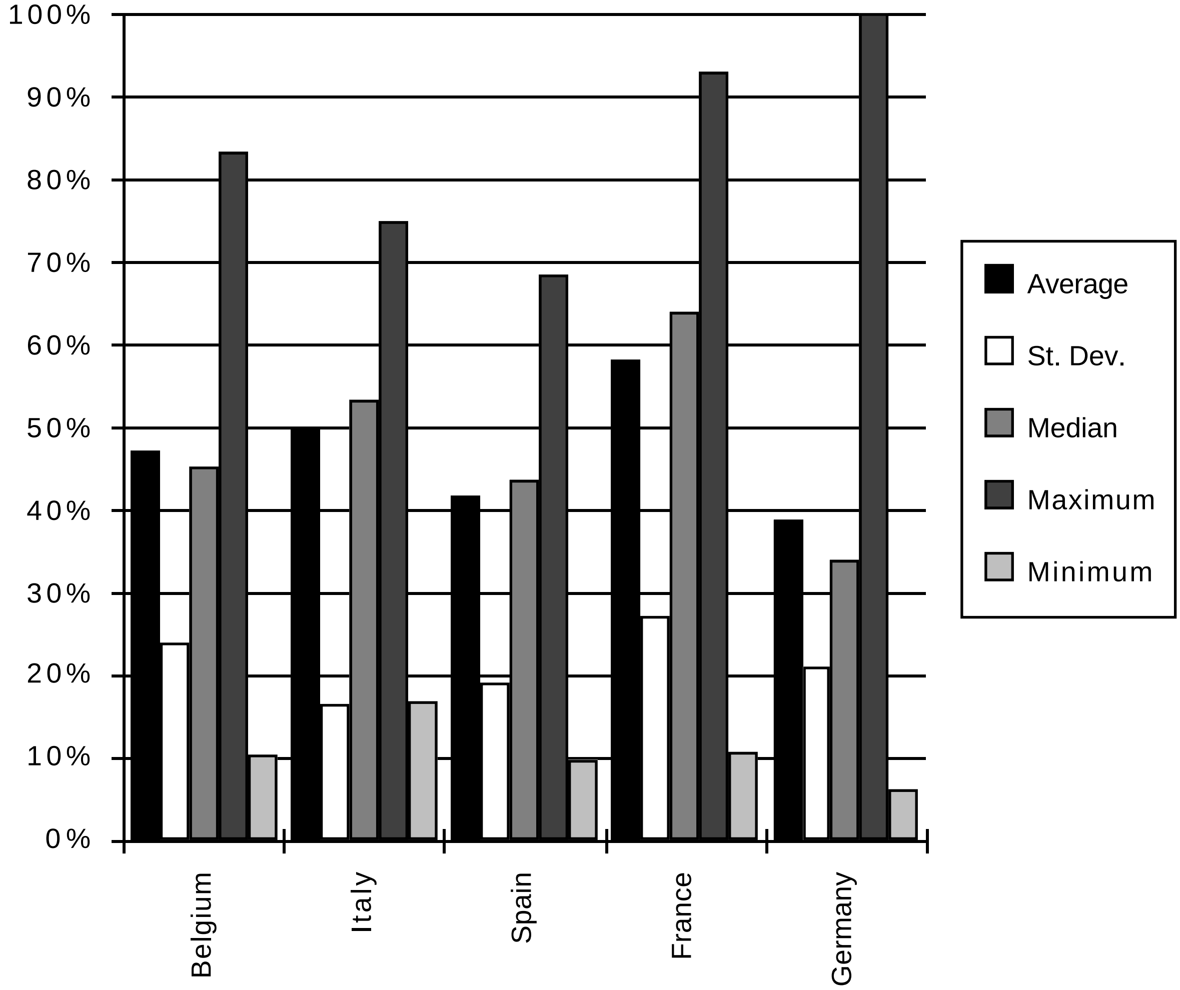
The situation is somewhat different for companies included in the international Stoxx index. The voting structure of 45 companies are analysed. Dutch companies are not included due to the unclear voting right structure.[37] Only 4 companies have a majority shareholder, 11% of the companies have a "de facto" controlling shareholder with a voting block of more than 30%. The median of the largest voting block is only 6,6%. The capital concentration is even lower: AB Industrivärden has 26,4% of the voting rights of Ericsson but only 2,3% of the capital. Nokiterra Oy controls 16,1% of the voting rights of Nokia with 5,3% of the capital rights.

[37] "Stichtingen" and "Administratiekantoren" sometimes own all the potential voting rights diluting the actual voting rights.

** Newly listed companies*

Analysis of the shareholder structure of the companies that went public in 1999 shows that the pattern of concentration of voting rights is not changing (figure 8). The largest shareholder holds on average a voting block of more than 50% in Italy and France and almost 50% in Belgium. In Spain and Germany the largest voting block is on average 40%. Those figures do not include parties acting in concert.

Figure 8: Voting block of the largest shareholder in newly listed companies



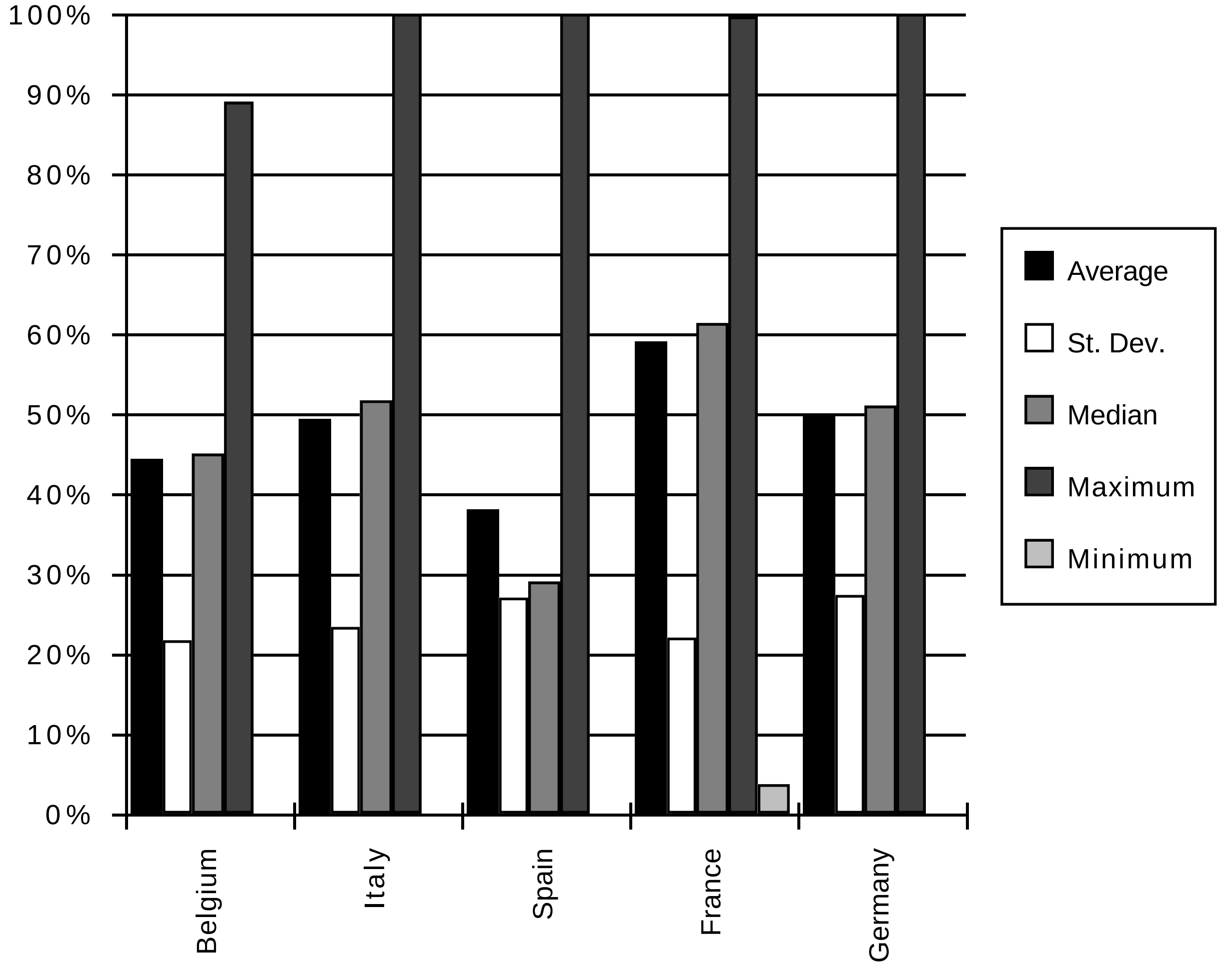

Number of companies included: Belgium: 11; Italy: 20; Spain: 10; Germany: 123; France: 13.
Source: own research based on data sources in table 12.

** Other listed companies*

The concentration of voting rights is even higher in the other stock exchange listed companies (figure 9). In France and Germany the median and the average voting block and in Italy the median voting block of the largest

shareholder exceeds 50%. Although the average in Belgian companies is somewhat lower at 44%, Belgian companies are controlled by concerting parties.
The largest shareholder of Spanish companies controls a smaller voting block: the median voting block reaches 29%.

Figure 9: Voting block of the largest shareholder in other listed companies




Number of companies: Belgium: 105; Italy: 186; Spain: 165; Germany: 389; France: 111.
Source: own research based on data sources in table 12.

## 4.4. Majority shareholders - market for corporate control

The fourth section of this study analyses the recent situation of the "control market" in several European countries. The structure of voting blocks is a determinant factor for the way the control market is organised. In all countries there is an active private market for corporate control: controlling

stakes are privately negotiated and afterwards, dependant on the regulatory environment a mandatory take-over bid takes place.
In Belgium and Italy where more than 62% and 69% of the stock exchange listed companies are controlled by one shareholder or a group acting in concert (table 16), take-overs only occur after private negotiations. To a lesser extent this is also the case for France and Germany. In all countries exceptions exist: Telecom Italia, Mannesmann, Société Générale, Paribas, Generale Bank to name but a few. Nevertheless for a huge majority of the cases the stock exchange does not decide the take-over contest.

In the U.S. and the U.K. only 10% to 12% of the companies are controlled by a majority shareholder. In those countries, markets decide a control contest and a hostile take-over market has been developed.[38]

The identity of the majority shareholders does not differ substantially between different European countries: founding family members or board members (especially after a buy-out) control the company either directly (U.K.) or indirectly through a pyramid of holding companies (like in Belgium, France and Italy). As the identity of the shareholders of the controlling non-financial companies in Spain is not known, it is unclear whether the same pattern exist in that country.

The situation of Germany is somewhat different: due to the absence of a mandatory take-over bid, the absence of a squeeze-out rule[39] and the well-developed group law a large number of companies with a majority non-financial atomised company as shareholder is stock exchange listed.

Except for Italy and Spain where some large banks control other banks the only other important class of investor who acquired majority stakes are foreign shareholders. Foreign investors control almost 1/3 of the majority controlled Belgian companies[40], more than 1/5 in Spain and one out of 6 in France.

Table 16: Number of controlled companies and identity of controlling shareholder

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38 However, the number of hostile take-overs is limited:

Number of hostile take-overs

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|
| U.S. | 7 | 2 | 3 | 1 | 12 | 17 | 24 | 5 | 7 |
| U.K. | 15 | 14 | 5 | 7 | 3 | 12 | 6 | 7 | 4 |

Source: A. VON BUDDENBROCK, "Abwehrstrategien gegen feindliche Übernahmen", in *Die Übername börsennotierten Unternehmen*, DAI (ed.), Frankfurt am Main, 1999, 278-279.

39 For an anlysis of the recent developments of the German company law see U. NOACK, *Entwicklungen im Aktienrecht 1999/2000*, DAI, Frankfurt am Main, 1999, 49 p.

40 Their indirect influence is even much larger.

| | Belgium 1999 | Italy 1999 | Spain 1999 | Germany 1999 | France 1999 | U.K. 1994 | U.S. 1996 |
|---|---|---|---|---|---|---|---|
| Number of comp. | 140 | 234 | 242 | 542 | 160 | 1333 | 6559 |
| majority controlled | 55 | 145 | 66 | 263 | 92 | 166 | 675 |
| % | 39,3% | 62,0% | 27,3% | 48,5% | 57,5% | 12,5% | 10,3% |
| majority controlled by: | | | | | | | |
| Individual/family | - | 35,2% | 30,3% | 44,9% | 43,5% | 1,2% | |
| Board of directors | - | - | - | - | - | 76,5% | |
| non-fin. comp. | 63,6% | 29,0% | 24,2% | 34,6% | 33,7% | 8,4% | |
| insurance comp. | - | 3,4% | 3,0% | 2,7% | - | 0,6% | |
| bank | 1,8% | 11,0% | 19,7% | 3,8% | 3,3% | 2,4% | |
| government | 3,6% | 7,6% | | 2,3% | 2,2% | - | |
| foreign | 30,9% | 12,4% | 21,2% | 11,0% | 17,4% | 6,6% | |
| foundation | - | 1,4% | 1,5% | 0,8% | - | - | |
| other | - | - | - | - | - | 4,2% | |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | |
| concerted exercise of voting > 50% | 62,1% | 69,5% | | | | | |

Source: own research based on data sources in table 12; U.S.: see note 34.

Not only the number of controlled companies is much higher in the network-oriented countries, also the number of companies that has a shareholder holding a voting block of more than 25% is higher (table 17/figure 10). Less than 25% of the companies in Belgium, Italy, France and Germany have no major shareholder. In the Netherlands and Spain the number is 43,8% and 57,9%. In the U.K. and the U.S. however the numbers are 67,5% and 69,0%.

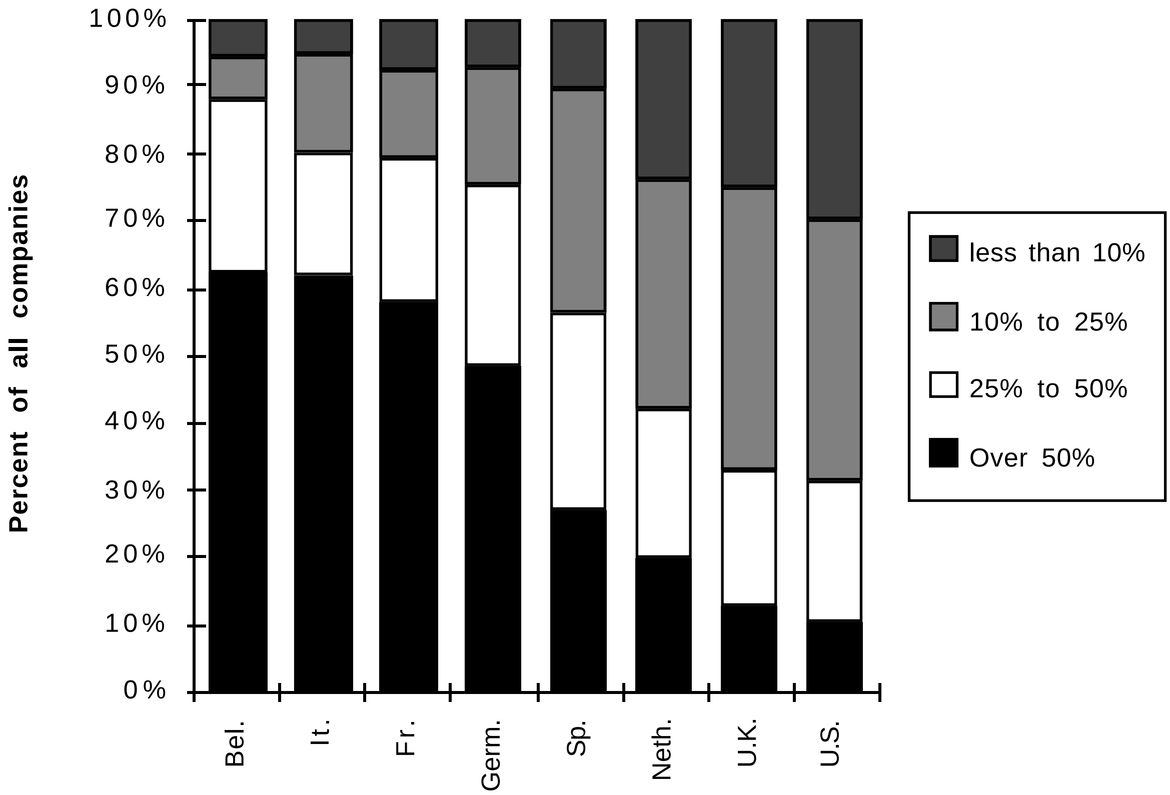
Table 17: Voting concentration in Europe and the U.S. - Stake of the largest shareholder

| | Bel.** 1999 | It. 1999 | Fr. 1999 | Germ. 1999 | Sp. 1999 | Neth.* 1998 | U.K.*** 1994 | U.S. 1996 |
|---|---|---|---|---|---|---|---|---|
| Over 50% | 62,1% | 62,0% | 57,5% | 48,5% | 27,3% | 19,5% | 12,5% | 10,3% |
| 25% to 50% | 25,7% | 17,9% | 21,9% | 26,6% | 28,9% | 22,6% | 20,1% | 20,7% |
| 10% to 25% | 6,4% | 14,5% | 13,1% | 17,7% | 33,1% | 34,0% | 42,5% | 39,1% |
| less than 10% | 5,7% | 5,6% | 7,5% | 7,2% | 10,7% | 23,9% | 25,0% | 29,9% |

Note:
*: It is not clear whether the figures are capital or voting blocks;
**: Stake of the parties acting in concert;
***: The figures include the summed stakes of the board of directors.

Source: own research based on data sources in table 12; Neth.: own calculations based on MONITORING COMMISSIE CORPORATE GOVERNANCE, *Monitoring corporate governance in Nederland*, Tilburg, Kluwer, 1998, bijlage 3, 31-36; U.S.: see note 35.

Figure 10: Voting concentration in Europe and the U.S. - Stake of the largest shareholder




Source: see table 17

## 4.5. Liquidity of the market - capitalisation of notified stakes

In the former sections we analysed the evolution of the portfolio composition of different classes of investors and the position of the largest shareholder of stock exchange listed companies. The implementation of the major shareholdings directive allows a more detailed comparison of voting structures.

As more than 80% of the market value of all stock listed companies of 6 countries are included in the analysis, we argue that the sample is representative of the total market (table 17).
For France the voting structure of 16,6% of all companies is included, a bias towards large companies as the analysed companies stand for 83,8% of market capitalisation.
In Spain more than 50% of all companies are investment funds (S.I.M. or S.I.M.C.A.V.). Those companies are excluded from the analysis.

In table 18 the value of all the declared voting stakes of each class of investors is summed up. The value of the not known stakes indicates the liquidity of the stock market.[41] The U.K. stock market is the most liquid: stakes larger than 5% only count for 14,4% of the value of all stakes. The Italian stock exchange is the most illiquid. Only 46,5% of the market capitalisation is not identified. One should note that all stakes above 2% are

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[41] Except for France where the liquidity can be significantly higher due to the use of double voting rights. Analysis of the 1996 capital rights show that the aggregate difference is rather small (own research):

| | Voting rights 1999 | Capital rights 1996 |
|---|---|---|
| **Non-Fin. sector** | **33,40%** | **36,36%** |
| *of which:* | | |
| companies | 16,58% | 26,33% |
| individuals | 7,58% | 3,69% |
| Public authorities | 9,24% | 6,34% |
| | | |
| **Financial sector** | **2,63%** | **4,81%** |
| *of which:* | | |
| Banks | 1,55% | 2,01% |
| Insurance comp. | 0,98% | 2,73% |
| Pension funds | | 0,01% |
| Investment funds | 0,10% | 0,06% |
| | | |
| **Foreign** | **6,62%** | **4,47%** |
| | | |
| **not identified** | **57,35%** | **54,33%** |
| Total | 100% | 100% |
| companies | 160 | 679 |
| of all companies | 16,65% | 86,61% |
| of capitalisation | 83,79% | 90,61% |

included in the Italian figures while the U.K. figures only include stakes above 5%. Still, the value of the stakes between 2% and 5% - for Italian, French and some German companies - is relatively small.

The large number of non-financial companies holding more than 50% of the voting rights of Belgian stock exchange listed companies results in the overwhelming majority of the value of the declared stakes of this class of investors: more than 74% of the value of all declared stakes belongs to other companies. In Italy and France, two other network-oriented countries, a large number of large stakes belongs to non-financial companies.

Due to inter alia the recent explosion of public offerings of young German companies, the total market value of the declared stakes of the class "individuals" reaches more than 8%. In France the individual shareholders hold more than 7,5% of the total market value. Double voting rights and voting blocks attributed to this class of investors explain this high figure. The latter reason explains the relatively high percentage of this class of investors for Italy.

In the U.K. the board of directors hold significant stakes in a large number of stock exchange listed companies. The overwhelming majority of market value of the declared stakes of individuals belongs to the members of the board of directors.[42]

In France, Germany and Italy, the government still holds approximately 10% of the market capitalisation. Deutsche Telekom in Germany, France Telecom in France and Enel in Italy highly influence these results. Those figures causes doubt on the reliability of the portfolio figures in table 13.[43]

Banks play an important role as shareholder in Spain, Germany and Italy. In these countries the notified stakes of this class of investors represents more than 5% of the total market value. In Spain and Italy the importance of financial stock exchange listed companies in which banks hold large stakes explains the high percentage. In Germany, the "Groβbanken" and some "Landesbanken" own large stakes in non-financial companies.

Allianz and Munchener Rück in Germany and Generali in Italy own large voting blocks in some other large stock exchange listed companies, in general financial companies. In Germany, the cross-shareholdings between Allianz, Deutsche Bank, Dresdner Bank and Munchener Rück which substantially contribute to the percentage of this class of investors, still exists.
Insurance companies in other countries, especially in the U.K. have a diversified portfolio and do not have to declare major shareholdings. In the U.K. only 1,5% of the market value of the London Stock Exchange are

42 Board members are seldom legal entities in the U.K.
43 In 1998 the value of the declared government stakes was 8,8% of total market value in Italy.

notified stakes of more than 5%, whereas their total portfolio is estimated at 23,5% (table 14).

Table 18: Value of the identified voting stakes

| | Belgium 1999 | Italy 1999 | Spain 1999 | Germany 1999 | France 1999 | U.K. 1994 |
|---|---|---|---|---|---|---|
| **Non-Fin. sector** | **41,76%** | **39,17%** | **12,88%** | **27,87%** | **33,40%** | **4,43%** |
| *of which:* | | | | | | |
| companies | 37,71% | 21,40% | 10,05% | 6,37% | 16,58% | 0,84% |
| individuals | 0,69% | 5,59% | 2,78% | 8,23% | 7,58% | 2,99% |
| Public authorities | 3,35% | 9,86% | | 12,73% | 9,24% | 0,60% |
| Foundations | | 2,32% | 0,05% | 0,55% | | |
| **Financial sector** | **0,74%** | **8,81%** | **9,95%** | **11,00%** | **2,63%** | **7,24%** |
| *of which:* | | | | | | |
| Banks | 0,10% | 5,90% | 9,62% | 5,01% | 1,55% | 0,67% |
| Insurance comp. | 0,63% | 2,72% | 0,33% | 5,98% | 0,98% | 1,46% |
| Pension funds | | 0,00% | 0,00% | | | |
| Investment funds | 0,01% | 0,19% | | 0,00% | 0,10% | |
| Identified financial | | | | | | 5,11% |
| **Foreign** | **7,24%** | **5,53%** | **10,00%** | **3,83%** | **6,62%** | **2,92%** |
| **not identified** | **50,27%** | **46,49%** | **67,17%** | **57,29%** | **57,35%** | **85,41%** |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |
| companies | 140 | 234 | 209 | 542 | 160 | 1333 |
| of all companies | 100% | 94,74% | 81,32% | 51,97% | 16,65% | 76,30% |
| of capitalisation | 100% | 97,96% | 93,51% | 95,13% | 83,79% | 93,48% |

Source: own research based on data sources in table 12, FIBV, FESE, Bourse de Paris, Italian and Belgian Stock Exchanges.

Our data show that other financial institutions like pension funds and investment funds do not acquire large stakes in stock exchange listed companies. In the U.K. allocation of the voting blocks was not always possible.[44] Moreover fund managers frequently hold the voting rights not only for pension funds but also for investment funds and insurance companies. Therefore an additional class “identified financial” was created, indicating that the identity of the shareholder is known but the classification could not take place.

The last important class, “foreign shareholders”, acquired significant stakes

[44] See G. STAPLEDON and J. BATES, *Enhancing efficiency in corporate governance: how recognising the nature of modern shareholding can lead to a simplified voting process*, paper presented at Tilburg University Law and Economics Conference on “Convergence and Diversity in Corporate Governance Regimes and Capital Markets”, Eindhoven, November 4-5, 1999, 42 p.

in Spanish, Belgian, French and Italian companies. The policy of foreign shareholders towards Spanish, Italian and French companies differ somewhat from Belgian companies. As mentioned higher, some large French and also Spanish and Italian companies have a majority of foreign shareholders. Individually those shareholders hold significant though not controlling stakes. In Belgium foreign shareholders control directly or indirectly large and small stock exchange listed companies.

Germany does not have the same number of large foreign shareholders. It is an open question whether the different legal culture - inter alia the rules on "Mitbestimmung"- can explain the absence of foreign shareholders

## IV. CONCLUSION

The objective of this paper was to use information on equity markets and ownership structures to examine some characteristics of different governance systems.
In the nineties not only equity markets in market-oriented systems facilitate equity finance, some markets in network-oriented systems provide a new environment of sources of equity. The number of initial public offerings was in 1999 in Germany almost as high as in the U.K. Since 1997 French listed companies raised more equity than British companies. In Sweden, Switzerland, the Netherlands and France the ratio market capitalisation to GDP exceeds 100%.
Dividing systems of corporate governance in market-oriented and network-oriented for comparative purposes is an oversimplification, rendered out of date by recent market developments.

The developments of the equity markets in some network-oriented systems do not enhance a dispersed ownership. In continental European countries the blockholder system with powerful controlling families, holding companies and other non-financial companies is maintained. In 1999 share stakes in excess of 25% are for 63% in hands of the former classes in Germany, for 63% in France and for 64% in Italy; voting stakes in excess of 50% can be found in 48% of the German companies, 57% of the French companies and 62% of the Italian companies. The average voting block of the largest shareholder exceeds 40% in France, Germany, Italy and Belgium. On average less than 10% of the companies have a dispersed ownership in the these countries. Even in the largest companies the average voting block is substantially higher than in the U.S. and the U.K.

This new evidence has important consequences on the existing research on the influence of legal aspects of external finance. Not only the ownership concentration but also the nature of the shareholding concentration must be added in those models. Further the monitoring possibilities of the different classes of large shareholders and the legal rules must be reflected in studies on the interaction of law and economics.