

# Copenhagen Stock Exchange

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The Danish equity market has changed significantly over the past few years.

Private investors have entered the scene, and a Danish share investment culture is developing rapidly. The institutional investors, like pension funds, now place heavier demands than before on the value of a potential listed company before they are willing to inject capital in the IPO.

This is one of the reasons that many companies are either too small, too home market oriented or otherwise unfit to list as a genuine exchange-listed company on the Copenhagen Stock Exchange, the way the marketplace and the expectations of it are today.

The Copenhagen Stock Exchange has from several parties – companies, investment banks and investors – noted an interest in a marketplace where small companies could raise capital, company owners could realise part of the company's value. Given today's market structure, these companies are confined to raising capital from banks, via mezzanine financing, private equity and venture funds.

The purpose of establishing an alternative marketplace for small companies with a market cap of up to DKK 400-500 million includes the following:

- Making risk capital available to small companies
- Strengthening small companies by affiliating them to a brand under the auspices of the

## Copenhagen Stock Exchange

- Ensuring investors orderly conditions for the buying and selling of shares in small companies
- Generating a new business opportunity for market players on the capital market at the lowest possible cost by using the Exchange's existing infrastructure.
- Giving private investors the opportunity to invest in small companies that are available to very few people today.

Due to the special nature of these companies – including the market cap – it is expected that it involves a certain risk to invest in these companies, just as the price of the companies' shares will fluctuate more than on the traditional stock market.

A small company may find it both labour intensive and cost consuming to list on the actual stock market. In the structuring of the alternative marketplace, we have tried to take that fact into account.

The structure of the alternative marketplace focuses on the companies' possibility to have their shares priced and the possibility of current trading. Liquidity has not played a decisive part in the process, since it is only natural to assume that it is on level with similar alternative marketplaces.

### Positive Stance from Market Players is Paramount

Throughout the past year we have held conversations with a number of market players about the possible establishment of an alternative marketplace to be placed under us – the Copenhagen Stock Exchange. The notion of an alternative marketplace has also been discussed in the Exchange’s Equity Committee and the Exchange’s Investor Forum, where the biggest Danish institutional investors and investor associations are seated. In addition, we have incorporated experience from abroad in our preparatory research.

The Copenhagen Stock Exchange has completed the preliminary conversations and discussions. We have therefore chosen to submit a draft involving an alternative marketplace for small companies for public hearing. This will allow anyone who wishes to play a part in developing the Danish business community, including the Danish equity market, to comment on our proposal for an alternative marketplace for small companies. Only if the players on the Danish capital markets endorse the general ideas of an alternative marketplace will the Exchange pursue the project further. **RoM**

## CAPITAL NOTES

Total Number of Trades	
	Trades (in thousand)
Buenos Aires	2108
Mexico	1411
NYSE	933112
Sao Paulo	13384
TSX Group	41881
Borsa Italiana	34260
Copenhagen	2596
Deutsche Börse	72881
JSE South Africa	3911
London	53535
Tel Aviv	4978
Australian	18840
Bursa Malaysia	20035
Hong Kong	37244
Jakarta	3724
Korea	138654
Mumbai	222333
Shanghai	259043
Taiwan	175697
Thailand	28546

*BSE stands high among the stock exchanges which respect to number of trades. It reported 222 million trades in the year as against 933 million of NYSE. Exchanges in South East Asia, especially Korea Stock Exchange and Taiwan Stock Exchange also figure among those reporting highest number of trades.*

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