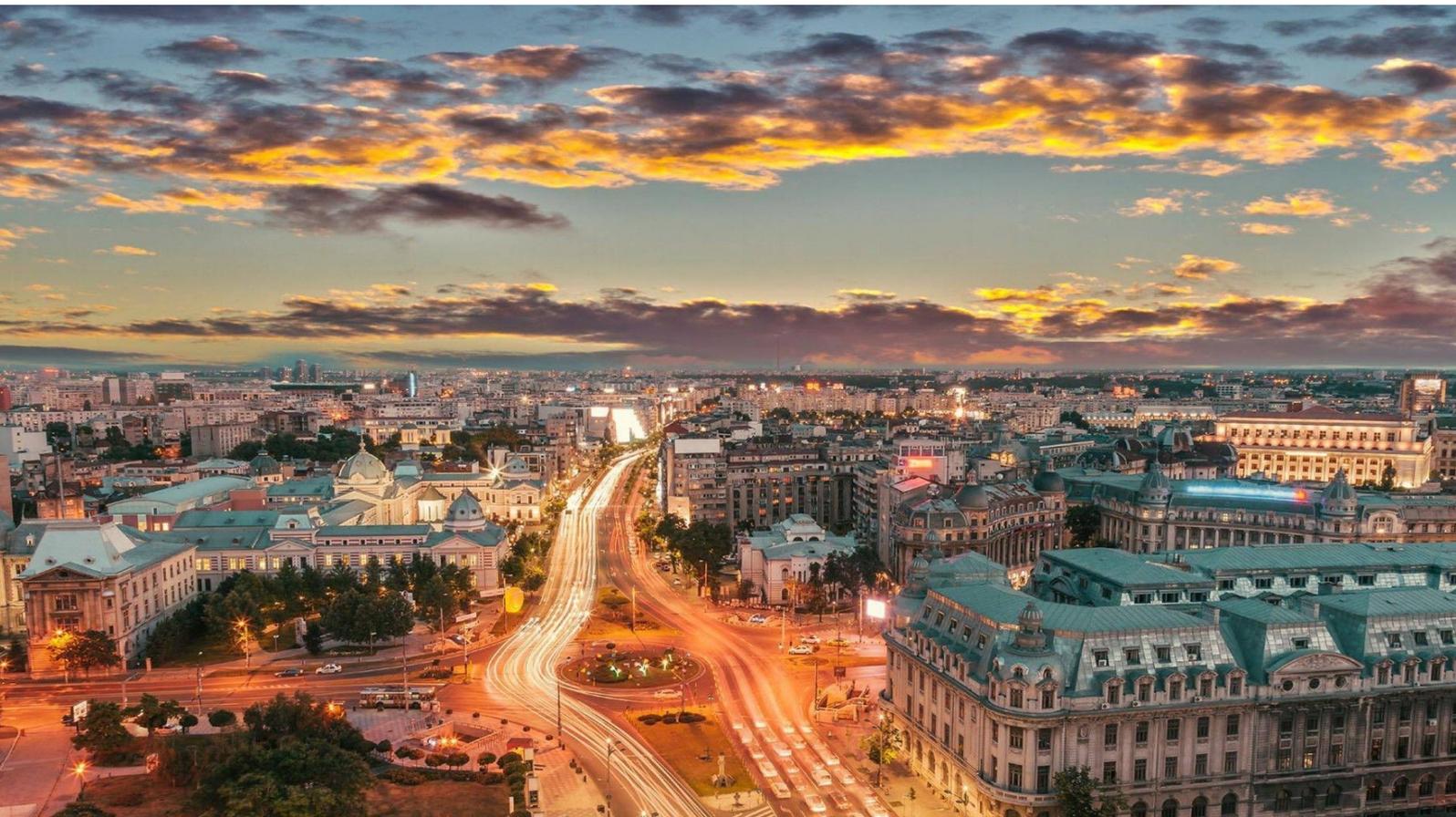


# Listing on the Bucharest Stock Exchange

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**GOLDRING**

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**Intermediary of Romanian  
entrepreneurial companies at the BSE**



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# 1

## Introduction

**The Bucharest Stock Exchange** facilitates the flow of money between investors and successful businesses seeking non-bank financing. In addition to access to capital, a listed company enjoys numerous benefits. These include obtaining real market value, liquidity of shareholders' equity holdings, visibility for strategic partnerships, multiple growth opportunities, image building, low-cost advertising and improved corporate governance practices. It is for these very reasons that listing on the stock market is a positive direction for any business suitable for going public. For a business to be eligible for listing it must be innovative, with traction, with potential, managerial capability and character.

On the capital market, a business can raise finance by issuing financial instruments. A business can finance itself either by issuing new shares (share capital increase) or by issuing bonds. Issuing new shares increases equity, improves leverage and the business receives cash without pressure on future cash flows, but the shareholders have to give up part of the business. By issuing bonds, shareholders do not have to give up shares, but leverage increases and the cost of capital market financing is usually higher than bank financing, with future cash-flow pressure.

**Equity financing** provides a company with capital with minimal effort. The financing a company may access once listed makes it easier to start new development projects within the company. By listing, a company gains credibility - aligning to the best practices of corporate governance, making it more attractive to the strategic partnerships it seeks. This gives the company higher scores in attracting grants and makes it easier to participate in public tenders anywhere in the world. Experts have shown that a listed company is better valued than one with similar indices that does not choose to list on one of the capital markets.

The publicity that the listed company attracts before, during and after the listing is beneficial and does not require sums of tens of thousands of euros. Thus, the publicity and transparency of the company reinforces its reputation among stakeholders.

# 1

This can lead investors to become customers and vice versa. Last but not least, there is the possibility to reinforce an incentive plan for key people in the company by giving shares for free or by allowing them to buy shares with important fiscal facility. This practice has proven to be beneficial in terms of Human Resources Management strategies and beyond.

Both mature companies and SMEs or validated start-ups can become listed companies, with the Bucharest Stock Exchange offering two alternatives. Large, mature and well-prepared companies may opt for the Regulated market, while the other businesses might choose to float on the AeRO market. On both these markets, both shares and bonds can be listed.

While Europe and Japan have economies that lean towards bank loans when it comes to financing, small and medium-sized companies in the United States prefer 70-80% of their financing in the capital market, through equity or bond issues. European companies would benefit from turning to the capital markets, which would allow them to grow, in addition to many other benefits.

The pre-listing investor offering takes place prior to the listing, but it can also occur during or after trading on the stock exchange. The offer is made either before the listing, through a private placement or public offer, or - in the case of shares - after the listing, through a public offer to increase share capital.



# 1

**Who is involved in the listing process?** - Several entities are involved in the listing process, working together to make the listing a success.

**Authorised Intermediary/Consultant** - Goldring SA, a Financial Investment Services Company authorised by the Financial Supervisory Authority, prepares the documentation for admission to trading, advises the management of the potential issuer on the preparation of the company for listing and on post-listing reporting and conduct requirements and, in cases where the listing is preceded by the issue of new shares, assists the entity in the evaluation, preparation and conduct of the offer. In the case of larger scale offerings, it may create a consortium (syndicate of intermediaries) with other intermediaries.

**The auditor** also has an important role because financial statements need to be audited and investors pay attention to the reports and opinions expressed in them.

The **Bucharest Stock Exchange** operates two trading markets, the Regulated Market and the Multilateral Trading System – also called AeRO for stock market. The Regulated Market is established as one and the same as the Romanian stock market. The global index provider, FTSE Russell has upgraded BSE to the status of emerging market in September 2020.

**The Central Depository** is an institution belonging to the Bucharest Stock Exchange that facilitates the transfer of financial instruments and money between investors and companies, i.e. it settles transactions on the main market and the AeRO market. The Central Depository is also responsible for updating and maintaining the shareholding records of a large number of companies in Romania.

The **Financial Supervisory Authority** regulates the three main financial markets: capital markets, private pensions and insurance. It oversees the stability of non-bank financial markets and ensures a favourable investment climate for both issuers and investors.

# 2

## The myths of capital market listing

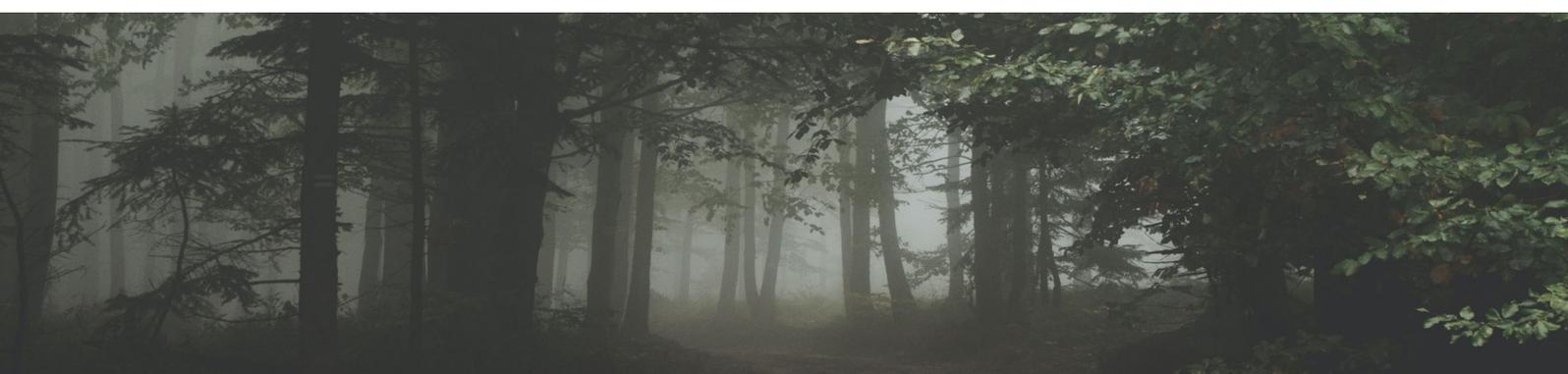
Listing a company is not an easy decision. If fear of risk gets the better of an entrepreneur, it can lead them to postpone the listing decision or not even go ahead with it.

One of the myths is that the Romanian market is insufficient to attract capital. Nothing could be further from the truth! In the last four years Goldring has brokered private placements **worth over 160 million lei and stock market transactions worth over 1.7 billion lei**. And only in 2021, companies raised 1.5 billion euro by stock and bonds offerings.

Some entrepreneurs believe that a start-up business can't find a place on the stock market. For these, the Bucharest Stock Exchange has launched a market specially designed for promising businesses, the AeRO market (alternative trading market), aimed at SMEs and start-ups that need capital to grow.

Another myth concerns the risks the transparency and reporting obligations may bring forth, as competitors and other stakeholders will have free access to important company information. The law obliges the listed company to be much more transparent with investors, but reporting regulations allow it to avoid giving details that would make it vulnerable in its sector.

One misconception is the loss of control over the company. Entrepreneurs can easily avoid this by listing a small percentage of their shares. This is precisely why there is a free float limit of at least 25% in the case of a listing on the Regulated market and 10% in the case of the AeRO market. On top of that, investors are required to report upward or downward fluctuations from the 5%, 10%, 15%, 20%, 25%, 33%, 50%, 75% thresholds. The risk is almost entirely eliminated if the entrepreneur does not give up significant percentages of those held.



# 2

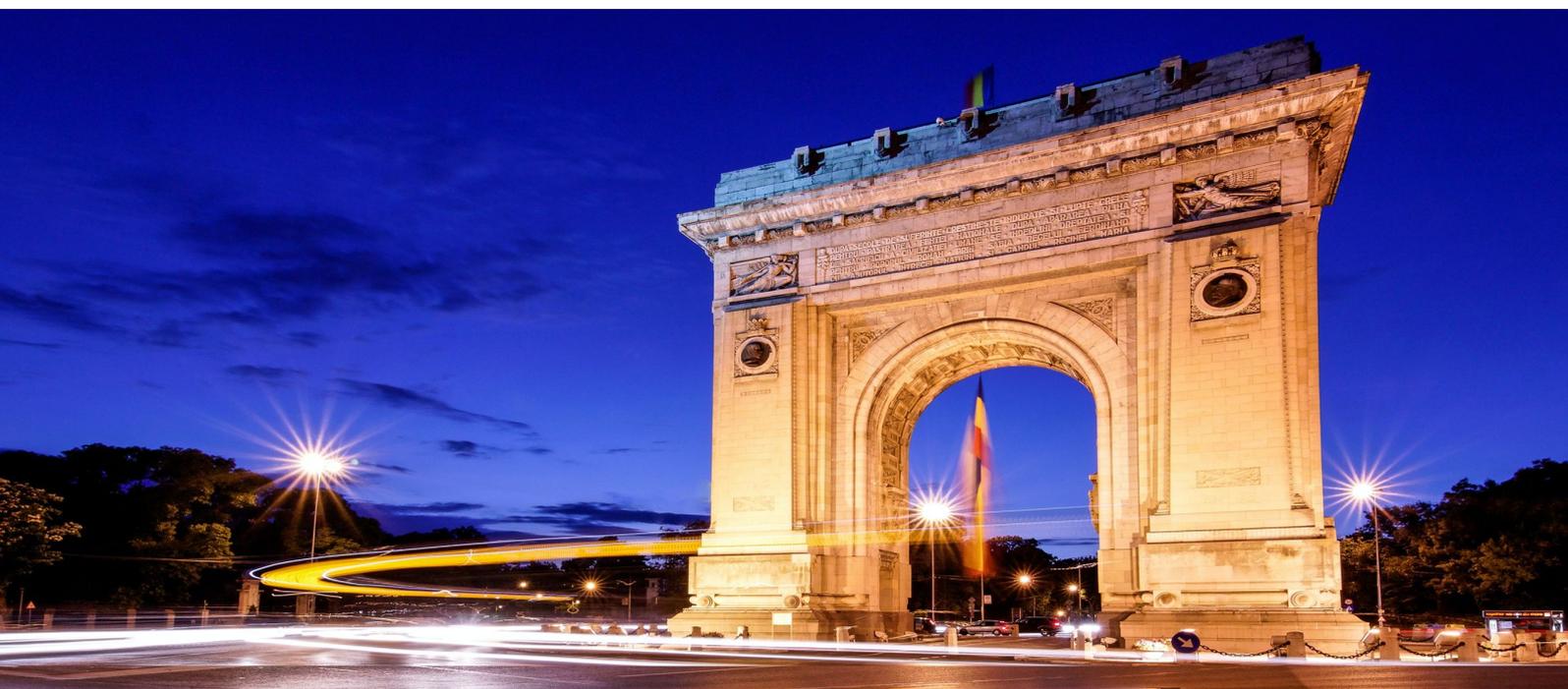
	ADVANTAGES	DISADVANTAGES
<b>FINANCING</b>	<ul style="list-style-type: none"> <li>• Funding for business development.</li> <li>• Ramification of funding sources.</li> <li>• Determining a market value for the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Listing and compliance costs.</li> <li>• Creation of a specialised department for relations with capital market institutions and investors.</li> </ul>
<b>PR &amp; MARKETING</b>	<ul style="list-style-type: none"> <li>• Exposure to a new range of investors, including sophisticated professional investors, investment funds.</li> <li>• Increased awareness/enhancement of company image.</li> <li>• Attract and retain clients.</li> <li>• Attracting and retaining skilled human resources (through share offers etc.).</li> <li>• Free advertising before, during and after listing.</li> </ul>	<ul style="list-style-type: none"> <li>• Further efforts to control the flow of inside information (relating to company activity and decisions).</li> <li>• Additional post-listing reporting requirements, in particular on management remuneration and related party transactions.</li> </ul>
<b>SHAREHOLDERS &amp; INVESTORS</b>	<ul style="list-style-type: none"> <li>• Establish a market value for the company.</li> <li>• Increasing the confidence of business partners.</li> <li>• Increase the level of corporate governance in the management of the company.</li> <li>• Liquidity for shares.</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability to hostile takeovers.</li> <li>• Volatility caused by the market can distort the company's actual performance.</li> <li>• Additional procedural requirements for General Meetings, Board of Directors and executive management.</li> </ul>

# 3

## Listing shares

Companies can come to the stock exchange in two ways. The first is aimed at company development and involves the issue and sale of new shares, while the second method involves one or more shareholders selling a percentage of their shares. This second way is also called a 'technical listing'. By selling a percentage of the shares held, a shareholder makes a partial exit and benefits in full from the proceeds. Once the shares are listed, the founding shareholder places sell orders on the market to create the necessary free float and to support the trading of the shares. After the listing, the company can, at any time, initiate a capital raising operation by issuing new shares.

In the first variant, the listing of shares comes following an increase in share capital, i.e. following an issue of new shares that the company has offered to investors either in a private placement or by Initial Public Offering (IPO). In this case, the founding shareholders do not sell their shares, but the investors who subscribed for the newly issued shares become shareholders alongside them. The founding shareholders therefore remain with the same number of shares they had before the increase, but will no longer own 100% of the share capital or future profits. The size of the offer is determined by the market value they expect to achieve after the listing and the percentage of the business they are willing to give up.



# 3

**An initial public offering** occurs when an unlisted company sells to the large public, i.e. all investors on the capital market, new shares for subscription (primary initial public offering) or when existing shareholders decide to sell some of their shares to the public (secondary initial public offering). The offer is made on the basis of a Public Offering Prospectus, which will be drawn up in accordance with the national and European legislation in force and approved by the Financial Supervisory Authority (FSA). This is the first phase of the listing, followed by the actual admission to trading of the financial instrument.

**A private placement** is the process of offering newly issued shares of a company for purchase to up to 149 potential retail investors, either individuals or companies, together with an unlimited number of professional investors. Private placements are carried out directly and confidentially, in a significantly shorter timeframe but most often at a higher cost than an initial public offering (IPO). The launch of a private placement requires an offering document, on which the memorandum for the subsequent listing on the AeRO market will be built. For a listing on the Regulated market, however, an offering prospectus needs to be prepared, which is slightly more complex and requires the approval of the Financial Supervisory Authority.

**The technical listing** is either on the Main Market, in which case a prospectus approved by the FSA is required, or on the AeRO market, in which case only a memorandum – approved by the BSE - is needed. In the case of a technical listing there is no pre-offer, therefore shareholding structure would not change. This type of listing aims to attract the benefits of being a listed company and to obtain a favorable market value for the company and its founding shareholders, allowing post-listing capital to be raised at lower costs than before listing.



# 3



For a company to be listed on one of the capital markets, it must be a public limited company (PLC) and its highest decision-making body must decide to admit the shares to trading.

**The main market of the Bucharest Stock Exchange (Regulated Market)** is for mature companies. They must have: historical financial statements for at least three years, an expected capitalisation of at least €1 million and a free float of at least 25%, i.e. at least 25% of the shares must end up in investors' portfolios. The financial statements for the previous three years will be prepared according to IFRS and audited.

**For listing on the secondary market of the Bucharest Stock Exchange (Multilateral Trading System - AeRO market)**, more accessible participation requirements must be met, thus allowing smaller and medium-sized companies to participate. A company wishing to list on the AeRO market must have: an expected capitalisation or equity of at least €250,000, free float of 10% or a minimum of 30 shareholders.

## LISTING REQUIREMENTS

Main Market	AeRO Market
Anticipated capitalisation of at least €1 million.	Early capitalisation or equity of at least €250,000.
The company is a public limited company (SA).	The company is a joint stock company (SA).
Free-float of at least 25%.	Free-float of 10% or minimum 30 shareholders.
IFRS and audited financials for the previous 3 years	Financials audited for the previous year.

# 3

## Steps to listing shares on the Main Market

1. A decision is taken by the shareholders to list the company on the regulated market of the Bucharest Stock Exchange. If a public offering is to be launched prior to the listing, the characteristics of the share issue must be determined.
2. The company, if it is not, becomes a joint stock company (SA).
3. Brokerage agreement is signed whereby Goldring confirms that it will take over responsibility for the offering and handling of the listing of the company on the main market. Goldring, together with the company, prepares the public offering prospectus - if a public offer takes place prior to admission, and an admission to trading prospectus - if a public offer does not precede admission. This document contains general information on the issuer, the intermediary, as well as information on the instruments offered and the conditions for participation in the offer.
4. The prospectus receives the approval of the FSA, after which it may be disclosed to the public.
5. In order for settlement and clearing to take place on the exchange, the shares shall will be registered with the Central Depository prior to the launch of the offer.
6. After Goldring initiates the offer, investors may subscribe. The offer can last from a few days to a few weeks, and after successful completion the company can receive the money raised.
7. If the IPO is successfully completed, the shares are approved and registered with the Financial Supervisory Authority.
8. Goldring must submit the following documents to the Bucharest Stock Exchange:
  - Application for admission to trading;
  - The prospectus drawn up and approval from FSA;
  - Decision of the company's statutory body on admission to trading;
  - the Memorandum of Association;
  - Copy of the securities registration certificate issued by the Financial Supervisory Authority;
  - Contract evidencing admission and trading on the stock exchange;
  - Declaration by which the issuer appoints at least two persons who will maintain cooperation with the Bucharest Stock Exchange.
  - IFRS prepared financial statements for the previous 3 years and audit reports

# 3

## Steps to listing shares on the AeRO Market

1. The Extraordinary General Meeting of Shareholders (EGSM) decides to list the company on the AeRO market. The EGSM also decides on the conditions under which the share capital increase and the offering of the newly issued shares will take place.
2. Signing of the brokerage contract with Goldring.
3. If the company is not a joint-stock company, it takes steps to become an SA. The revision of the Articles of Association also takes place.
4. Together with Goldring's consulting team, the company determines the optimal strategy for offering the shares on the capital market, i.e. whether or not this will be anticipated by a capital raising in the form of a private placement or in the form of an IPO - Initial Public Offering and its characteristics.
5. Preparation (preparation) of an offering document in the case of a private placement or the offering prospectus in the case of a public offer, if one of the two anticipates a listing.
6. Once the decision has been taken and the requirements have been met, the actual private placement or primary or secondary initial public offering takes place through the BSE system. The offer can last from a few days to a few weeks, and after its successful completion, the company can take possession of the funds raised.
7. The shares will be registered with the Central Depository and the BSE gives its approval in principle for the listing.
8. Next comes the registration of the shares with the Financial Supervisory Authority (FSA).
9. The financed company must submit a series of documents to the Bucharest Stock Exchange:
  - Application by which it is admitted to trading;
  - Memorandum or Prospectus, for the technical listing following or not a private placement, respectively for the Initial Public Offering;
  - Proof that the contract has been signed with the Central Depository;
  - Copy of the registration certificate for the securities held, document issued by the Financial Supervisory Authority;
  - Copy of the certificate of registration with the Trade Registry Office;
  - Annual or quarterly financial reports;
  - The audit report
  - Shareholders' decision on listing;
  - Contract signed with the intermediary, in this case Goldring SA.
9. Approval of admission to trading by the BSE.
10. First day the company is traded.

# 4

## Listing bonds

**Issuing bonds** involves borrowing from investors in return for interest payments. With this type of issue, the ownership structure remains unchanged, the company obtains the necessary financing and benefits from the advantages offered by the capital market. The amount borrowed from investors must be repaid either at maturity or in instalments. Interest is calculated annually, but can be paid annually, semi-annually or quarterly.

**Bond issuance** can take different forms, in addition to the classic one. A company has the option to renew the loan by replacing the previous issue with a new bond issue. Another possibility is to convert the bonds into shares either at or before maturity, and this type of bond is called a convertible bond.

As for **the BVB requirements for bond issues**, these relate to the amount of the issue. On the Regulated Market, the minimum issue size is €200,000, while on the Multilateral Trading Facility (MTF) there is no minimum size. The company should also present IFRS audited statements for the previous three years in case of listing bonds on the Regulated Market, and audited financial statements for the previous year, for listing bonds on the MTF.

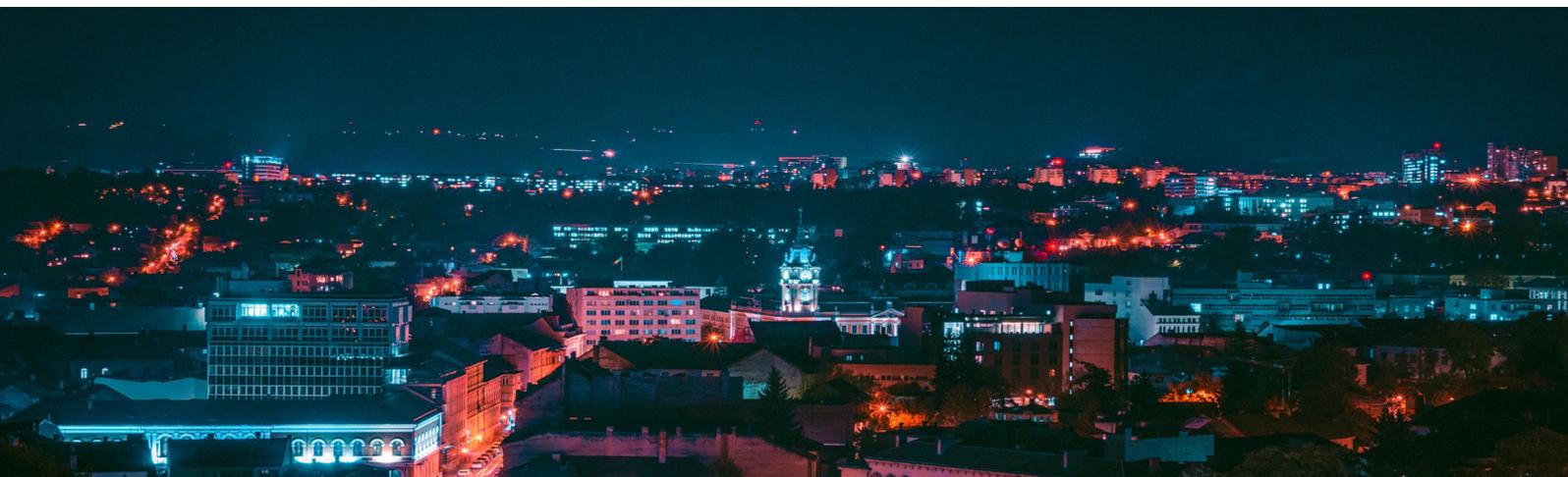
LISTING REQUIREMENTS	
Main Market	AeRO Market
The company must be a joint stock company (SA). The minimum issue size is €200,000.	The company is a joint stock company (SA).

# 4

The listing of bonds on the stock exchange can be done either through public offerings or private placements.

**The public offer** is addressed to both retail and institutional investors. It is considered to be the most robust method of consolidating an investor base. The public offer is when the newly issued bonds are sold to the public. Prior to the offer, a prospectus approved by the Financial Supervisory Authority must be drawn up, which is required both for the public offer and for the listing of the bonds on the regulated market.

**A private placement** is the process by which a company issues bonds and sells them to up to 149 potential retail investors, who can be either individuals or corporate entities, along with an unlimited number of professional investors, in the EU. This financial action is carried out directly and is an alternative to an initial public offering (IPO) for a company seeking to raise capital for expansion in a significantly shorter time horizon but, more often than not, at a higher cost than a public offering. As in the case of a listing of shares, an offering document/memorandum is required to start the private placement process and for subsequent listing on the MTF, but a prospectus is required for a listing on the Regulated Market.



# 4

## Steps to listing bonds on the Stock Market

1. The shareholders of a company decide on the issue of bonds and their characteristics.
2. The company signs a cooperation agreement with Goldring, an intermediary authorised by the Financial Supervisory Authority, which takes over the duties of the offer.
3. The issuer determines, under the guidance of Goldring, the characteristics of the offer:
  - Type of bonds;
  - Number of bonds issued;
  - Total amount of the offer;
  - Nominal value;
  - Issue price;
  - Interest rate/coupon;
  - Loan period;
  - Frequency of payments;
  - Duration of the offer;
  - Conversion rate and conditions, in the case of convertible bonds;
  - Type of collateral, if any.
4. The necessary documents are prepared: the offering document in the case of a private placement, the memorandum – for admission to trading, respectively the prospectus in the case of a public offering, in which case the file must be approved by the FSA.
5. The company, together with Goldring, conducts the public offer or private placement, as the case may be, through the BSE system. This process can take from a few days to a few weeks and investors will receive their bonds and the company their money after registration with the Central Depository. The Central Depository clears and settles transactions and also keeps a record of bondholders.
6. The BSE's agreement in principle to list the bonds is obtained, after which they are registered with the Financial Supervisory Authority, which issues a registration certificate.
7. The documents are submitted to the Bucharest Stock Exchange, depending on the market for which they are opted.
8. The admission of the bonds to trading is approved by the Board of Directors - in the case of the regulated market, respectively by the General Manager - in the case of the MTF.

# 5

## Post-listing

Once a company is listed, it is subject to a number of requirements in relation to capital market institutions and, in particular, investors, which involve a series of activities and events. These include shareholder meetings, recurrent reporting and expert advice. For any public company, not just listed companies, the highest decision-making forum is the General Meeting of Shareholders. This is of two types - ordinary and extraordinary.

**Ordinary Meetings (OGSM)** require the presence of at least 25% of the company's shareholders at the first convocation, unless a higher threshold is decided in the articles of association, and are held within at least 30 days of the publication of the notice of meeting in the Official Gazette of Romania, Part IV. Decisions in the OGSM are taken by simple majority, i.e. by a number of "for" votes representing a simple majority of those present. General Meetings are convened on the initiative of the Board of Directors or of a shareholder/group of shareholders holding/holding at least 5% of the total number of voting shares.

**Extraordinary General Meetings (EGSM)** approve the change of the legal form of the company, the change of the registered office, the change of the object of activity, the change of branch offices, the extension of the duration of the company, the increase of the share capital, its reduction or replenishment through the issue of new shares, changes in the development plan, the change of registered shares into bearer shares or vice versa, the issue of bonds and any other amendment of the articles of association or other resolutions.

The **EGSM** requires the presence of shareholders holding at least 25% of the total voting rights at the first convocation and at least 20% of the total voting rights at subsequent convocations, if the minimum quorum is not met at the first convocation, but higher quorum thresholds may be set by the articles of association. Decisions at Extraordinary Meetings are taken by a simple majority, except for decisions on changes of capital, on the object of business, merger or dissolution of the company - where two-thirds of the votes are required. The convocation of the OGSM and the resolutions taken at the General Meetings are published in a current report on the BSE as soon as possible.

# 5

For recurring reporting, the company must publish financial reports on a half-yearly or quarterly basis, describing the progress of the issuer's business and financial performance during the reporting period, in accordance with a reporting structure set out in current legislation. Annual and half-yearly financial reports - or periodic reports - are mandatory for both the AeRO and the Regulated market. Preliminary annual financial reports are a common practice while quarterly reports are mandatory in the Regulated market and optional, but recommended, in the AeRO market. In addition to these reports, any meetings with brokers, analysts or investors, as well as any events or information relevant to investors and investment decision must be reported within 24 hours of the time they occur.

Actions to be reported include failure to pass a resolution by the General Meeting, changes in the control, management or financial auditor of the issuer, litigation involving the issuer, failure of bond issuers to pay their obligations, situations where there may be adverse effects on the issuer or the environment, administrative changes in the control or management of the issuer, signing of contracts exceeding 10% of turnover, convocations or resolutions of the General Meeting of Shareholders, related party transactions, etc.

## **Conclusions**

Listing is beneficial for any eligible company, whether it is a start-up or an SME or an established business. A listed company gets many benefits such as publicity, image building, visibility in future partnerships, keeping key workforce and multiple growth opportunities.

Take the easy way out by financing your company. Go public, the way to attract both capital and investor confidence!