



OWNERSHIP STRUCTURE IN LISTED EQUITY CAPITAL MARKETS - OBSERVATIONS & ISSUES

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Ownership structure in listed equity capital markets

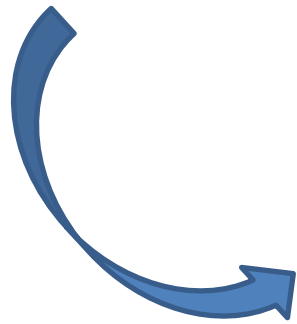
1. Context of common ownership
What we know at company level
2. Implications for corporate governance
3. Implications for competition



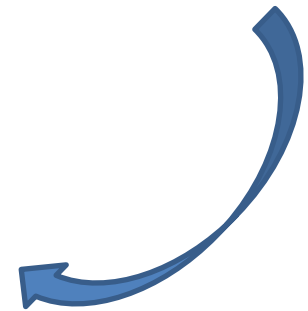
1. Context

*Dominance of
institutional investors*

*Concentration
of ownership*



*Concentration of ownership
by institutional investors*





1. Context

Institutional dominance in main developed markets

Average ownership by investor category, 100 largest listed companies, end-2016

	Private corporations and holding companies	Governments	Institutional investors	Others
Brazil	29.3	11.8	25.0	33.9
Canada	8.0	2.7	47.6	41.7
China	13.1	41.8	8.2	36.9
France	21.9	7.8	29.4	40.9
Germany	22.0	5.2	28.9	43.9
Hong Kong (China)	21.3	25.2	13.1	40.4
India	31.0	20.1	19.3	29.6
Indonesia	44.5	15.5	7.5	32.5
Italy	19.9	7.8	23.0	49.3
Japan	20.1	5.9	26.6	47.4
Korea	26.1	13.2	15.4	45.3
Malaysia	30.1	33.0	11.3	25.6
Mexico	16.3	0.7	19.0	64
Poland	20.6	9.4	32.1	37.9
Russia	33.3	24.0	9.0	33.7
Singapore	29.8	10.1	13.2	46.9
South Africa	22.6	11.5	30.4	35.5
Spain	20.0	3.5	24.9	51.6
Switzerland	12.4	8.9	27.8	50.9
Thailand	26.2	10.2	12.0	51.6
Turkey	47.8	9.4	11.3	31.5
United Kingdom	4.5	6.0	66.4	23.1
United States	2.3	1.3	72.9	23.5
Average	22.7	12.4	25.0	39.9

Indicative of state-control (points to Institutional investors column)

Indicative of strong family and holding company groups (points to Private corporations and holding companies column)

Significant concentration of institutional investors (points to Institutional investors column)

Up from 30% in 1980 (points to Institutional investors column)

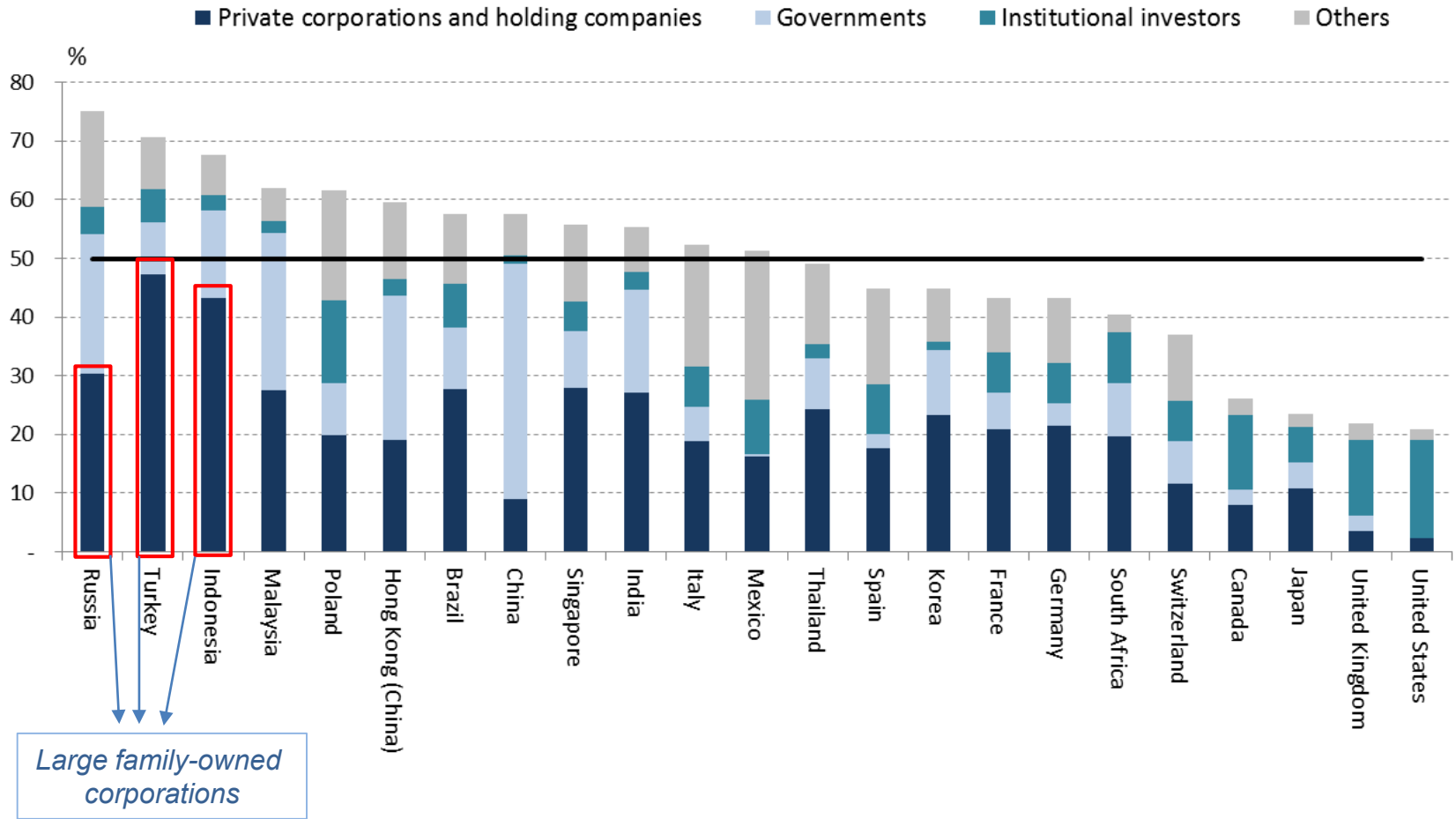
Source: FactSet, Thomson Reuters, OECD calculations.



1. Context

Ownership concentration at listed company level

Combined holdings of the 3 largest shareholders, 100 largest listed companies, end-2016

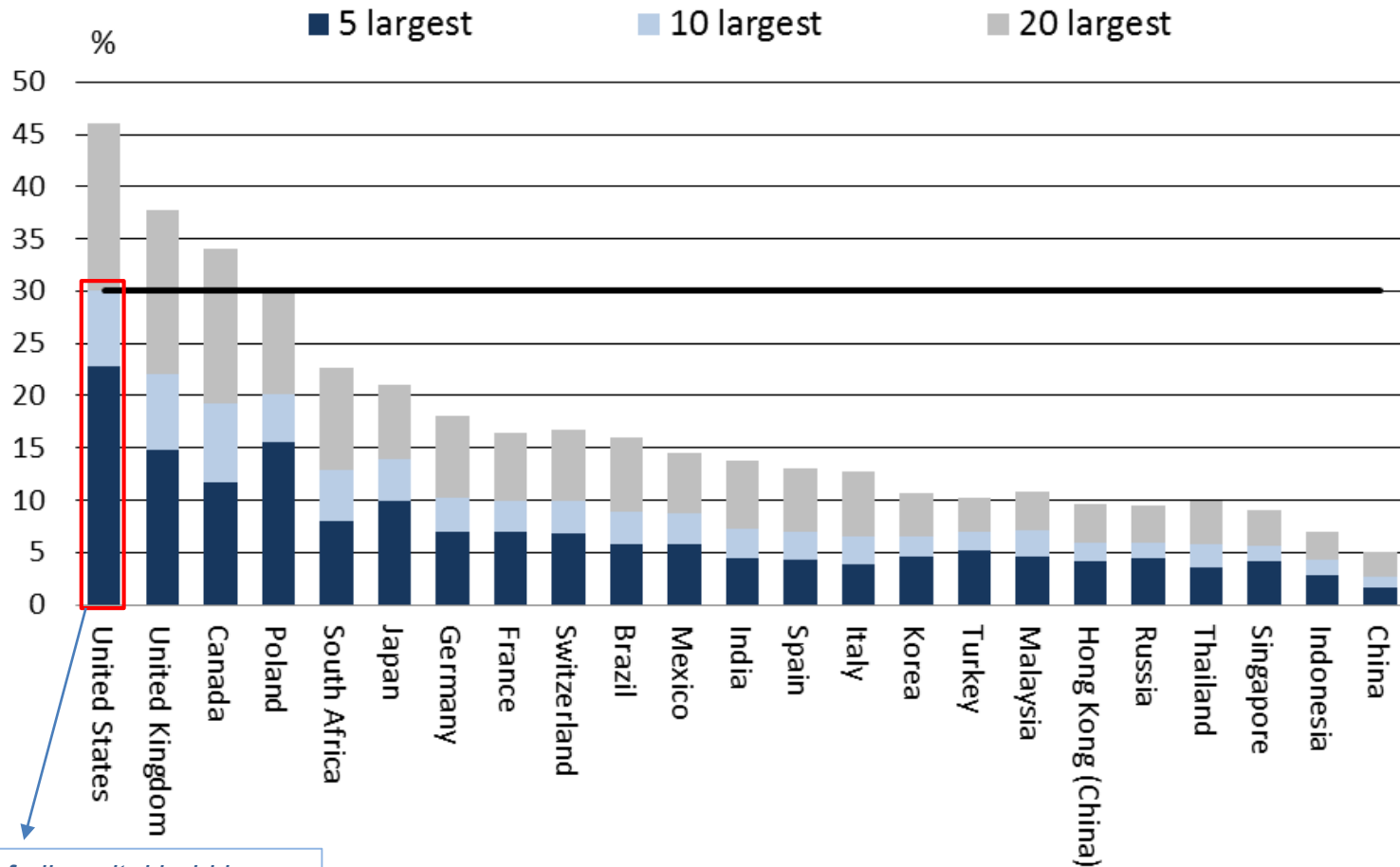




1. Context

Concentration of ownership in the hands of institutional investors

Combined holdings of the largest institutional investors at company level, 100 largest companies, end-2016



30% of all capital held by 10 largest institutional investors



2. Impacts on corporate governance

Active exercise of corporate governance is in the hands of institutional investors.

Initiatives to lift voting don't mean better engagement – risk of 'box-ticking'.

Need for truly informed shareholder engagement

Similar concerns for passive investment funds



3. Implications for competition

Risk to competition? It depends.

- 1. The extent of common ownership links.*
- 2. The level of market concentration.*
- 3. The approach of firm managers in considering shareholder interests.*
- 4. Technology spillovers.*



Competition authorities shouldn't ignore the research – or the risks.

- 1. Market studies – include common ownership*
- 2. Mergers – watch for industry-wide ownership concentration.*
- 3. Collaborate with researchers to better explore the evidence*



Conclusion

1. Competition authorities need to better understand common ownership and risks
2. Institutional investors should also be aware of the risks.
3. Need for continued dialogue between competition researchers and the investment community.