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Shareholder Mobility in Five European Countries

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April 2008

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CCL and Tilec - Tilburg University, Financial Law Institute - Ghent University and ECGI

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Abstract

This paper provides new evidence on the evolution of ownership of a large sample of companies in five European countries – Belgium, France, Italy, Spain and the UK - between 1999 and 2008 to understand ownership dynamics and the influence of legal developments on ownership patterns. Ownership concentration decreased at a moderate pace over the last 8 years in three countries –France, Italy and Belgium- but increased in two others, Spain and the UK. In France, Italy and Belgium approximately half of the companies have a de jure controlling shareholder. In Spain and the UK the largest group of companies have a shareholder with a voting block between 10% and 30%. In all civil law countries in this study, the majority of the largest shareholders are families or non-financial companies. However there are large differences between the civil law countries as well as over time. Banks remained major shareholders in a large number of Spanish companies and acquired smaller blocks in British companies. All over Europe, there is evidence that insurance companies acquire large stakes, though not controlling voting blocks. In France and Italy privatisation processes continue and the number of companies with government shareholdership is reduced. In all countries more companies are confronted with foreign shareholders. Foreign shareholders are the largest group of shareholders, measured by the number of companies in which a shareholder class is present in all countries, with Spain as the only exception.

The analysis of ownership structures enables a more detailed analysis of its relationship with company and securities law. Lele and Siems (2008) developed the LLSV's index of investor protection rights in two indices relating to the protection against board and management on the one hand and protection against other shareholders on the other hand. Their analysis is used to study the relationship between company and securities law development and ownership structures. The results by and large confirm LLSV's thesis, especially for France, though the relationships are relatively weak. The increase of the anti-director index resulted in smaller voting blocks in hands of the largest shareholder. As the anti-blockholder index did not improve in France, (other minority) shareholders increased their voting blocks as a second best substitute.

Keywords: Corporate governance, ownership, ownership concentration, ownership structure, company and securities law, shareholders, shareholder protection

JEL Classifications: G32, G34, K22

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Introduction

Corporate ownership structures have received considerable attention in recent history. This literature emerged after the publication of Berle and Means' "Modern Corporation and Private Property". Berle and Means (1932) empirically documented the division of ownership from control in 200 large US corporations. The ultimate control appeared to be in hands of management in 44% of the corporations, only 11% were majority controlled. In recent work, it is shown that the widely dispersed ownership structure is not a common model. Franks and Mayer (1993), La Porta, Lopez-de-Silanes, Shleifer (1999, LLS), Claessens et al. (2000), Faccio and Lang (2002), Barca and Becht (2001) and Van der Elst (2001, 2003) have all illustrated the relative exceptional Berle and Means pattern. In most countries large shareholders control majority or significant voting blocks. In Europe and in Asia these large shareholders are often families, whilst the government holds major blocks in France, Italy, Malaysia and Taiwan. Non-financial companies control many German and Belgian companies. Large shareholders use different mechanisms to control listed corporations: pyramids, different classes of shares and shares with different voting rights are among the most common instruments to retain control (Claessens et al. (2000), Faccio and Lang (2002) and Adams and Ferreira (2007)).

Another strand of literature illustrates that ownership becomes more dispersed the longer the company is stock exchange listed, though different patterns exist in the United States, Germany, the United Kingdom, Sweden and Italy (Helwege et al. (2007), Goergen and Renneboog (2004), Holmen and Hogfeld (2004) and Rigaomonti (2007)). Morck (2005) traced the developments of ownership structures over de last century and shows different patterns and developments in different countries.

A different approach in literature assesses the determinants of ownership concentration patterns. The seminal work of La Porta et al. (1997, 1998) suggests that if a country's investor protection rights system is weak, investors will have to control large stakes to effectively exercise their control rights over managers. Investors protection rights evolve over time and some legal scholars address the shareholder protection indices over the longer period (Lele and Siems 2007). Roe (2003) supports a more political view to explain ownership concentration patterns.

Not all ownership characteristics have been studied in detail. Only limited information is available on ownership developments and structures and its relationship with legal developments over the last eight years. This study provides insights in the developments of shareholder structures of a large sample of companies between 1999 and 2007 in five European countries: Belgium, France, Italy, Spain and the United Kingdom. The analysis relates these developments to the evolution of company and securities law to address some of the basic research questions of LLSV: is ownership concentration a substitute for weak investor protection rights or are ownership structures exogenous and stable irrespective of any external development?

The remainder part of this paper is structured as follows. Section 2 provides the main findings in literature on ownership structures along the aforementioned different research lines. The focus is on the five countries which will be studied in the following sections. Section 3 gives the data and methodology. Section 4 presents and discusses the results. Section 5 summarizes the findings and concludes.

2. Ownership structures

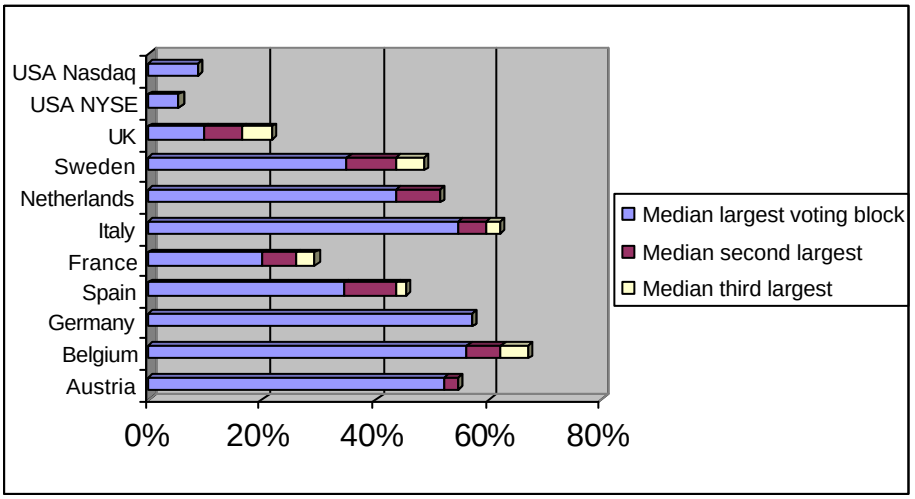
A stylised fact of corporate governance is the widely dispersed ownership pattern in the United States and the United Kingdom and the concentrated ownership pattern in continental European countries as well as in Asia. Where already in the 1930s' Berle and Mean illustrated the dispersion of ownership structure of American companies, it took until the beginning of the 1990s' before the first detailed studies on ownership structures in continental Europe were published. This section provides the state of the art on ownership, with a focus on European countries. Subsection one offers the available information of ownership concentration. In subsection two the data on the distribution of different types of ownership structures and control structures is discussed. It further assesses the identity of the controlling shareholders. Subsection three gives a brief overview of cash flow rights and voting rights. The fourth subsection offers the portfolio approach on ownership. It provides data on the distribution of shares among the different shareholder classes. In the last section the

dynamic approaches on ownership data are studied. A number of studies assesses the development of ownership concentration starting from the initial public offering.

2.1. Ownership concentration

The European Corporate Governance Network (ECGN) was the first to present ownership data from all over Europe. Barca and Becht (2001) compiled these European ownership data for 1995. The network found that within Europe, the level of concentration of voting power is not uniform nor did it resemble the American structure. A summary of the findings is presented in figure 1. In the U.K. the median voting block of the largest shareholder was less than 10% while in Austria, Belgium, Germany, and Italy it exceeded 50%. Spain and Sweden had large shareholders, though not all de jure control the corporation. France seemed to be the exception to the rule. The median largest shareholder block was "only" 20%. However, the French dataset focused on the largest companies. Outside the "Blue Chip" sector, ownership concentration was even higher in France than in other western European countries. Next the data demonstrated the almighty power of the largest shareholder in continental Europe. The combined forces of the other largest shareholders were insufficient to offer a countervailing power. The second and third largest shareholder's combined voting power remained under 50% of the voting power of the largest shareholder. Again, the different pattern of the British company needs to be stressed. Only alliances of shareholders can guarantee that corporate power is in the typical British "Berle and Means" corporation in the hands of the shareholders.

Figure 1: Concentration of ownership in ten developed countries (1995)



Based on Table 1.1. of Barca and Becht (2001), p. 19.

The publication of the ECGN analysis triggered many scholars to assess the ownership structure of other samples and other European countries.[1] Claessens et al. (2000) found a median voting block of the largest shareholder ranging between 20% and 30% in East Asian countries (Hong Kong, Indonesia, Philippines, Malayasia, Korea, Singapore and Taiwan), whilst the average largest shareholder of Japanese companies holds a voting block of less than 10% and the largest shareholder of Thai companies approximately 40%.

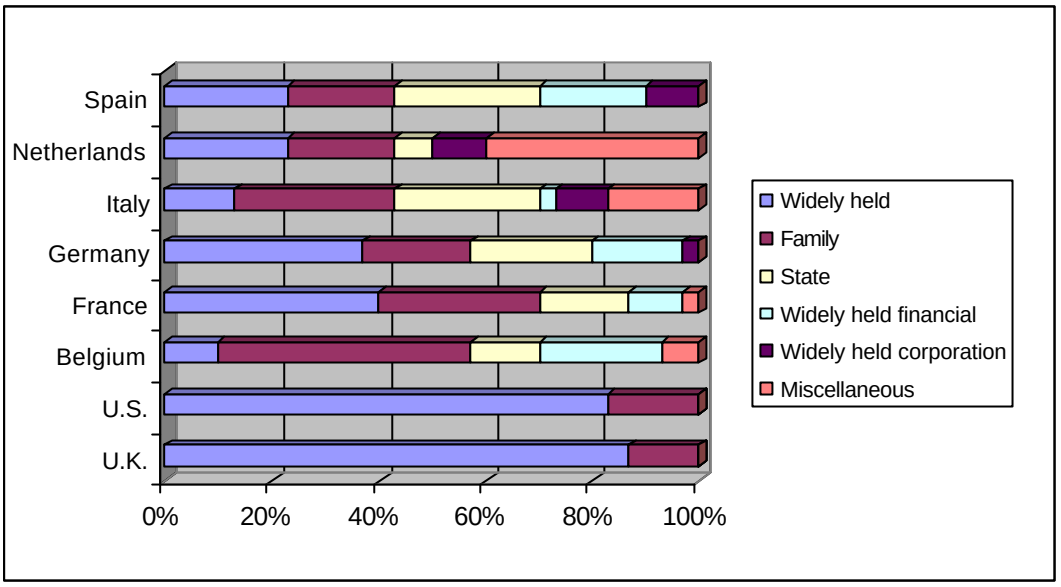
2.2. Ownership distribution

Another approach to study ownership concentration can be found in Franks and Mayer (1993)[2] and La Porta et al. (1999, LLS). The former were among the first to disclose comparative information on the ownership structures of a large sample of listed entities in the United Kingdom, France and Germany. They documented for 1990 that only a small fraction of companies, between 15% and 20% had a widely dispersed ownership structure with no shareholder with a stake in excess of 25% in Germany and France, whilst more than 80% of the companies in the U.K. belong to that group. Almost half of the French companies and more than 25% of the German companies had another non-financial company as largest shareholder. In Germany, families controlled in more than 20% of the companies a stake of more than 25%. For a sample of 20 large and 10 medium sized companies La Porta et al. (1999) studied the size of the stake of the largest shareholder as well as the type of shareholder. They documented that families and the state play an important role in many countries as the largest blockholder of listed entities (figure 2). This is particular the case for families in Belgium, Italy and France and for the state in Spain, Italy and Germany. There are hardly any companies with a widely dispersed ownership structure in Belgium and Italy. Apart from a number of listed family entities in the U.S. and the U.K., all companies are of the typical Berle and Mean structure.

[1] See for an overview: F. Foley and R. Greenwood, "The Evolution of Corporate Ownership: Evidence from 34 Countries", Working Paper Harvard University, September 2007, 29 p.

[2] The paper was later republished in D. Chew (ed.), 1997. Studies in International Corporate Finance and Governance Systems. Oxford University Press. 281-296.

Figure 2: Control of companies at 20% stake cut off (1995/1996)

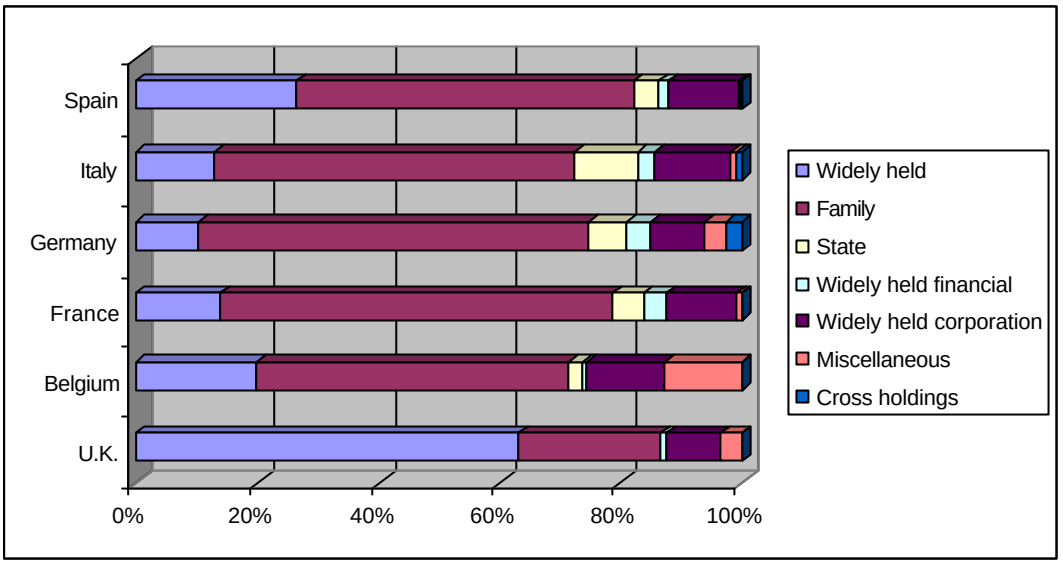


Based on table II and III of La Porta, 1999, p. 492 and 494.

The LLS paper also addressed the issue of chains of control. They illustrated the control chains patterns of Fiat (Italy), Electrabel (Belgium), Daimler-Benz (Germany), Toyota (Japan) and Samsung (South Korea). When a non-financial company or a financial institution control the listed corporation, LLS studied the ownership structure of the former entities. Their analysis revealed that some of these financial institutions are widely held, as it is the case in Belgium and Spain, whilst some widely held non-financial corporations that control the listed corporation can be found in Italy, the Netherlands and Spain. Finally, voting trusts are very important control mechanisms in the Netherlands.

Faccio and Lang (2002) analyse the ownership and control of more than 5000 companies in therteen European countries. Their data sample covers for each individual company the shareholder structure at one particular moment in the period of 1996 to 1999. They use a similar methodology as LLS but the larger number of companies and the more detailed analysis of pyramidal structures make their data more representative. Using a 20% cut-off ratio Faccio and Lang revealed that 38.1% of the companies are widely held. In the UK this figure is 68%, in Germany only 10% (figure 3). More than 43% of all listed companies are controlled (at the 20% cut-off level) by families. This figure soars to 65% in France and Germany but is only 20% in the U.K.

Figure 3: Control of companies at 20% stake cut off (1996/1999)



Based on table 3 of Faccio and Lang (2002)

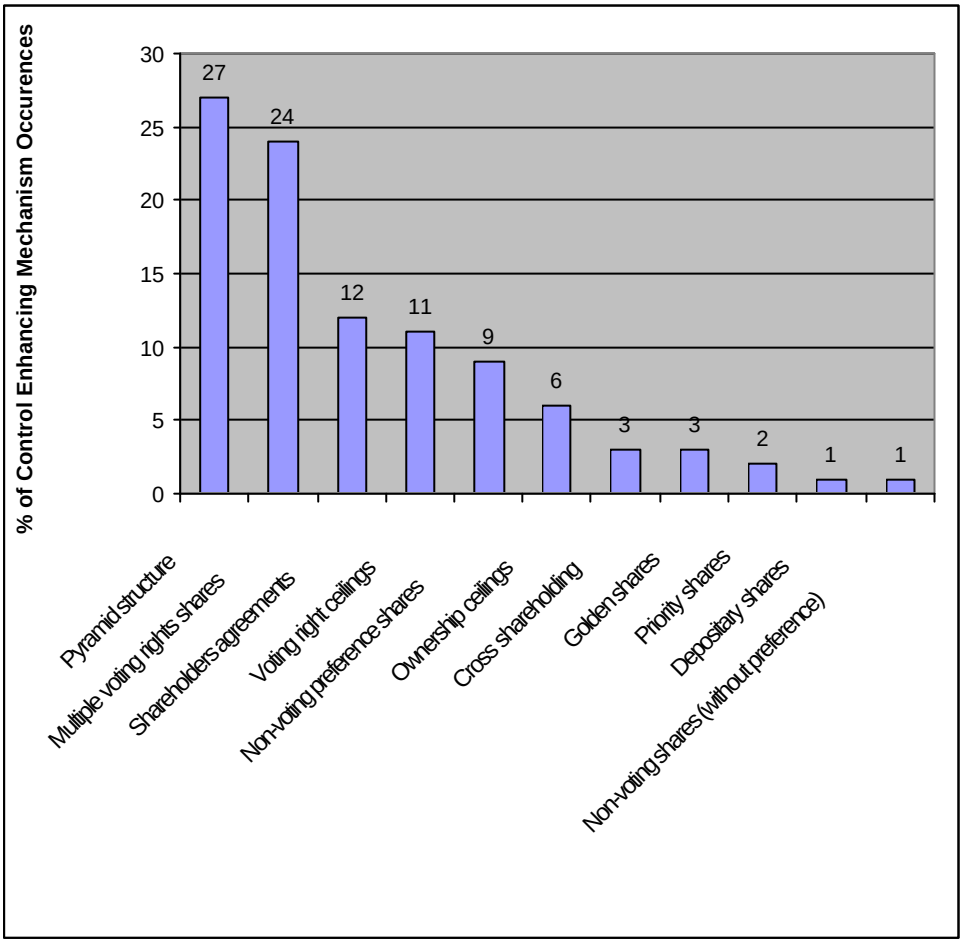
Claessens et al. (2000) carried out a similar study for 2980 listed firms in nine East Asian countries including Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand. The general ownership pattern in East Asia is similar to continental Europe. A limited number of companies in Indonesia and Singapore (5%) but more in Taiwan (26%) and in Korea (43%) and a majority of the companies in Japan (80%) have a widely dispersed ownership structure – at the 20% cutoff ratio -, whereas 40% of the companies and going up to as much as 70% is family controlled, with Japan as the exception with only 10% family controlled companies. In Singapore and Malayasia the state controls between 23% and 13% of the listed entities.

2.3. Ownership and voting power

While assessing ownership concentration and the distribution among different shareholder classes like families and the state, scholars noticed that in many companies the cash flow rights were much lower than voting rights due to the use of pyramids, shares with multiple or limited voting rights and other legal instruments. La Porta et al. (1999), Claessens et al. (2000) and Faccio and Lang (2002) all provided many examples of complex pyramidal structures in many countries to illustrate how the voting power can be leveraged above the ownership stake. In a study

commissioned by the European Commission, ISS, ECGI and Shearman and Sterling revealed detailed information on the different "control enhancing mechanisms" in sixteen European member states. For a sample of more than 400 companies the study found that in about one out four companies the pyramidal control structure and/or multiple voting rights shares are used and in one of ten companies voting right ceilings and/or shareholder agreements are in place or non-voting preference shares are issued (figure 4).

Figure 4: Use of control enhancing mechanisms in sixteen European countries



ISS, ECGI and Shearman and Sterling, *Report on the Proportionality Principle in the European Union*, Brussels, 2007, figure 4.7, p 25.

For the countries that will be studied in detail in this paper, the use of the control enhancing mechanisms can be found in table 1. Pyramid structures and shareholder agreements can be found in all countries, except Germany.[3] Their incidence is

[3] Other research indicates that also in Germany patterns of pyramids can be found (see Faccio and Lang, 2002)

however different. Pyramids and shareholder agreements are common in Belgium and Italy and exceptional in the United Kingdom. Voting rights restrictions can be found in all countries except Belgium.[4] Other control enhancing mechanisms are less widespread among different countries but can be very important in particular countries. An example is multiple voting shares. This type of shares is very common in France. More than half of the companies offer double voting right to long-term shareholders. Under the French law companies are allowed to grant shareholders double voting rights when they are registered as shareholders for more than a specified period of time. Contrary to other European countries where companies can issue shares with multiple voting rights going up to 1000 or more, the French ratio can only be two to one.

Table 1: Relative use of control enhancing mechanisms in different countries

	Belgium n=32	France n=40	Germany n=40	Italy n=39	Spain n=24	UK n=40
multiple voting rights shares		57,5%				2,5%
non-voting rights shares (without pref.)			10,0%			
non-voting preference shares			12,5%	15,4%		25,0%
pyramid structures	34,4%	17,5%		28,2%	16,7%	2,5%
priority shares						
depositary certificates						
voting right ceilings		10,0%	2,5%	7,7%	29,2%	5,0%
ownership ceilings				17,9%	4,2%	
golden shares	3,1%		2,5%	15,4%	12,5%	
partnerships limited by shares						
cross-shareholding		5,0%	5,0%			
shareholder agreements	31,3%	17,5%		23,1%	12,5%	2,5%
company with at least one instrument	50%	72%	23%	59%	62%	31%

Source: data based on ISS, ECGI and Shearman and Sterling, *Report on the Proportionality Principle in the European Union*, Brussels, 2007, figure 4.7, p 25.

The use of "control enhancing mechanisms" is not equally divided among the different member states. In Spain only seven control enhancing mechanisms are allowed. Five measures are in use and more than 60% have at least one mechanism installed. In Belgium companies are offered not less than eleven different mechanisms, the highest number off all countries investigated. Companies only use three of these mechanisms and only 50% of the Belgian companies in the database

[4] Although some Belgian companies use voting right restrictions (see Van der Elst, 2001, p. 283).

have a pyramidal organisational structure or have shareholders that joined forces in a particular shareholder agreement. Undeniable, shareholders agreements are control enhancing mechanisms, but they do not disentangle voting rights and cash flow rights as, for example, multiple voting rights.

2.4. Portfolio analysis of ownership

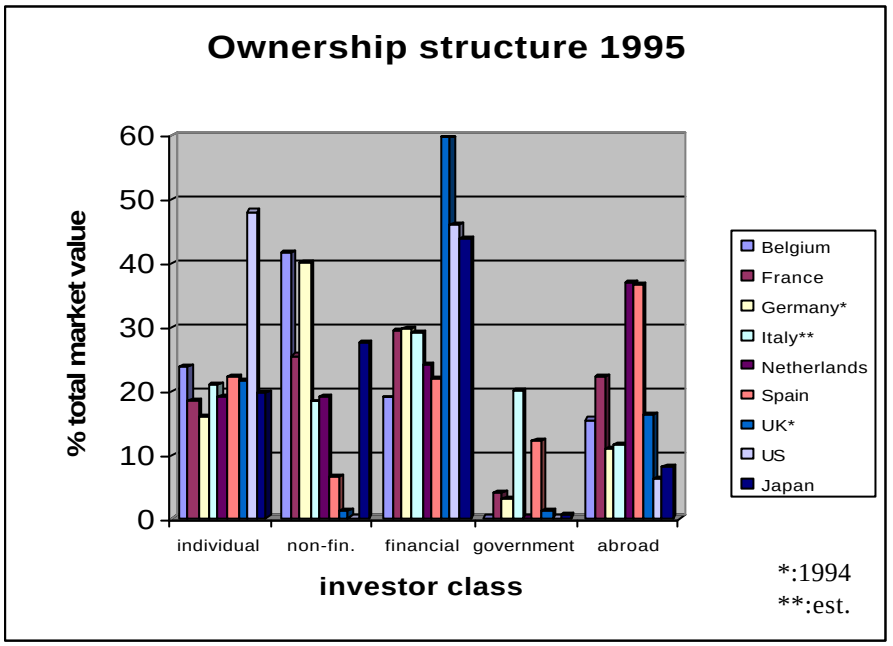
In a number of more legally oriented governance papers, ownership structures are identified by the hand of the total value of the shares in hands of a specified shareholder class related to the total market capitalisation in a specific country.

In most countries a relative small number of companies represent a large fraction of the total market value of the "national" stock exchange. Hence this approach reflects and emphasizes the ownership structure of "blue chips". Due to their size, these "blue chips" are of huge importance for the national economy.

Figure 5 and 6 show some trends in the portfolio of shareholder classes. First, individual shareholdership became less important, in particular in the US. The exception to the rule is Italy where families hold large stakes in a number of companies. Next, foreign shareholdership became more important in all countries and in particular in the Netherlands. Foreign institutional ownership is the rule in all the largest Dutch companies. Only in Spain foreign ownership did not change. Third, the government which holds a limited number of large blocks in some large companies in continental Europe continued its privatization process. Finally, the development of the other types of shareholders shows a mixed picture. Financial institutions, and in particular mutual funds, became more important in Belgium and France. The position of banks in Germany and pension funds in the UK changed. New German tax rules enabled the banks to sell some of their shareholder positions in large industrial companies. New actuarial rules forced British pension funds to reshuffle part of their portfolio into less volatile assets. The increase of the importance of the financial sector in Belgium and France goes hand in hand with the decrease of the importance of the non-financial industry. Holding companies in those countries reduced their stakes. In Spanish and Italian companies non-financial companies increased their

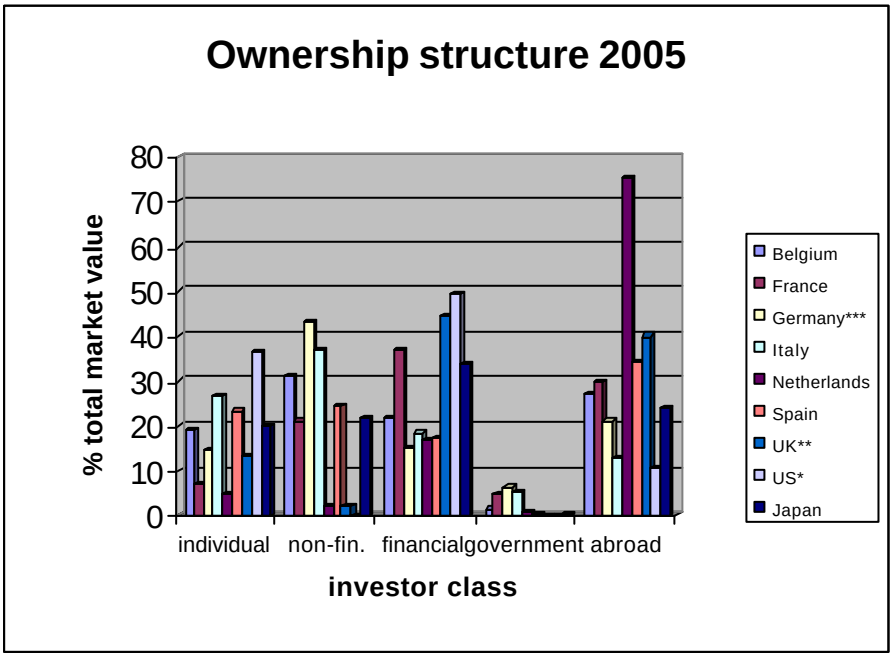
holdings. In short, over the medium term the widely accepted theory of the stability of ownership (Thomsen and Pedersen, 2006) is not reflected in the portfolio approach of ownership.

Figure 5: Portfolio structure of capital markets in 1995



Source: FESE, DAI.

Figure 6: Portfolio structure of capital markets in 2005



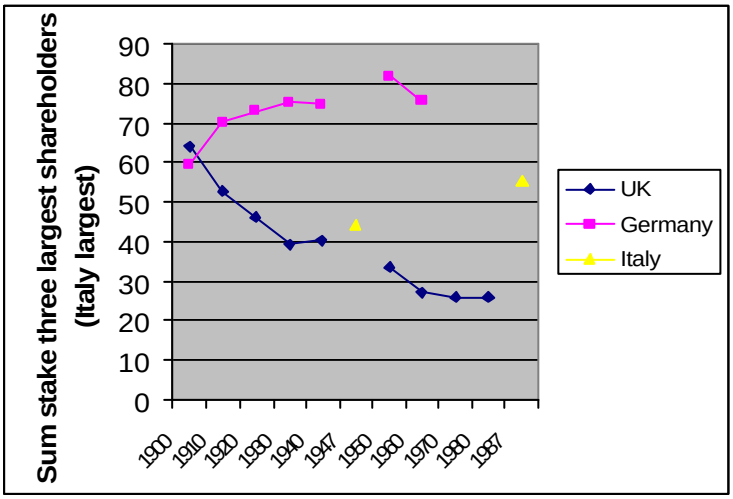
Source: FESE, DAI.
*:2002;**:2004; ***:2006

2.5. Dynamic approaches of ownership

The last class of papers on ownership structures have a more dynamic approach. A limited number of papers assesses the ownership structure of a sample of stock exchange listed companies at various moments in time. Other papers provide data on the development of ownership after the initial public offering.

A number of the long term ownership reports have been collected in Morck's "History of Corporate Governance around the World". Due to the limited evidence and the scattered data most of the data are not directly comparable. Franks, Mayer and Rossi (2005) and Franks, Mayer and Wagner (2005) provide comparable figures for Germany and the UK. Limited Italian evidence can be found in Aganin and Volpin (2005). Since the turn of the ninenteenth century the stake of the three largest shareholders developed in the oppossite direction in the UK and in Germany. Whereas the aggregate stake of the largest shareholders started to decrease to levels of less than 30% in the UK since the nineteen sixties, the ownership blocks of the three largest shareholders of German companies soared to levels of approximately 75% before and after World War II. Aganin and Volpin (2005) found evidence that ownership concentration in Italian companies show a non-monotonic pattern: high concentration in the beginning and the end of the last century and (slightly) lower after World War II.

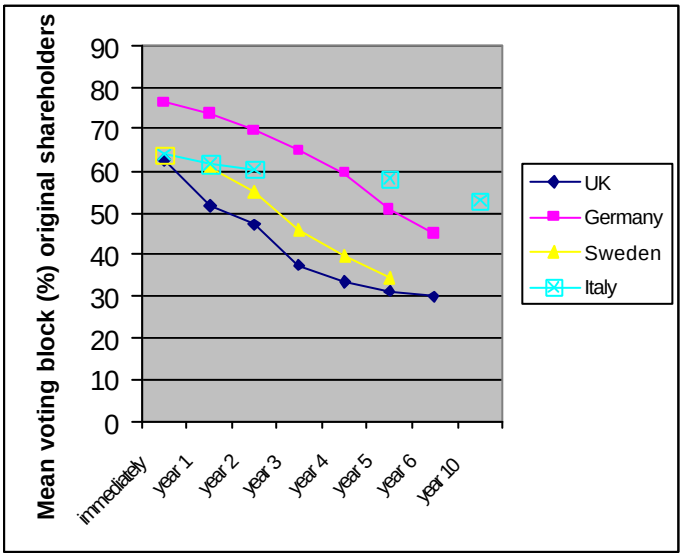
Figure 7: Long-term evolutions of ownership concentrations.



Based on Franks, Mayer and Rossi (2005), Franks, Mayer and Wagner (2005) and Aganin and Volpin (2005)

Another line of dynamic research studies the developments of ownership concentration after the initial public offering. In Europe, Goergen and Renneboog (2003), Holmen and Hogfeld (2004) and Rigaomonti (2007) all confirmed the continuous decrease of ownership concentration of the incumbent shareholders after the initial public offering. The development towards a more dispersed ownership structure is of similar size in Sweden, the United Kingdom and Germany though the float at the initial public offering stage is lower in the latter country, hence the incumbent shareholders of German companies still own de facto controlling blocks six years after the offering. Italian companies remain in firm hands. Even ten years after the initial public offering, the incumbent shareholders hold the majority blocks. Recent analysis by Helwege, Pirinsky and Stulz (2007) for a large sample of American companies shows that over a period of more then thirty years, the ownership of officers and directors, the insiders, decreased from 38% the year after the IPO to 23% after twenty years, 22% thirty years later and only 15% after 32 years. The median values are 38%, 17% after twenty years, 16% after thirty years and 9% after 32 years. The results are less reliable for the 32 years term as only 12 companies could be traced for that period, but there are more than 200 companies in the dataset for the twenty years period after the IPO and 70 companies for the thirty years period after the IPO.

Figure 8: Development of ownership concentration after an IPO



Based on Goergen and Renneboog (2003), Holmen and Hogfeld (2004) and Rigaomonti (2007)

3. Data and methodology

3.1. Data

This study intends to add evidence on ownership structures of listed entities over a medium term by analysing the changes in ownership of a large sample of companies listed in 1999 and 2007 in five countries. We have collected ownership information of more than 1300 listed companies in five European countries: Belgium, France, Italy, Spain and the UK. The data are from December 1999 for Belgian, Italian, Spanish and French companies and from April 2001 for UK companies. We based our analysis on data as they have been published by individual companies and their shareholders according to the legislation that transposes the major shareholdings directive of 1988 and the transparancy directive of 2001 and 2004 for Belgium – via Euronext NYSE Brussels and in the annual reports - and France – via the Autorité des Marchés Financiers and in the annual reports - and the information that is provided by the Italian and Spanish supervisory authority Consob and Comision Nacional del Mercado de Valores. For the UK, the ownership data were acquired from Hemscott. This procedure was repeated in 2007. For that year, the data are of July for Belgian companies, August for French companies, March for Italian companies, June for Spanish companies and September for the British companies.

All companies that were delisted between 1999/2001 and 2007 were identified. Several sources were used to identify the reason of the delisting. The large bulk of information is disclosed in annual reports of stock exchanges or supervisory authorities. Almost 600 companies were delisted, approximately 45% of all companies in the 1999 database.

Hemscott also provides data for market capitalisation of the day the shareholder information was collected. For the other countries, market capitalisation figures were taken from the stock exchanges. The industry in which the companies are operational are the two-digit SIC industry.

For Belgium, Italy and Spain a large majority of all listed companies are in the database (table 2). In the UK and France the relative numbers are more modest: 34%

for the UK and 16% for France. Like Bloch and Kremp revealed in Barca and Becht (2001), for a large number of French companies it was in the nineties only possible to find the capital rights structure, though not the voting rights structure.

Table 2: Number of companies in the database (1999/2001)

Sample	**France 1999**	**Spain 1999**	**Italy 1999**	**Belgium 1999**	**UK 2001**
Number of companies	157	209	234	140	615
Total number of listed comp.	961	257	247	140	1824
Relative number	16,3%	81,3%	94,7%	100,0%	33,7%

For all countries there are relative more large companies in the 1999/2001 database than small companies (table 3). The relative market capitalisation figures of the companies in the database is larger than the relative number of companies. This is in particular striking for France. Large French companies provided more reliable data, hence the database is biased towards the largest companies. The stock market value of the 16% French companies in the database is more than 80% of the total French market capitalisation. In the UK the 615 companies stood for 54% of the market capitalisation of the London Stock Exchange. For the three other countries the selected companies represent more than 90% of the market capitalisation.

Table 3: Market value (in mio.) of companies in the database (1999/2001)

Sample	**France 1999**	**Spain 1999**	**Italy 1999**	**Belgium 1999**	**UK 2001**
Market value total sample 99*	1.150.123	359.768	712.265	163.647	833.036
Total market cap.*	1.410.653	384.753	714.147	163.647	1.533.017
Relative number	81,5%	93,5%	99,7%	100,0%	54,3%

*UK: pound; other countries: euro

By 2007, a significant number of the 1999/2001 listed companies in the database were delisted (table 4). Most of the delistings are due to a take over or a merger. In Spain and the UK between 46% and 48% of all companies disappeared from the stock exchange; the figure is lower in Belgium, France and Italy with a relative number of delistings between 36% and 40%. These figures serve as a first but important indication that the ownership structures of companies change in the medium term. As most companies were delisted after a take-over or a merger, the concentration ratio of ownership soared to approximately 100% for most of the delisted entities.

Table 4: Number of delistings between 1999/2001 and 2007

	France	Spain	Italy	Belgium	UK
Sample of 1999/2001 in 2007	Aug 07	June 07	March 07	July 07	Aug 07
Number of "survivors"	97	113	141	90	320
Number of delisted companies	60	96	93	50	295
Relative number of "survivors"	61,8%	54,1%	60,3%	64,3%	52,0%

Smaller stock exchange listed companies tend to delist more often than larger companies. Larger companies have a higher survival rate. The relative value of the remainder of listed entities exceeds in all countries the relative number of companies. The 1999 market capitalisation of the surviving stock exchange listed entities is between 63% and 87% of the market capitalisation of the total 1999/2001 sample. However, some large listed Italian entities were delisted between 1999/2001 and 2007. The relative number of survivors is 60%, the relative value is only slightly higher at 63%.

Table 5: Market value (in mio.) of 1999/2001 companies listed or delisted in 2007

	France	Spain	Italy	Belgium	UK
Subsample: Market value companies listed both in 99+07	999.175	297.656	452.386	115.817	551.300
Subsample: Market value companies delisted in 2007	150.948	62.112	259.879	47.830	281.736
Market value total sample 99	1.150.123	359.768	712.265	163.647	833.036
Relative value of "survivors"	86,9%	82,7%	63,5%	70,8%	66,2%

UK: pound; other countries: euro

The surviving companies did not grow – internally or externally - at the same pace (table 6). Whilst the average market capitalisation of French companies increased with 17%, the figure was more than 80% for Spanish companies.

Table 6: Evolution of the market value of companies in 1999 and 2007 database

	France	Spain	Italy	Belgium	UK
Survivors: market value 99	999.175	297.656	452.386	115.817	551.300
Survivors: market value 07	1.176.290	542.512	663.806	195.787	776.144
07/99	117,7%	182,3%	146,7%	169,0%	140,8%

UK: pound; other countries: euro

3.2. Methodology

Each shareholder of each company had to be classified in several different shareholder classes. The different shareholder classes that were used in all five countries are: individuals and families, non-financial companies, insurance companies, banks, the government and foreign shareholders. In all countries other types of shareholders exist. All these shareholders have been identified though not all the data are presented for all these remaining shareholder classes. The most important of these classes are "stichtingen administratiekantoren" in Belgium, "grouped holdings of employees" in France, "investment managers", "nominees" and "trusts" in the UK, "fondaziona" in Italy and "fundacion" in Spain.

Two examples illustrate the methodology that was used to classify the shareholder data. The first example stems from the CONSOB database. ACSM's principal activity is the distribution of natural gas and water for private and industrial purposes in the Como region. It has three major shareholders: the city of Como, which owns 40,48% of the voting righs and the companies, a2a, formerly, before the merger with ASM, known as AEM, which owns 20% of the voting rights and Edison, which owns 3,97% of the voting rights of ACSM. The city of Como is classified as "government". a2a is a listed company with the city of Milano as largest shareholder.[5] The city of Milano controls 42,2% of the voting rights of AEM and AEM owns 1,07% of its own shares. The voting rights of the latter are suspended. Although the city of Milano has not a de jure control block, the city of Milano is considered to be the controlling shareholder of AEM. In our database the city of Milano is registered as second largest shareholder and classified as "government". Edison is a listed entity with a majority shareholder, Transalpina di Energia srl, which controls 71,23% of the voting rights of Edison. In our database Transalpina di Energia has been introduced as a "non-financial company" shareholder. For Transalpina di Energia it would be possible to further develop the control chain as the French company Electricité de France is the controlling shareholder, in a joint venture with Delmi. Delmi has a majority shareholder, a2a. Electricité de France is a French stock exchange listed company with the French state as principal and majority shareholder. As it is not possible to

[5] Since the merger with ASM, the voting block of the city of Milano decreased to 27%. The city of Brescia holds a voting block of similar size.

develop the pyramidal chains for all companies in the database, we decided to use Transalpina di Energia in our database.

The second example is the British company Care UK PLC. Care UK PLC is an independent provider of health and social care service solutions. It has eight major shareholders of which seven hold a voting block of more than 5%. For the analysis of evolution of the different shareholder classes only the voting blocks of more than 5% have been considered. The largest shareholder, Aegon UK PLC is a subsiduary of the Dutch Aegon NV, a large insurance company. Information on how major shareholderings in listed companies are managed in groups of companies is not disclosed. We classified the voting block of Aegon UK PLC as "foreign investors", subclass "insurance companies". Standard Life Investments holds the second largest voting block. Standard Life Investments is a subsiduary of Standard Life PLC, a large insurance company. As a large fund manager, Standard Life Investments votes its clients' shares. Hence Standard Life Investments is classified in the category "investment management". John Alfred Nash is a director of the company and belongs to the group "Family/individuals". Lloyds TSB Group PLC holds a voting block of 6% in Care UK. Lloyds TSB Group was formed in 1995 when TSB and Lloyds Bank merged. It combines retail banking, investment banking and insurance services. Many financial groups, like Allianz, ING, Fortis, combine insurance and banking services. We classified these groups as banks or insurance companies depending on their most famous activities. In case of Lloyds it is "insurance companies". Newton Investment Management sole business is investment management and in this study the voting block is classified as such. HBOS PLC, a shareholder with a voting stake of 5,6% of the shares, is a large Scottish bank and classified as "bank". AXA SA is one of the largest insurance companies in the world. It is a French listed company and for Care UK classified as "foreign investors", subclass "insurance companies". Legal & General Investment Management is the investor management division of the insurance company "Legal & General. It is classified as "investment management".

ACSM spa

Dichiarante	Azionista Diretto		Quota % su Capitale Votante				Quota % su Capitale Ordinario				Intestazione a Terzi		
	Denominazione	Titolo di Possesso	Quota %	di cui Senza Voto			Quota %	di cui Senza Voto			Intestatario	Quota %	
				Quota %	il Voto Spetta a			Quota %	il Voto Spetta a			su Capitale Votante	su Capitale Ordinario
					Soggetto	Quota %			Soggetto	Quota %			
COMUNE DI COMO	COMUNE DI COMO	Proprieta'	40.477	0.000			40.477	0.000					
		Totale	40.477	0.000			40.477	0.000					
	Totale		**40.477**	**0.000**			**40.477**	**0.000**				**0.000**	**0.000**
COMUNE DI MILANO	AEM SPA	Proprieta'	20.000	0.000			20.000	0.000					
		Totale	20.000	0.000			20.000	0.000					
	Totale		**20.000**	**0.000**			**20.000**	**0.000**				**0.000**	**0.000**
TRANSALPINA DI ENERGIA SRL	EDISON SPA	Proprieta'	3.968	0.000			3.968	0.000					
		Totale	3.968	0.000			3.968	0.000					
	Totale		**3.968**	**0.000**			**3.968**	**0.000**				**0.000**	**0.000**

Care UK PLC

Major Shareholders	Amount	% Holding
Aegon UK PLC	5,297,480	9.42
Standard Life Investments	4,676,058	8.32
John Alfred Nash •	4,306,779	7.66
Lloyds TSB Group PLC	3,398,778	6.05
Newton Investment Management	3,351,146	5.96
HBOS PLC	3,144,153	5.59
AXA SA	2,819,176	5.02
Legal & General Investment Management	2,054,046	3.65

Section 4. Results

In this section the results of the different approaches of ownership is discussed. The section starts with the presentation of the developments of ownership concentration, measured as the size of the largest voting block as well as the size of all disclosed voting blocks of more than 5%. Next, control of companies is discussed. This subsection provides evidence on the development of controlled companies vis-à-vis the number of companies with a dispersed ownership structure. In the third subsection the evolution of the identity of the largest shareholder is examined. Fourth, a detailed discussion of the different types of ownership and their investment appetite is offered. In the final subsection the finding of ownership are related to the law and finance discussion that argues that better investor protection will result in more developed capital market and lower ownership concentration.

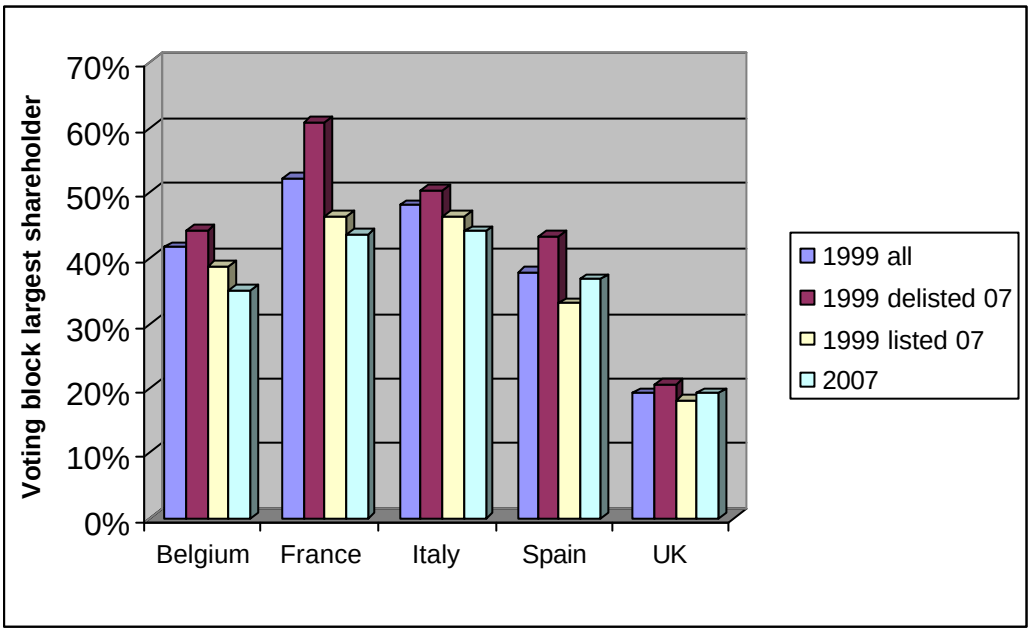
4.1. Ownership concentration

Figure 9 presents the average size of the voting block of the largest shareholder in 1999 and 2007. Figure 10 contains similar results for the 1999 median voting block. The 1999 sample is subdivided in three subclasses. The first result is the average of all listed companies in the database. The second figure represents the size of the 1999 voting block of the largest shareholder of companies that were delisted between 1999 and 2007. The last result is the average voting block of the largest shareholder of companies that continued to be listed until 2007. The composition of this sample is identical to the 2007 sample of which the results can be found in the last column. Hence these findings illustrate the evolution of ownership concentration. Changes are due to other developments than differences in the sample composition.

The average voting block of the largest French shareholder exceeded 52% in 1999 (figure 9). Italian companies had on average shareholders with a stake of more than 48%. The largest voting block in Belgian and Spanish companies was around 40%, more than twice the size of the average largest British voting block of 19%. Some averages are significantly influenced by a limited number of shareholders with significant smaller or larger voting blocks. In Spain the median voting block was almost 8% lower than the average, in the UK more than 4%. In France and Italy the median values are 2% to 3% higher than the average. The average size of the largest

voting blocks decreased in 2007 in all countries except the UK. The decrease was significant in France where the average voting block of the largest shareholder fell with almost 9%. However, the decline should be reassessed in light of the different samples for 1999 and 2007. Companies that were delisted between 1999 and 2007 had in 1999 a significantly larger shareholder with an average voting block of more than 60% in France and more than 50% in Italy. In Belgian and Spanish companies the average was approximately 44%. The average largest stake of British companies of 20,5% was only slightly higher than the overall average of 19,1%.

Figure 9: Development of the average size of the largest voting block



Source: own research

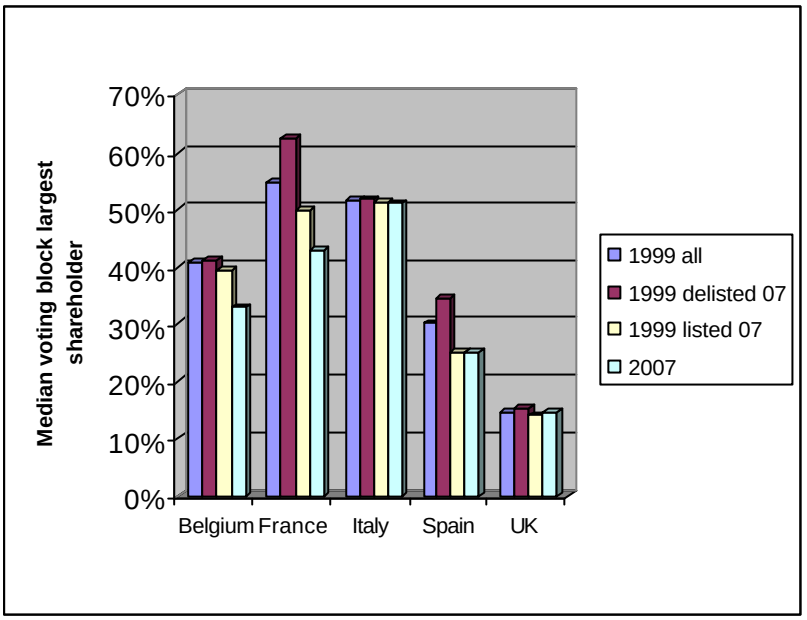
The development of the differences of the identical 1999 and 2007 samples deviate from the total average samples. Whilst there was a slight decrease of the largest voting block in France from 47% to 43%, in Italy from 46% to 44% and in Belgium from 39% to 35%, the voting block increased in Spain from 33% to almost 37% and from 18% to over 19% in the UK. The median voting blocks fell in France from 50% to 43% and in Belgium from 39% to 33% and remained unchanged in the three other countries.

This first finding shed some doubt on the "law and finance" theory as in all countries shareholder protection rights increased[6] whilst the ownership concentration only

[6] Cf. infra section 4.5.

decreased in some civil law member states. Shareholders of different kind can respond differently to new shareholder rights.

Figure 10: Development of the median size of the largest voting block



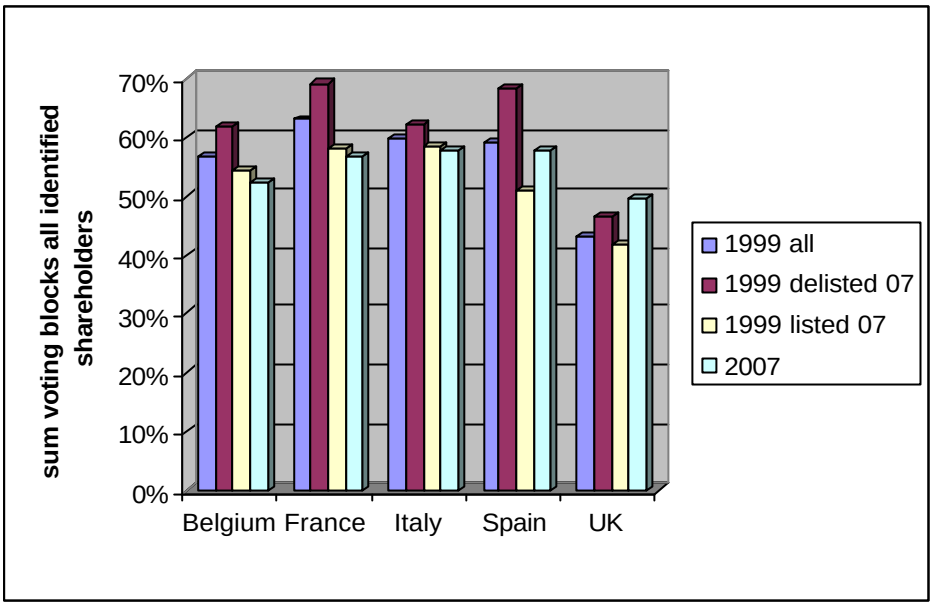
Source: own research

The significant lower average stake of the largest shareholder in the UK and to a lesser extent in Spain is counterbalanced with a larger number of large shareholder with stakes above the lowest disclosure threshold (figure 11). Approximately 60% of all votes belonged to identified shareholders in France, Italy, Spain and Belgium in 1999, and 43% in the UK.

As for the voting block of the largest shareholders, the sum of all disclosed voting blocks is significantly higher for companies delisted between 1999 and 2007 than for companies that are still listed on the stock exchange. For the former group the average is almost 70% in Spain and France and over 60% in Belgium and Italy. For the companies still listed in 2007 in all four countries, the average lies between 50% and 60%. In the UK the difference between the two samples is 4%.

The total size of identified voting blocks increased in Spain and UK for the sample of companies listed in 1999 and 2007 from 51% to 58% in Spain and from 42% to 50% in the UK. In the other countries the average total identified voting block decreased, but with less than 3%.

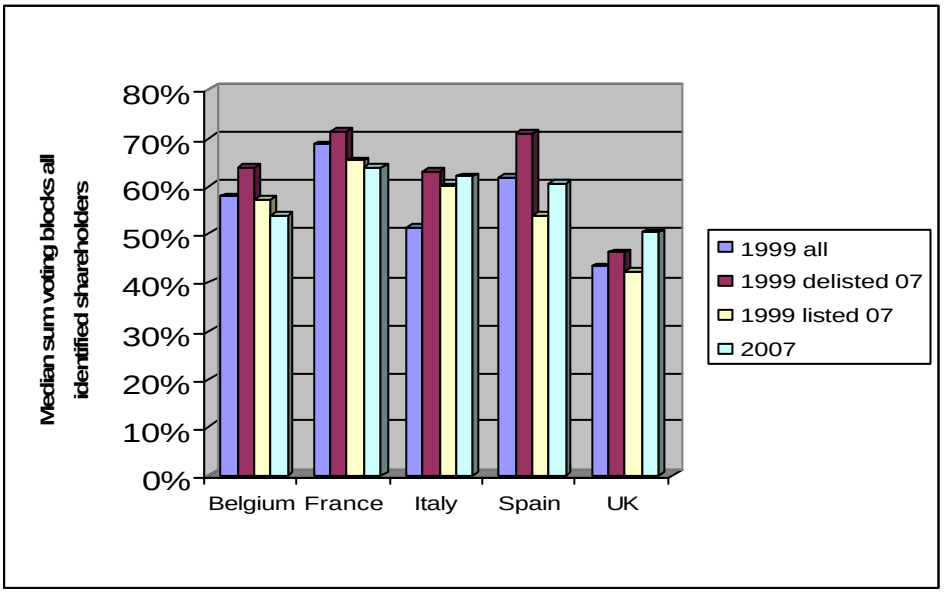
Figure 11: Average total identified voting blocks



Source: own research

The results for the median values of all identified voting blocks confirm the average results (figure 12). The differences between the different countries are much smaller than the differences of the voting block of the largest shareholder. Companies that were delisted between 1999 and 2007 have more shareholders with identified voting blocks than companies that were listed both in 1999 and 2007. For the latter group the total identified voting block increased in Spain and the UK and even in Italy. The decrease in France and Belgium is very moderate.

Figure 12: Median total identified voting blocks

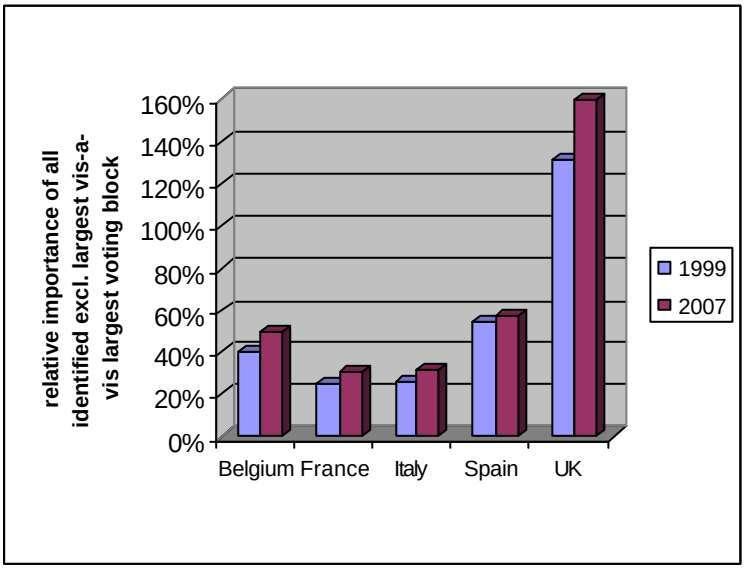


Source: own research

Only in the UK smaller shareholders can overrule proposals of the largest shareholder at the general meeting of shareholders. Figure 13 shows the relative size of the identified voting blocks of all but the largest shareholders to the voting block of the largest shareholder. Even if all identified shareholders enter into voting agreements in continental Europe, their sum of stakes is insufficient to overrule a decision of the largest shareholder. In France and Italy all other identified shareholders have less than 1/3 of the voting power of the largest identified shareholder. In the UK the voting decisions of the largest shareholders are not necessarily decisive. An agreement between all other large shareholder can overrule the decisions of the largest shareholder.

In all countries this situation does not change over time. Whilst the relative importance of the voting blocks of all other shareholders vis-à-vis the largest shareholder increased, in the continental European countries in this study it remained far below the voting block of the largest shareholder.

Figure 13: Relative size of the voting blocks of all identified shareholders vis-à-vis the voting block of the largest shareholder



Source: own research

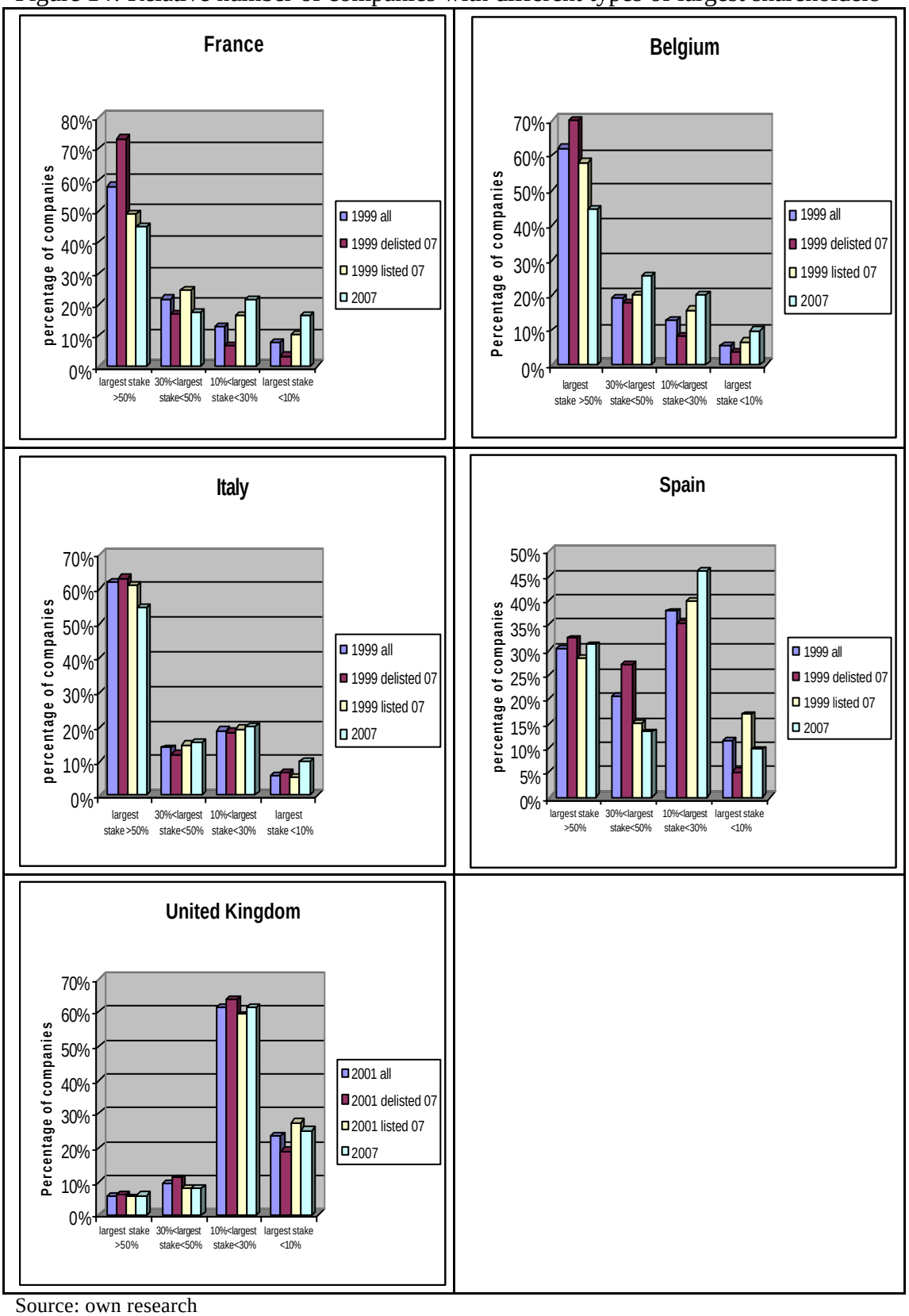
4.2. Control of companies

Another approach of ownership concentration is the analysis of the number of companies with a de jure or a de facto controlling shareholder. A de jure controlling shareholder owns more than 50% of the votes. The de facto controlling shareholder is differently defined in different European member states. From a company law perspective, in some member states a shareholder controls the company when he holds votes at one or more general meetings of more than 50% of the attending votes. From the securities law perspective control is defined as the triggering stake to launch a takeover bid. This stake differs from European member state to European member state. In Belgium, Spain, Italy and the UK 30% is the triggering threshold, but in France the treshold is set at 33,33%. In light of comparability figure 14 distinguished four different thresholds over the different countries: 50%, 30% and less or more than 10%. For Belgium, data on shareholders that act in concert are readily available. As this subsection studies "control" patterns, these data for Belgium are presented. For the other countries, shareholders that belong to the same group are clustered.

A large majority of approximately 60% of French, Italian and Belgian companies were de jure controlled by the largest shareholder in 1999. In Spain the figure is much lower. Only 30% of the Spanish companies had a controlling shareholder in 1999. The number of controlled UK companies is negligible.

More companies that were taken private between 1999 and 2007 had a controlling shareholder in 1999. Fore example, more than 70% of the French and the Belgian "delisted" companies had a controlling shareholder in 1999, whilst the total sample differences between "delisted" companies and "survivors" are very small. Hence the number of "controlled" French and Belgian companies listed both in 1999 and 2007 is much lower. Only 50% of this type of French companies and 58% of the Belgian companies had a controlling shareholder. In 2007 the figures dropped for Belgium to 44%. In France and Italy the decrease was less significant. The number of de jure controlled companies dropped form 49% to 45% and from 61% to 55% in France and Italy, respectively. In Spain and the UK their was a small increase in the number of controlled companies from 28% to 31% in Spain and from 5% to 6% in the UK.

Figure 14: Relative number of companies with different types of largest shareholders

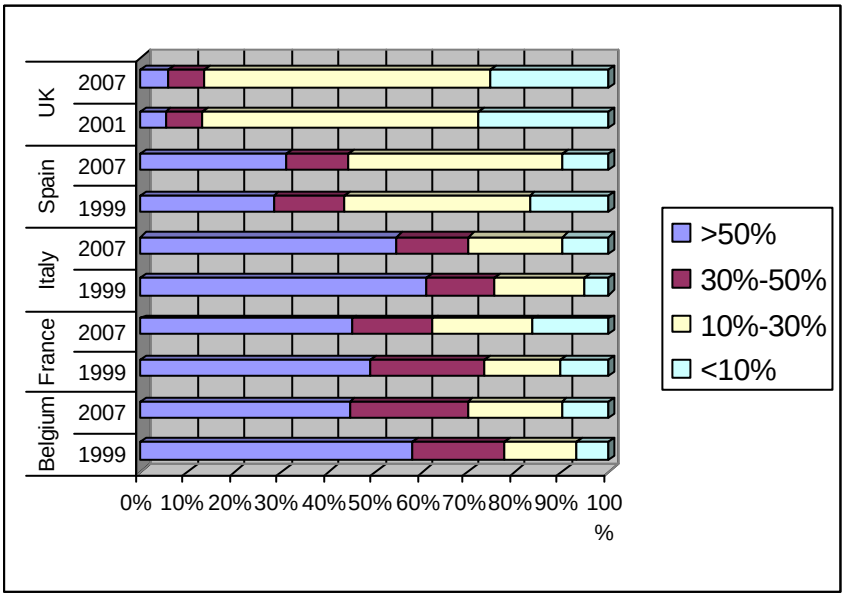


Source: own research

Continental European companies that have no controlling shareholder seldomly have a widely dispersed ownership structure. In France, Belgium and Spain another group of approximately 20% of all companies had a significant blockholder with a voting block between 30% and 50% of all votes. Approximately 80% of all companies in France, Italy and Belgium had a de jure or de facto controlling shareholder. Widely dispersed ownership structures are only found in less than 10% of companies incorporated in those countries. Most companies in the UK had a shareholder with a voting block of 10% to 30% of all votes. Companies that were delisted between 1999 and 2007 had significant larger blockholders in France and Belgium; in the other countries the differences are less pronounced.

Figure 15 provides a summary of the development of the number of companies with a specified blockholder. Both samples of 1999 and 2007 are composed of the same companies.

Figure 15: Evolution of the relative number of companies with a shareholder owning more than the indicated voting block



Source: own research

In France, Belgium and Italy the number of companies with a de jure controlling blockholder decreased, but only in Belgium with more than 10%. The decrease of de jure controlled companies was replaced by a larger number of de facto controlled companies in Italy and Belgium. In France the number of both types of companies, with a de jure or a de facto controlling shareholder decreased from 73% to 62%. In

Spain and the UK, the number of de jure controlled companies increased, but not significantly. The largest group are in both countries companies with a shareholder with a voting block between 10% and 30%. In 2007 61% of all UK companies belong to this group, up from 59% in 2001, in Spain the figure soared from 40% in 1999 to 46% in 2007. In both countries there was a decrease of the number of companies with a widely dispersed ownership structure.

4.3. Identity of the largest shareholder

In continental Europe a large number of companies has a de jure or a de facto controlling shareholder. This finding supports other studies on ownership concentration. Information on the identity of the largest shareholder is relatively scarce, whilst empirical studies point at the influence of different classes of shareholders, like insiders or families, on performance. Figure 16 presents the identity of the largest shareholder of the sample of companies that were listed in 1999 and 2007. The figure illustrates the significant differences between countries and over time. Families are the most important group of largest shareholders in France, Spain and Italy, though their relative weight changed in the opposite direction. Whereas some families acquired the largest stake during the first part of this decade in France and Spain, in Italy their relative importance decreased. In France the number of companies with a family or individual as largest shareholder reached almost 50%, the relative importance of this class increased to almost 40% in Spain and decreased to the same level in Italy. Belgian families followed their French neighbours and became the largest shareholder in a larger number of companies. The pattern for the UK resembles the Italian development. The number of companies with an individual or family as largest shareholder decreased from 30% to 25%.

Another important class of shareholders are non-financial companies. They are by far the most important category of largest shareholders in Belgium, with almost half of the listed companies having a non-financial company as largest shareholder in 1999, down to 30% of all companies in 2007. In Italy, Spain and France non-financial companies are the second largest class of largest shareholders. In Spain and Italy the number of companies with a non-financial company as largest shareholder increased reaching in both countries approximately 35% of all companies, in France the number

decreased with almost 50%. Approximately 15% of French listed companies have a non-financial company as largest shareholder, down from more than 30% in 1999.

Compared to the aforementioned two classes of shareholders, other classes of shareholders are far less important as largest shareholders in France, Spain and Italy. In the three countries approximately two companies out of three have in 2007 as largest shareholder one of both classes. However, foreign shareholders are the most important class of largest shareholders in the UK, illustrating the internationalisation of the capital markets. Almost 30% of the British companies had this type of shareholder as largest shareholder in 2007, up from less than 20% in 2001. In Spain and Belgium foreign shareholders control in 15% of the companies the largest voting block. This number increased in Belgium since 1999, but decreased in Spain in the same period.

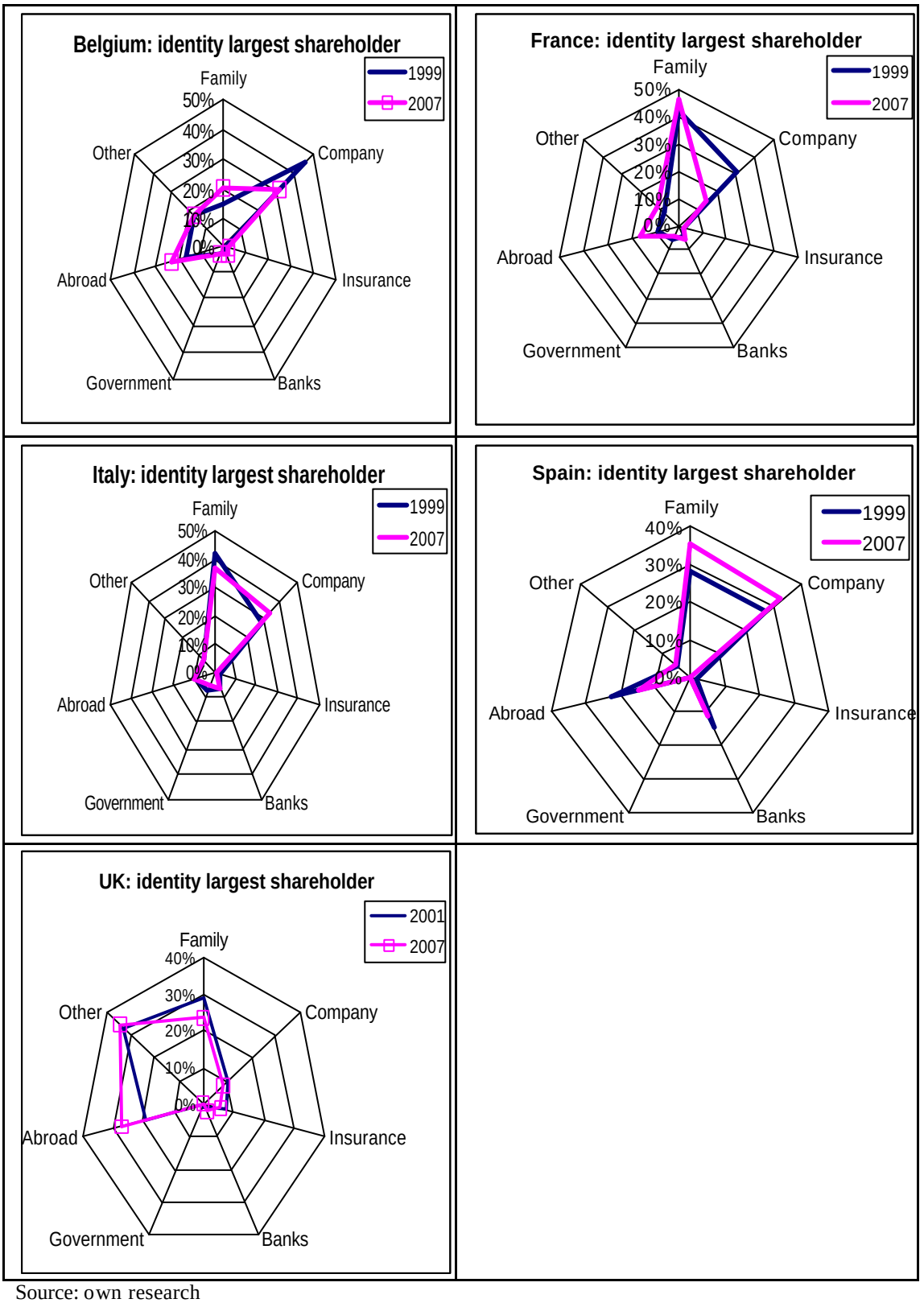
A similar pattern as for foreign shareholders of Spanish companies can be found for the position of Spanish banks as largest shareholder. The number of Spanish companies with a bank as largest shareholder decreased since 1999 from 15% to 12% in 2007. Banks are negligable as largest shareholder in other countries.

Insurance companies seldomly hold the largest voting block in continental European companies. This picture did not change between 1999 and 2007. In the United Kingdom insurance companies were the largest blockholder in approximately 8% of the companies in 2001, down to 5% in 2007. The larger number of British companies with an insurance company as largest shareholder is due to the dispersed ownership in the UK and cannot be contributed to another investment policy of insurance companies in that country. This fact is further illustrated in the next paragraph.

A limited number of French, Italian and Belgian companies has the national government, local authorities or government agencies as their largest shareholder. Between 1999 and 2007 the number of companies where the government continued to hold the largest voting block decreased slightly, probably due to new privatisation schedules, government deficits and the continuous battle of the European Commission to reduce the direct or indirect influence of the government in open and competitive markets. In Spain and the United Kingdom the government has sold all its

shareholdings in listed companies. In a limited number of smaller British companies a smaller stake of a local government can be found.

Figure 16: Evolution of the identity of the largest shareholder



Source: own research

In the UK and to a lesser degree also in France and Belgium, some other classes of shareholders control a relative large number of the largest voting block. In the UK, investment managers, investment trusts and nominees and a number of private equity funds are the largest shareholder of British companies. Dutch Stichtingen-Administratiekantoren, a specific kind of trust, in particular helpful in structuring family ownership, are the controlling shareholder in more than 10% of all Belgian companies. In French companies 6% had as largest shareholder the grouped shareholdings of employees. However, these companies have a relatively widespread ownership structure. These blockholdings of employees never reach a controlling size.

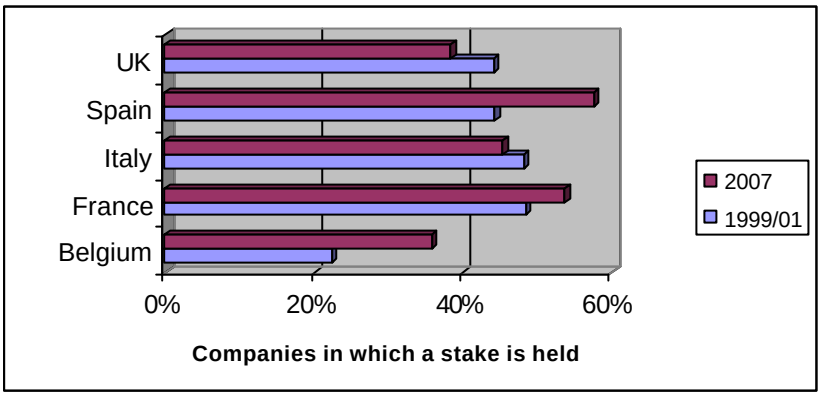
4.4. Ownership policies of types of shareholders

In the aforementioned paragraph it was already highlighted that some classes of shareholders hold different voting blocks. Dutch "stichtingen-administratiekantoren" hold controlling blocks in Belgian companies, grouped shareholdings of employees never reach the 30% threshold in French companies. In this subsection for several classes of shareholders the developments of their investment behavior between 1999 and 2007 is investigated. For each class the relative number of companies in which the class invested, the average number of stakes in companies in which at least one block is held and the average size of the voting blocks is presented. This last figure presents the mean voting block of all disclosed shareholdings of that particular class of shareholder. Only voting blocks that exceed the threshold of 5% have been taken into account as this is the lowest level for which all countries require voting blocks to be disclosed.

The first part presents the results for families and individuals. The differences between the different countries are significant and the voting blocks vary from a mean value of 14% in the UK to over 40% in France (figure 19). More than half of the Spanish and French companies and almost half of the Italian companies are familiar with this type of shareholder (figure 17). In Belgium the number of companies with this type of shareholder increased to approximately 1/3 of all companies and in the UK it decreased to just 20% of all companies. In Spain, France and Belgium the number of companies where a family is shareholder increased significantly. This is due to the reorganization or even abolisment of some pyramid structures. Further,

more reliable information became available, in particular in France where the data nowadays give detailed information on pyramid structures where families use "sociétés en actions simplifiée" to optimise their wealth and organise their estate planning. As these families are "discovered" behind chains of companies, these voting blocks are classified as family ownership. The pattern is different in the UK where a number of individuals started to sell their stakes, a process that goes on since a large number of years, as suggested by Mayer and others (2005).

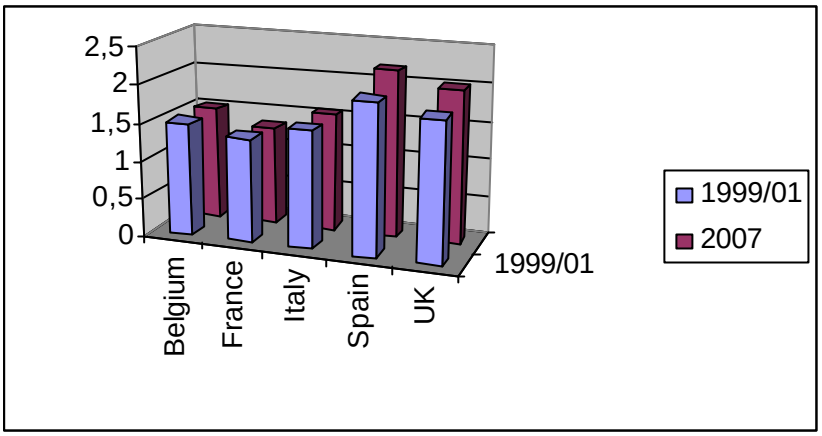
Figure 17: Number of companies with an individual or family as significant shareholder



Source: own research

In the UK, companies with family ownership are confronted with a higher number of this type of blockholders. These companies have on average approximately two individual blockholders, relatively often these shareholders are board members. In Spain the average number of individuals as shareholders is also two. In the other countries the level is below 1,5. The pattern supports the view that in continental European countries a large number of families concentrate their wealth in one or a limited number of companies.

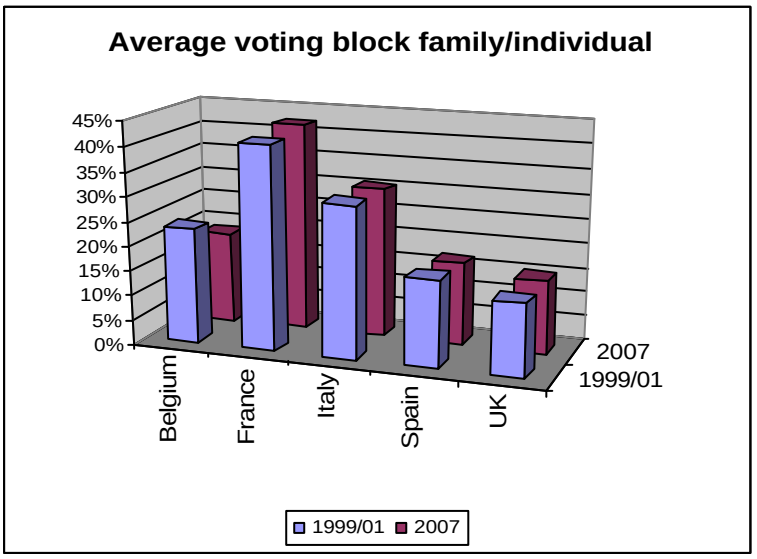
Figure 18: Average number of stakes of individuals or families in companies with this type of shareholder present



Source: own research

The former finding on the concentration of wealth in one company is further supported by the size of the average stake of individuals and families in the different countries. In France this shareholder has on average a voting block of 42%, much higher than Italian individuals which hold on average a voting block of 30%. The companies in other countries have families as shareholders with an average voting block of around 15% in the UK going up to around 20% in Belgium and Spain. Ownership blocks in hands of families are relatively stable in size. Apart from Belgium where the average voting block in hands of families decreased with 4% to 19%, in all other countries the average stake changed with less than 1% between 1999 and 2007.

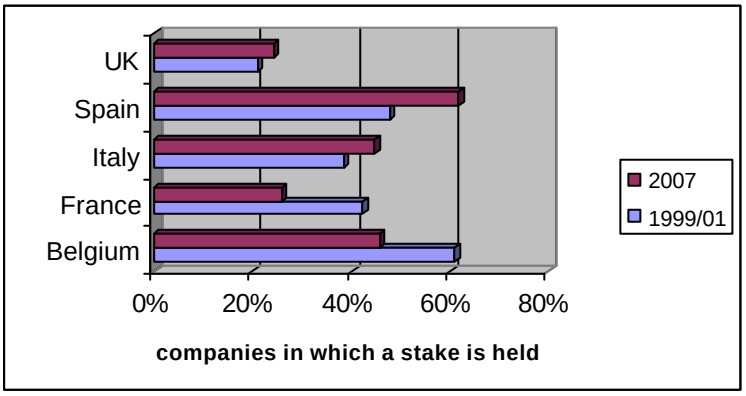
Figure 19: Average voting block of families or indivuals



Source: own research

Non-financial companies are a second important class of shareholders, at least in continental European countries. In 60% of all Spanish companies a non-financial company is a major shareholder (figure 20). In Italy and Belgium this type of shareholder holds stakes in more than 40% of the companies. In one out of four listed companies, non financial companies are major shareholders in France and the UK. There are major differences between in investment policies of non-financial companies in European continental countries. In Belgium and France non-financial companies disappeared as major shareholders in one out of five companies between 1999 and 2007; in Spanish and Italian companies non-financial companies acquired significant stakes. In the former two countries, this development is due to the decrease of the use of pyramidal structures. Families hold their stake directly and no longer via a chain of holding companies. In Italy this development cannot (yet) be found. It is not clear what non-financial Spanish companies drives in acquiring stakes in listed Spanish entities.

Figure 20: Number of companies with a non-financial company as significant shareholder

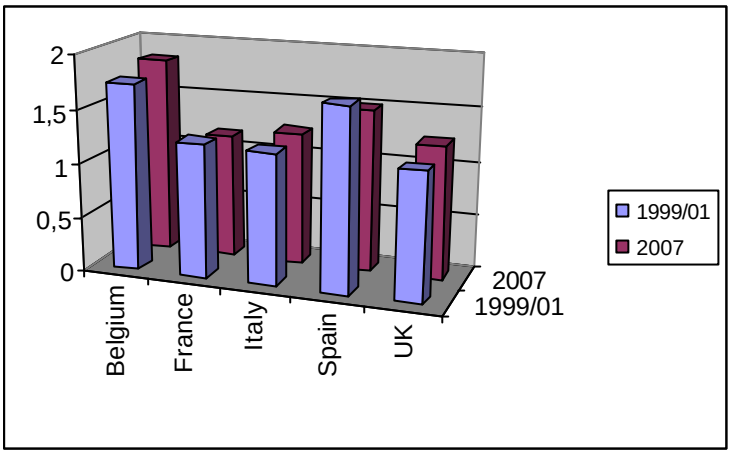


Source: own research

Overall non-financial companies acquire only one to sometimes two significant stakes in listed entities. In the United Kingdom, France and Italy, the average number of stakes of non-financial companies is close to one, in Belgium it is closer to two. There is no pattern of number of stakes in the different countries. Whilst the number decreased in France and Spain, and is status quo in Italy, it increased in the UK and Belgium. In the latter country, the large decrease of companies with non-financial companies as major shareholder is partly compensated with a small increase in the

number of stakes in each listed company. The converse development can be found in Spain.

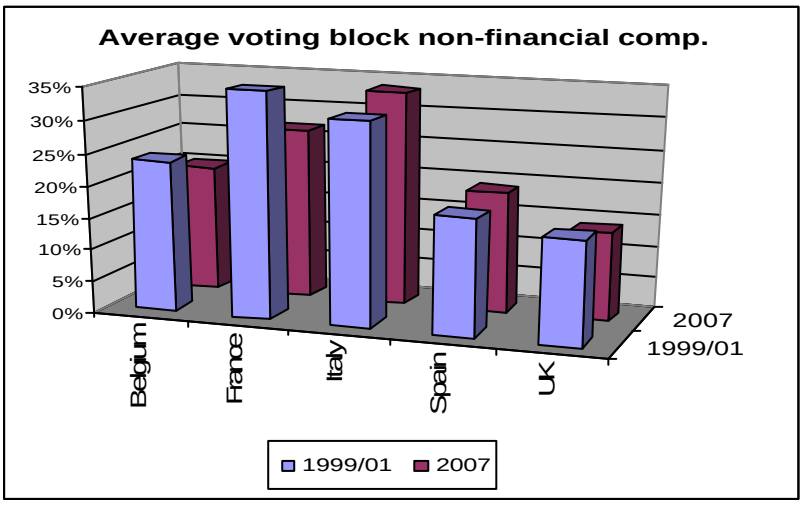
Figure 21: Average number of stakes of non-financial companies in companies with this type of shareholder present



Source: own research

In Italy, where the number of companies with a non-financial company as significant shareholder increased, non-financial companies hold on average a de facto controlling voting block of more than 33%. In France where individuals became more important shareholders, non-financial companies diminished their average stake from over a de facto controlling block to a non blocking minority block of 27%. In Belgium a similar pattern as in France can be found. In Belgium and Spain this type of shareholder hold on average 20% of the voting rights, still well above the average voting block of the non-financial UK company which holds 14% of the votes.

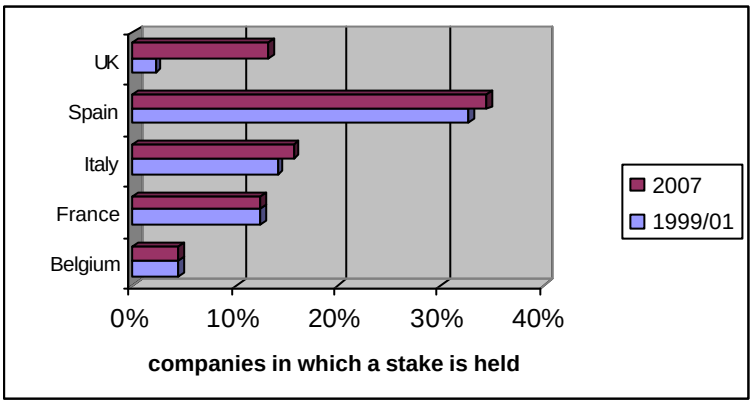
Figure 22: Average voting block of non-financial companies



Source: own research

The investment behaviour of banks significantly differs from country to country and over time. In Spain one listed company out of three has a bank as major shareholder. In the other countries the number is approximately one bank as major shareholder in every seven listed companies and even less in Belgium. Next, since 2001, British banks acquired a large number of major stakes in listed British companies. This development goes hand in hand with a significant decrease in the average size of the stake. Delistings of a small number of companies with a UK bank as major shareholder explain the significant decrease of the average size. It requires further analysis to clarify the "new" acquisition policy of banks.

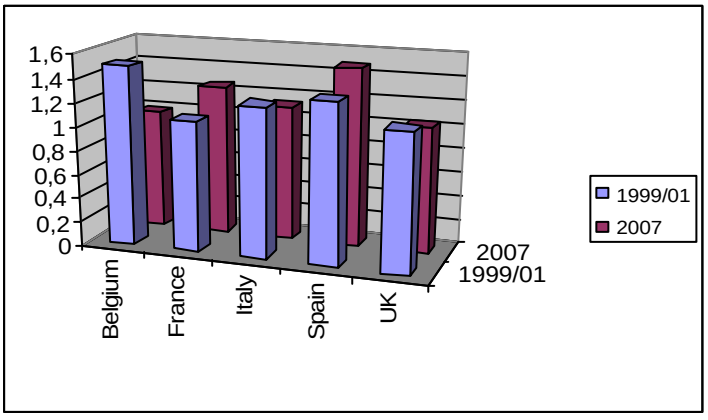
Figure 23: Number of companies with a bank as significant shareholder



Source: own research

If a bank is in the shareholders' orbit, listed companies have only one bank as major shareholder in four countries. In Spain this average is significantly higher. Not only Spanish banks hold a voting block in one out of three listed companies, in one out of six companies there are at least two banks with major voting blocks.

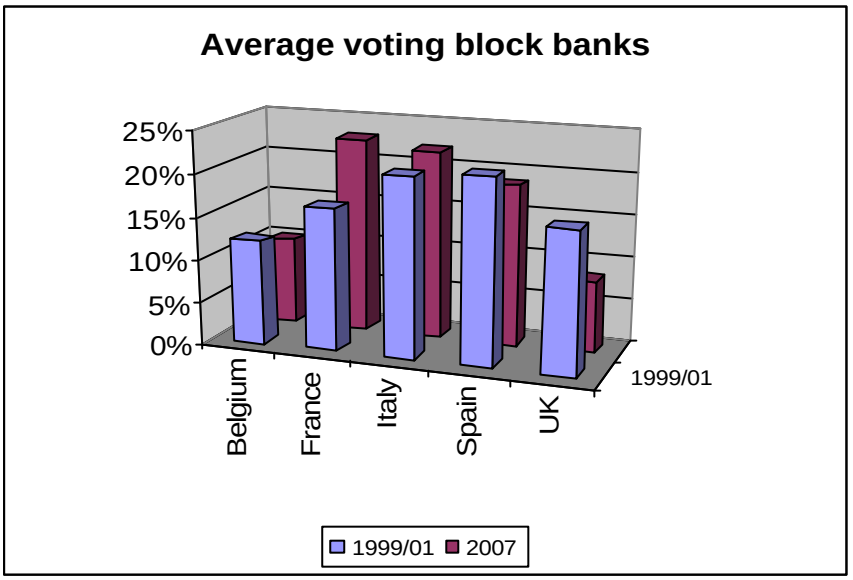
Figure 24: Average number of stakes of banks in companies with this type of shareholder present



Source: own research

As for non-financial companies, the policy of banks as major shareholders differs between the different countries. In France, banks increased their average voting block to almost 25%, more than in Italy and Spain where the average voting block of banks is around 20%. In the UK and in Belgium, banks do not acquire highly influential voting blocks. The average UK and Belgian bank's stake is less than 10%.

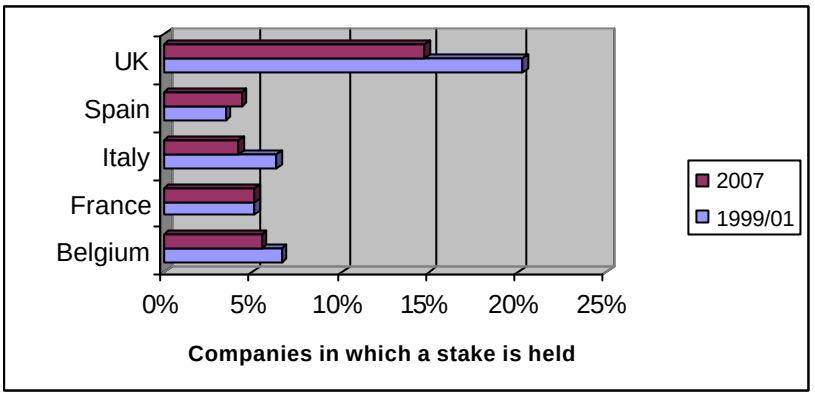
Figure 25: Average voting block of banks



Source: own research

Insurance companies were major shareholders in the UK at the turn of the millennium. In one out of every five British companies they held a major voting block. Since 2001, British insurance companies significantly reduced the number of blocks. In 2001 they hold voting blocks in 14% of all companies, still well above the average in continental Europe where only 5% of all companies have an insurance company as major shareholder.

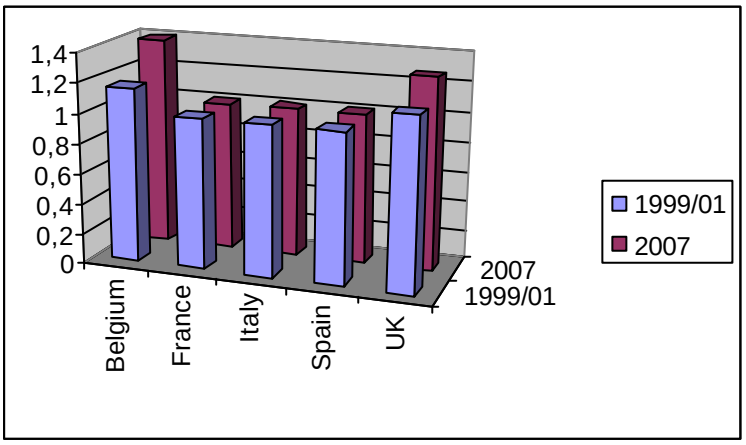
Figure 26: Number of companies with an insurance company as significant shareholder



Source: own research

In large continental European countries, listed entities are confronted with only one insurance company as major shareholder. In the UK and Belgium the figure is higher though for Belgium this is due to some real estate companies where a number of insurance companies acquired significant shareholdings.

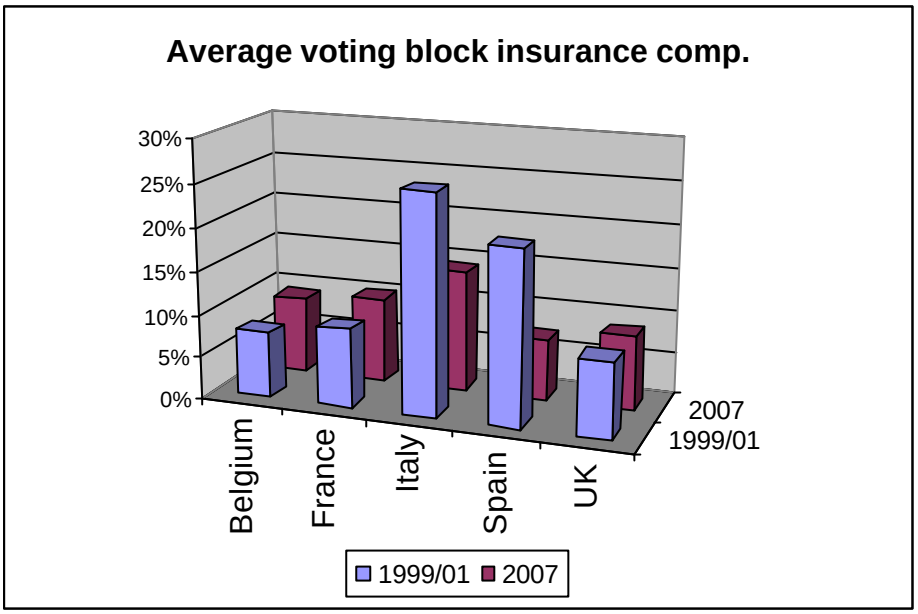
Figure 27: Average number of stakes of insurance companies in companies with this type of shareholder present



Source: own research

All over Europe, there is evidence that insurance companies acquire large stakes, though not controlling voting blocks. The average voting block of 7% in Spain to 14% in Italy reflects this finding. With the exception of Italy, where a small number of insurance companies act as a member of a concerting group, insurance companies invest to spread their risks and optimize returns.

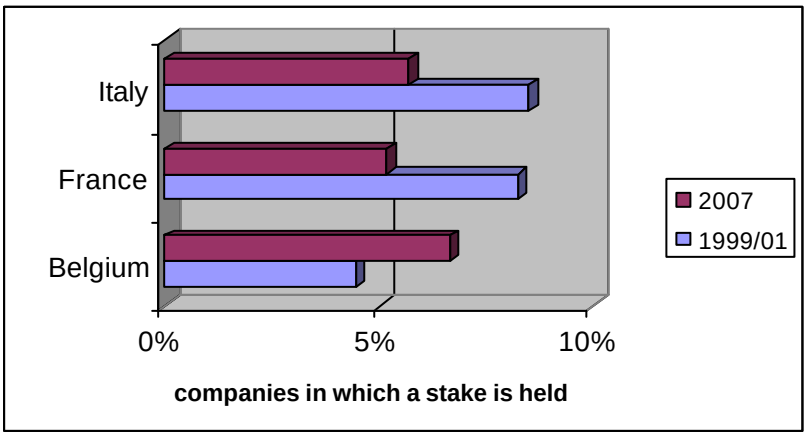
Figure 28: Average voting block of insurance companies



Source: own research

The government is a major shareholder in a number of companies in three countries. In the UK and in Spain this type of shareholder completely disappeared. In France and Italy privatisation processes are continued and the number of companies with government shareholdership is reduced. In Belgium, the regional government acquired via investment funds minority blocks in two Walloon companies, hence resulting in an increase in the number of Belgian companies with government ownership.

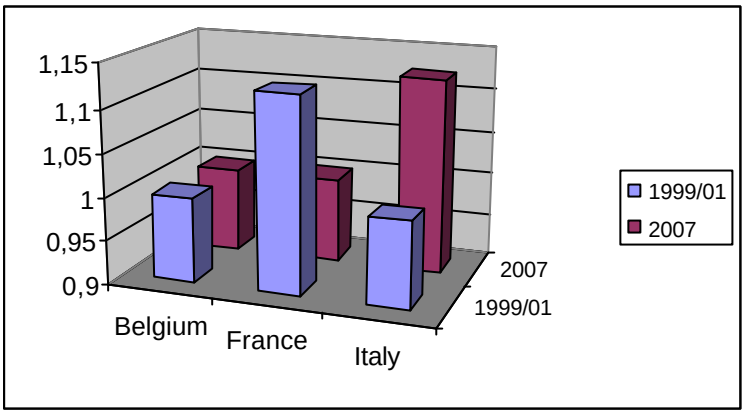
Figure 29: Number of companies with the government as significant shareholder



Source: own research

In Belgium and France the government has only one stake in some companies. In Italy some companies have two government levels – local and national – each holding major shareholder blocks.

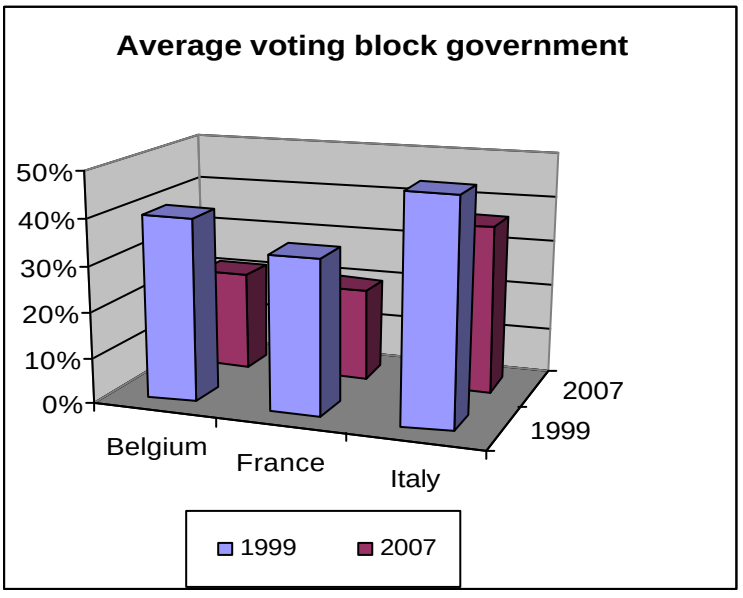
Figure 30: Average number of stakes of the government in companies with this type of shareholder present



Source: own research

In all three countries the government reduced its ownership blocks between 1999 and 2007. In France the average voting block decreased from 34% to 20%, in Italy from 49% to 37% and in Belgium from 40% to 22%. In the latter country this is due to the increase in the number of stakes. The "old" 1999 voting blocks of the government decreased, but only from 40% to 30%.

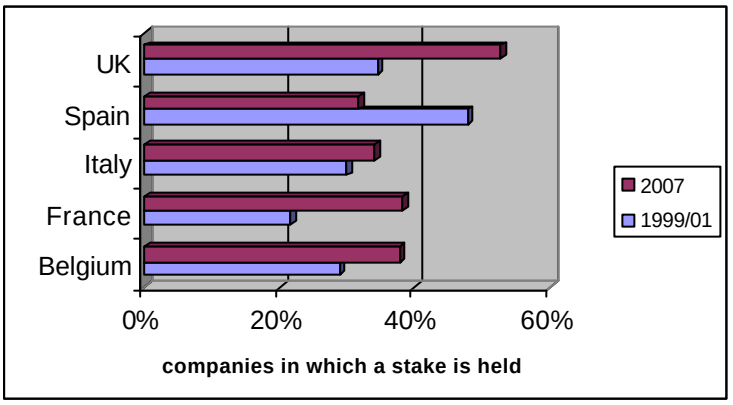
Figure 31: Average voting block of the government



Source: own research

The development of ownership structures illustrates the continuous globalisation and internationalisation. In all countries with the exception of Spain more companies are confronted with foreign shareholders. The number of Spanish companies with a large foreign shareholder decreased from 50% in 1999 to 33% of all companies in 2007. In the UK more than half of the companies have a foreign shareholder as one of the major blockholders. In this country foreign shareholders are the largest group of shareholders, measured by the number of companies in which a shareholder class is present. In the three other countries this number lies between 34% and 38% of all companies, up from 22% to 30% in 1999.

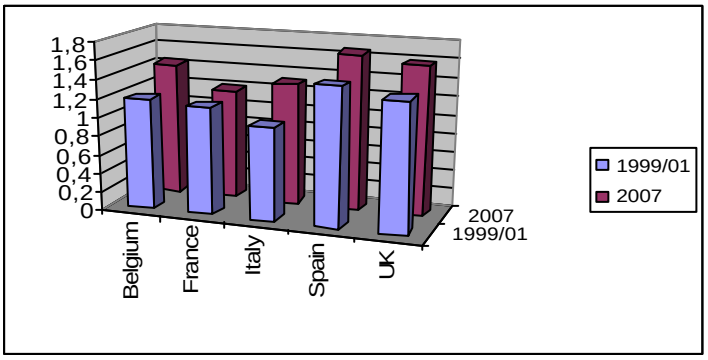
Figure 32: Number of companies with a foreign investor as significant shareholder



Source: own research

Not only the number of companies in which a foreign shareholder is present increased, also the number of foreign shareholders per individual company soared from 1 in Italy to 1,45 in Spain per company in 1999 to 1,2 in France and 1,7 in Spain in 2007.

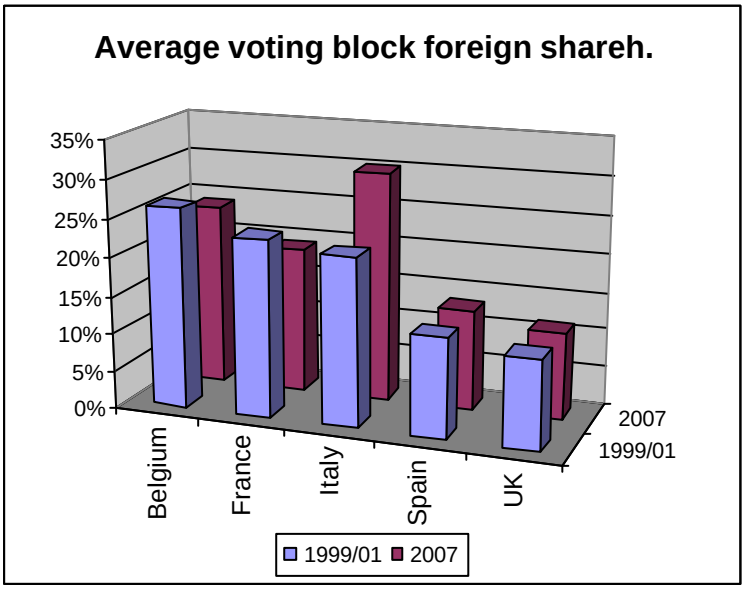
Figure 33: Average number of stakes of foreign investors in companies with this type of shareholder present



Source: own research

The total number of companies with a foreign shareholder and the number of stakes per company increased whilst the average voting block did not change significantly except in Italian companies where it increased. These findings illustrate the increasing mobility of international capital. However, the differences between countries remained: foreign shareholders have average voting blocks between 10% and 15% in the UK and Spain and between 20% and 30% in the other countries. These averages hide substantial differences. Foreign shareholders could be further classified in different shareholder classes. Individual and non-financial foreign shareholders hold on average larges stakes than institutional foreign shareholders like insurance companies. As an example we can refer to the British sample. In fourteen companies a foreign individual is the largest shareholder. Six companies are de iure or de facto controlled by this foreign individual, in three other companies the foreign individual controls 29% of the shares. An identical number of companies have a foreign bank or insurance company as largest shareholder. One company has a de facto controlling foreign insurance company as largest shareholder. In eleven other companies the largest voting block of the overseas bank or insurance company remains under 10% of the votes.

Figure 34: Average voting block of foreign shareholders



Source: own research

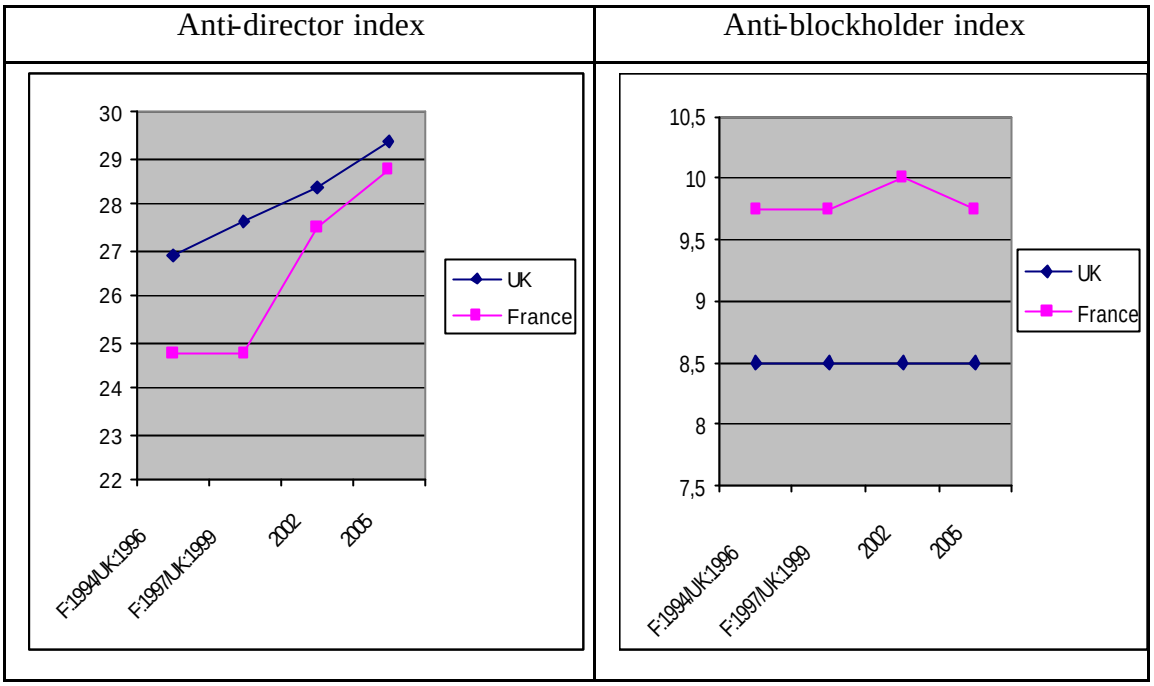
4.5. Ownership developments and "law and finance"

This detailed analysis of ownership developments allows a more detailed analysis of the basic thesis of LLSV. LLSV argued that large voting blocks serve as a substitute for weak investor protection rights. Lele and Siems (2007) developed the LLSV's index of investor protection rights in two indices relating to the protection against board and management on the one hand and protection against other shareholders on the other hand. The board index contains 42 anti-director rights, the shareholder index is composed of 18 anti-blockholder rights.

The Lele and Siems database is used for two countries – France a large civil law country and the UK, a common law country - to study the relationship between company and securities law development and ownership structures. Over a period of 10 years the French anti-director index increased from 25 to 29, the British index rose from 27 to 29,4 (figure 35). The anti-blockholder index remained stable. It did not change in the UK and after a one year small change it ended in 2005 at the 1994 level in France. In relative sense, only the board protection index increased: between 3% and 4% in the UK and 7% and 10% in France in the years before the year for which the data of the ownership were collected. The indices were taken two and five years before the ownership data allowing shareholders to respond to the new legal environment.

In line with the LLSV's hypothesis, these findings suggest that more companies will become widely held whereas the sum of stakes of all but the largest shareholder will be stable or even increase as a substitute for the immobility of the legislator to improve the anti-blockholder rights in the UK and France of the last ten years.

Figure 35: Protection indices in France and the UK



Derived from Siems and Lele (2007b)

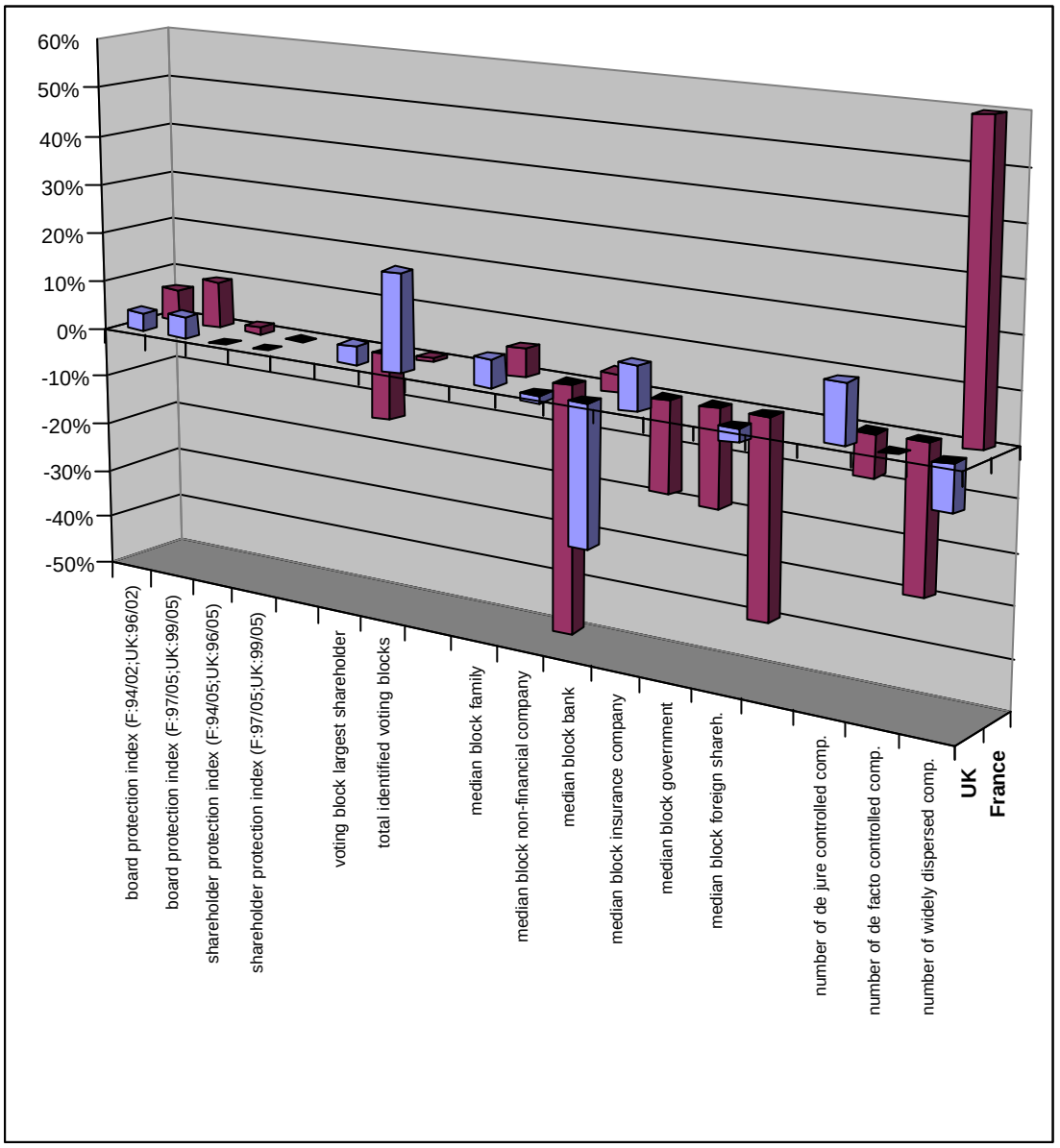
The results – the change in ownership structure between 1999/2001 and 2007 relative to 1999- by and large confirm LLSV's thesis, though most relationships are relatively weak (figure 36).

First, the voting block of the largest shareholder in France decreased in relative terms 13%, whilst the total identified voting blocks remained stable. This is in line with the development of the two indices. The French anti-director index improved significantly whilst the anti-blockholder index did not change. In the UK the largest voting block soared only 4% but the total identified voting blocks rose almost 20%. British ownership structures are already widely dispersed. The anti-director index increased a bit as well as the voting block of the largest British shareholder. The increase of both values is not significant. The anti-blockholder index remained unchanged. In line with the LLSV hypothesis, other large shareholders build up larger stakes that serve as a countervailing power to challenge the proposals of the largest shareholder in absence of improved anti-blockholder rights.

Next, in France the number of de jure controlled companies decreased with 8%, the number of de facto controlled companies declined with almost 30%. The number of

companies with a dispersed ownership structure – no shareholder holds more than 10% - increased with 60%. These developments are in line with the developments of anti-director index. In the UK the differences in the numbers of controlled companies are smaller. Only the number of de jure controlled companies increased though in absolute numbers the difference is small. The number of British companies with a widely dispersed ownership structure fell with almost 10%. The British relationship with the developments of the investor protection indices is less clear.

Figure 36: Relative change of indices and ownership variables in France and the UK



Source: own research

Third, all different shareholder types, with the exception of families and banks, decreased their median voting blocks in French companies. The reduction of the median block of non-financial companies is almost 50%, but also the decline of the median voting block of foreign shareholders, the government and insurance companies is significant. The improved French anti-director rights influenced the investment policies of these types of shareholders. In the UK, with the exception of the fall of the median voting block of banks, all other types of shareholder classes have similar median vote blocks in 2001 and 2007 notwithstanding the slight increase in the number of anti-director rights.

5. Summary and conclusion

In this paper, I analyse the development of ownership patterns in five European countries. 35% to 48% of the companies were delisted between 1999 and 2007. A large majority of these companies were taken over. These companies already had a more concentrated ownership structure in 1999 than the surviving sample. We show that ownership concentration decreased in France, Italy and Belgium. In the UK and Spain the largest shareholder increased its stake. In all continental European countries identified shareholders hold more than half of the votes. In the UK the figure is close to 50%. The median blocks of the identified shareholders increased in three countries and the decrease in France and Belgium is very small. Whilst the relative importance of the voting blocks of all other shareholders vis-à-vis the largest shareholder increased, in the continental European countries in this study the size of their combined voting blocks remained far below the voting block of the largest shareholder.

The largest group of companies in Italy, France and Belgium have a de jure controlling shareholder. When this group is combined with the group with a de facto controlling shareholder – holding more than 30% of the votes – approximately 60% of all companies are in firm hands. This number decreased between 1999 and 2007 at a very moderate pace. Only in Belgium the concert parties renounced their controlling voting block in 15% of the listed companies. In the UK 60% of the companies have a shareholder with a voting block of 10% to 30%. The number of British companies with a widely dispersed ownership structure decreased to approximately 25%, not

much more than in France were almost 20% of the companies have no shareholder with more than 10% of the votes.

Families and non-financial companies are the most important type of largest shareholders in continental European countries though there are major differences between countries and over time. In Spain, France and Belgium families and individuals became a more important class of largest shareholders, whilst non-financial companies are more pronounced largest shareholders in Spain and Italy but not in Belgium and France. In France almost half of the companies have a family as largest shareholder, in Belgium the figure is less than 20%, even less than in the UK. Both in Spain and Italy almost 40% of the companies have a family as largest shareholder. Other types of shareholders are important in the UK where foreign shareholders and investment managers are in half of the companies the largest shareholder, a significant increase compared with the results for 2001.

Investment policies differ significantly between the different shareholder classes as well between different countries. However investment policies change only at moderate pace over time. Families strive for controlling blocks in French companies but are satisfied with small blocks of 10% to 15% in the UK, Spain and Belgium. Italian non-financial companies increased their voting blocks to de facto controlling blocks, the converse scenario is found for French non-financial companies as major shareholders. Banks increased their shareholder blocks in French companies whilst the mean bank stake decreased in British companies. Investement policies of insurance companies converged all over Europe: acquiring significant, though not controlling blocks in listed companies. The presence of foreign shareholders is in 2007 more pronounced than in 2001 whilst the mean voting block of foreign shareholders remained stable over time in most countries. In Italy foreign shareholders not only acquired more large voting blocks the mean size of this voting block increased.

The results partly confirm the LLSV "Law and Finance" hypothesis. Ownership concentration decreased in France where new laws protect minority shareholders better against expropriation by management. However ownership has many other features and "law" cannot explain all ownership characteristics. Ownership attributes

are a function of many other variables like investment behavior, preferences, market conditions, history and many others. In an accompanying study we will explore some of these variables in more detail.

In conclusion, the general hypothesis that ownership structures are relatively stable over time, as it is argued in a number of empirical studies should be considered with more caution.

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