Key points for a Financing for the Future Act (*Zukunftsfinanzierungsgesetz*)

Measures to improve financing of forward-looking investments and to facilitate capital market access for businesses, particularly start-ups, high-growth companies and SMEs

Our country requires investment on a scale that is almost unprecedented. Investment is vital for securing our prosperity in the dramatically changed circumstances resulting from Russia's war of aggression against Ukraine and for accelerating the shift towards digitalisation and climate action in society and the economy. We are providing more funding in the federal budget for this purpose than ever before. However, since nine out of ten euros invested in Germany come from the private sector, we need to make rapid improvements in that area too. Our intention is therefore to strengthen the performance of Germany's capital markets and to enhance the attractiveness of Germany as an important centre of finance within Europe as a financial centre. In particular we want to make it easier for start-ups, high-growth companies and small and medium-sized enterprises (SMEs) to access capital markets and to raise equity. In this way, we can reach our goal of making Germany a leading location for start-ups and high-growth companies.

We, the Federal Ministry of Finance and the Federal Ministry of Justice, are consequently planning to introduce a Financing for the Future Act (*Zukunftsfinanzierungsgesetz*) in the near future.

Through digitalisation and internationalisation and by reducing red tape, we will make German financial markets and Germany as a business location more attractive both for domestic and international companies and investors. We are taking a comprehensive approach to achieving this: Alongside making adjustments to financial market legislation and further developing company law, we also intend to improve tax law provisions. This will make shares and publicly listed securities more attractive as investments. We will thereby boost not only the demand side (attractiveness of shares as investments) but also the supply side (increase in the number of publicly listed companies in Germany).

The Financing for the Future Act is due to enter into force in the first half of the current legislative term.

Our main priorities are as follows:

We want to make it easier for companies, particularly start-ups, high-growth companies and SMEs, to access capital markets.

- Simplifying listing requirements and post-listing requirements is an important starting point for making capital markets more attractive. In this regard, we believe it would be expedient to take a differentiated approach that focuses on simplifications for high-growth companies and SMEs in particular. This complements the initiative by the European Commission, which we very much welcome, to comprehensively revise existing rules for accessing capital markets and post-listing requirements in its Listing Act review.

- In addition, at the national level we will be reviewing ways in which we can already simplify regulatory requirements relating to accessing capital markets. For example, we intend to reduce the minimum capital required for an initial public offering (IPO) from the current level of €1.25m to €1m.

We intend to strengthen Germany as a financial centre and improve the legal framework for the design of financial instruments and transactions, especially with regard to financing opportunities for start-ups, high-growth companies and SMEs. In this context, we will make it easier for institutional investors to invest in this area.

- We are reviewing ways of improving the legal framework for modern transaction forms to facilitate initial public offerings, such as related legislation on stock option rights (naked warrants) and the use of special purpose acquisition companies (SPACs).
- In order to facilitate the conclusion and execution of standardised contracts between businesses for financial products and to ensure that all regulatory requirements can be easily complied with in such transactions, we envisage that the Federal Financial Supervisory Authority (BaFin) will in future be able to approve templates for standard contracts between professional contracting parties in the financial services sector, especially standard framework agreements for trading in financial instruments, if they are balanced and in common use. If contracts between professional clients as defined in the Securities Trading Act (*Wertpapierhandelsgesetz*) are concluded using these recognised standard contract templates, it will no longer be necessary to check the contents of the general terms and conditions from a legal perspective pursuant to section 307 et seqq. of the German Civil Code (*Bürgerliches Gesetzbuch*) if the contract conforms with recognised framework contracts.

We are driving forward digitalisation in capital markets. We plan to enable companies to issue shares using blockchain technology. Together we intend to examine how we can further improve the transferability of crypto-assets within Germany and in Europe. Here, too, our focus is on reducing written form requirements to prevent errors and delays resulting from the transfer of written forms to digital media.

- Modernising capital markets also means digitalising capital markets. By digitalising the trading of shares, we can take another important step towards making capital markets more attractive. We therefore intend to expand the option of issuing electronic securities to also include shares. Our aim of extending the scope of the Electronic Securities Act (*Gesetz über elektronische Wertpapiere*) to include shares is something we want to achieve with the Financing for the Future Act.

- The transferability of crypto-assets is limited under German law. Currently it is mainly the Electronic Securities Act that provides a legal framework for the transfer of selected crypto-assets.
- We are examining to what extent the legal framework can be further improved to also enable the acquisition of other crypto-assets, and how the transfer of these crypto-assets can be made more legally sound.
- In addition, we intend to evaluate the possibility of a special arrangement to simplify the transfer of monetary claims arising from mutual business transactions that are securitised in accordance with the EU Securitisation Regulation.

We will make it easier to raise equity by facilitating capital increases and introducing dual-class shares.

- The possibility of raising equity on capital markets is a key aspect and an important incentive for companies to go public.
- In particular, we want to enable high-growth companies and start-ups to structure themselves more flexibly by allowing dual-class shares while at the same time ensuring the protection of investors. This would remove a possible obstacle preventing new businesses from going public and at the same time boost opportunities for investment and innovation.
- Against this background, we want to facilitate capital increases by providing companies with additional flexibility for structuring these, and by providing greater legal certainty when they undertake capital increases.
- Our particular focus here is on issue price requirements in the case of capital increases, as well as on ways of facilitating the exclusion of pre-emption rights and the issuing of conditional capital in certain constellations.

Modern capital markets require supervision that is also technologically up to date. That's why we will remove obstacles to digitalisation and further improve the framework conditions for communicating with BaFin in English.

- Digitalisation plays an important role in reducing bureaucracy and modernising existing systems, helping to make financial supervision faster, more efficient, more targeted and more up-to-date.
- We will continue to remove obstacles to digitalisation in supervisory law. This includes, for example, the further elimination of written form requirements. Communication with BaFin is to be switched increasingly to digital channels.
- We will also set up a website at BaFin for comparing bank account fees, which will increase transparency and competition in this area, too.

- To make Germany more attractive for international investors and companies, we intend to improve the framework conditions for communicating with BaFin in English.

We will make investing more attractive from a tax perspective, particularly by supporting investments in shares.

- We want more citizens to invest in shares, since investing in shares over the long term can help build up assets and protect against inflation. If more people invest in shares, our companies will benefit too, as they can raise equity more easily. This in turn results in higher investments and creates a safety cushion for times of crisis.
- To create stronger incentives to invest in shares, we plan to introduce a tax-free allowance for profits from the sale of shares or fund units that are held as private assets.
- We also intend to improve the framework conditions for investing in shares by abolishing the rule whereby losses from the disposal of shares can be offset only against profits from shares.
- Our aim is to also significantly simplify the final withholding tax procedure by abolishing the rule whereby losses from forward transactions and from bad debt in the case of private assets can only be offset against profits from the same kind of investment.
- From a tax perspective, too, we will strengthen Germany as a centre for investment funds by expanding the VAT exemption for venture capital funds within the scope of what is legally possible under EU law.

We will improve tax conditions for employee share ownership.

- We want to expand employee share ownership so that employees can participate to a greater extent in the success of their company. At the same time, improved tax conditions will help companies attract and retain the employees they want.
- To this end, we plan to increase the tax allowance for employee share ownership (section 3 no 39 of the Income Tax Act (*Einkommensteuergesetz*)) from the current amount of €1,440 to €5,000 and to introduce related rules to ensure that these provisions have their intended effect.
- We also plan to expand the provisions in section 19a of the Income Tax Act on deferred taxation of non-cash benefits from employee shareholdings. In particular, the aim is to make the granting of company shares more attractive as a component of remuneration for companies and their employees.
- Finally, we want to increase the employee savings allowance (*Arbeitnehmer-Sparzulage*) for the investment of capital-forming benefits (*vermögenswirksame Leistungen*) in shares and expand the group of people eligible for this allowance. In this way we will create attractive conditions for building up assets for all employees, and will also be able to reach groups of

workers whose employers would normally not offer employee share ownership schemes.

We will continue the INVEST programme beyond 2022.

- The funding programme INVEST– Zuschuss für Wagniskapital (INVEST – Grants for Venture Capital), which brings together start-ups and private investors, has been very successful in recent years, but is coming to an end on 31 December 2022.
- We are therefore advocating for a new edition of the INVEST programme in order to invigorate the angel investor market in Germany for the long term. We are aiming for the new INVEST funding guidelines to enter into force on 1 January 2023.