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What is dual-class share structure?

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WHAT DOES IT MEAN?

Dual-class share structure is an ownership structure that allows two classes of shares to have different voting rights, although both classes are entitled to the same equity and same cash flows.

For instance, a Class A share may have 10 votes and a Class B share may have one vote, while both classes receive the same dividends.

WHY IS IT IMPORTANT?

Dual-class share structures have

been used by hundreds of firms in the United States but have been banned in Asia until a few months ago.

Hong Kong lost Alibaba Group's initial public offering to New York because the Hong Kong Stock Exchange did not approve the company's proposed dual-class ownership structure.

Dual-class structures allow controlling shareholders, usually founders, to pursue their long-term vision, protecting the firm from public investors who are often overly focused on quarterly earnings and short-term results.

But many argue that shareholders with inferior voting rights may be expropriated by shareholders with superior voting rights.

IF YOU WANT TO USE THE TERM, JUST SAY:

Companies with dual-class share ownership structure will soon be allowed to list on the Singapore Exchange and the Hong Kong Stock Exchange.

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