

Final Report

Methodology for the calculation of market capitalisation

Acronyms

CP	Consultation Paper
ECB	European Central Bank
EU	European Union
ESMA	European Securities and Markets Authority
FASTER	Council Directive (EU) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes
FIRDS	Financial Instruments Reference Data System
FITRS	Financial Instruments Transparency System
GLEIF	Global Legal Entity Identifier Foundation
ISIN	International Securities Identification Numbering
LEI	Legal Entity Identifier
MiFIR	Regulation (EU) No 600/2014 of the European Parliament and of Council 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/20123
MTF	Multilateral Trading Facility
NCA s	National Competent Authorities
RTS	Regulatory Technical Standard
SMSG	Securities and Markets Stakeholder Group

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1 Executive Summary

Reasons for publication

The FASTER Directive¹, published in the Official Journal of the EU on 10 January 2025, mandates ESMA to develop regulatory technical standards (RTS) specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio of Member States.

In line with this mandate, ESMA launched a consultation² in June 2025, presenting its proposals for a harmonised methodology based on transaction data reported under MiFIR. The proposals cover the calculation of share prices, the aggregation of market capitalisation at the legal entity and country levels, and the derivation of the market capitalisation ratio.

The consultation period closed on 25 July 2025. ESMA received 3 responses.

This final report (FR) summarises the feedback received to the consultation, presents ESMA's assessment of the responses, and outlines the next steps in the development of the final RTS.

ESMA also sought the advice of the Securities and Markets Stakeholder Group (MSG) which did not provide any comment.

Contents

This document is split in sections covering the assessment and the defined way forward in relation to the proposals included in the Consultation Paper.

The sections of the FR cover the following topics: calculation of share prices (Section 3.1); calculation of market capitalisation at the Legal Entity Identifier (LEI) level (Section 3.2); calculation of market capitalisation at the country level (Section 3.3).

Next Steps

ESMA submitted the final report to the European Commission on 15/10/2025. In accordance with Article 10 of ESMA Regulation³, the Commission has three months to decide whether to endorse the proposed draft RTS.

2 Introduction

1. In June 2025, ESMA published a Consultation Paper (CP) presenting draft technical standards related to the methodology for the calculation of market capitalisation and the market capitalisation ratio of Member States.
2. This initiative stems from the mandate set out in the FASTER Directive, which aims to streamline and enhance the efficiency of cross-border tax relief procedures within the European Union. The Directive introduces a framework for the issuance of digital tax residence certificates and sets out rules for the relief of excess withholding taxes on dividends and interest paid on publicly traded shares and bonds. A key element of this framework is the requirement for ESMA to publish, on an annual basis, the market capitalisation and market capitalisation ratio of each Member State, starting in 2026.
3. The CP focused primarily on:
 - Proposing a harmonised methodology for calculating market capitalisation based on transaction data reported under MiFIR;
 - Defining how to compute the market capitalisation ratio as a percentage of a Member State's market cap relative to the EU total;
 - Outlining the aggregation process at the instrument, legal entity, and country levels;
 - Ensuring consistency with existing transparency frameworks while adapting to the specific requirements of the FASTER Directive.
4. The proposals were intended to ensure a robust, transparent, and operationally feasible approach to calculating these metrics, which are central to determining eligibility thresholds under the new tax relief regime.

3 RTS on market capitalisation

5. The methodology for calculating market capitalisation and the market capitalisation ratio, as mandated by the FASTER Directive, builds on existing regulatory frameworks

¹ [Council Directive \(EU\) 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes, OJ L, 2025/50, 10.1.2025](#)

² [ESMA12-1406959660-2936 Consultation Paper on the Methodology for the calculation of market capitalisation](#)

under MiFIR, particularly those used for annual transparency calculations for equity instruments.

6. Market capitalisation, as defined in Article 3(1)(32) of the FASTER Directive, refers to the total value of publicly traded shares admitted to trading on regulated markets or multilateral trading facilities. The proposed methodology aligns with MiFIR provisions and uses transaction data reported under Article 26 of MiFIR as the primary source.

3.1 Calculation of share prices

3.1.1 Proposal in the CP

7. ESMA proposed to calculate end-of-year share prices using transaction data reported under Article 26 of MiFIR, rather than relying on prices published by trading venues or information otherwise provided to ESMA via the FITRS system (the system currently used to collect and process reference and quantitative data from trading venues). The proposed methodology selects up to the last 100 transactions executed within a 15-minute window before the final trade of the year for each share, on the most liquid EU trading venue for such instrument. The average price of these transactions is used as the reference price, which, in case of non-euro transactions, is then converted into euros using ECB exchange rates. This approach aims to ensure consistency, reduce reporting burdens, and align with ESMA's broader transparency framework.

3.1.2 Feedback to the consultation

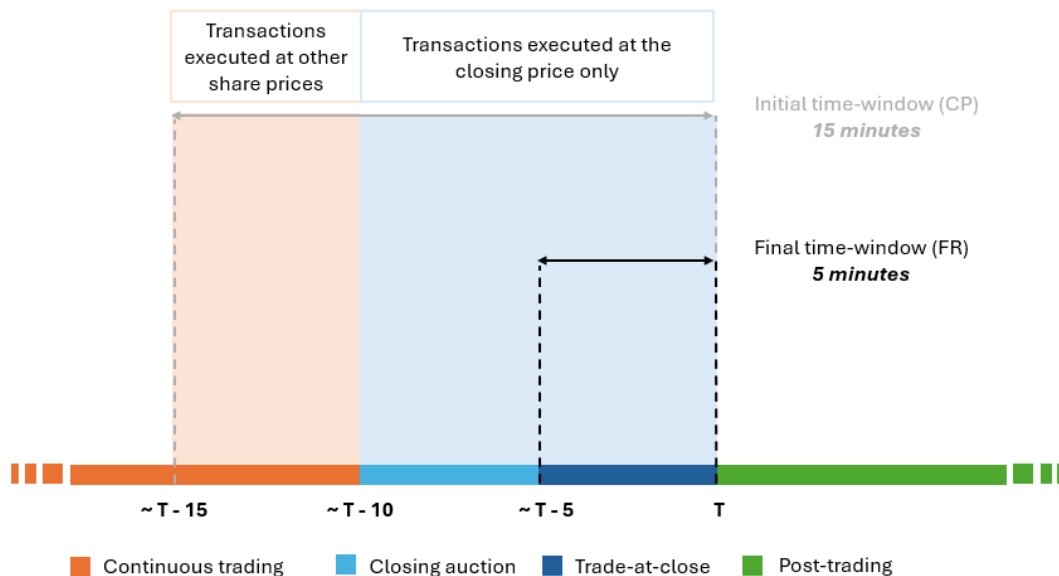
Q1: Do you agree with the proposed approach of using the average of up to the last 100 transactions within the final 15 minutes before the last trade of the year of each share on the most liquid EU trading venue to determine end-of-year share prices? Alternatively, should a longer-term average be considered to better account for potential price volatility?

8. Overall, the feedback received to the CP was limited, with only three stakeholders responding. With regard to this question, two of them expressed a preference for the use of the closing price as determined by the closing auction on the last trading day of the year.
9. An association of exchanges highlighted that the proposed approach could introduce technical complexity and may not be suitable for less liquid shares, which often do not trade in the final 15 minutes. They emphasized that the closing auction phase typically concentrates trading volume and provides a reliable reflection of market value.

10. A major exchange also favoured the use of the closing auction price, noting its widespread adoption by asset managers for portfolio valuation and its role in alternative closing models. They pointed out that including trades from the broader 15-minute window could introduce unnecessary volatility, particularly for instruments with lower liquidity.
11. Finally, another respondent suggested that the methodology could be enhanced by using the median or a weighted average to mitigate the impact of anomalies.

3.1.3 ESMA's assessment and next steps

12. ESMA notes the preference expressed by the respondents for using the closing auction price as determined by the trading venues. As stated in the CP, as part of its efforts to reduce reporting burden and avoid duplicative requirements, ESMA is planning to progressively discontinue the reporting to FITRS by trading venues and will instead rely on MiFIR transaction data for transparency calculations. Closing price, as suggested by respondents is not a data field in MiFIR transaction data. Therefore, it will require creating a separate reporting channel for trading venues to report closing prices for the purpose of FASTER, which will run contrary to the objectives of simplification and burden reduction and increase costs for the trading venues. However, as included in the CP, the information about price and timestamp which is reported in MiFIR transaction data contains the relevant components to re-compute the closing price as determined by the trading venues. Use of transaction data will therefore be also a future-proof way forward as it would rely on a dataset which is used for several purposes.
13. The additional information provided by the trade association showed that the closing auctions at trading venues are usually of a reduced timespan than the 15 minutes proposed in the methodology. Closing auctions typically consist of a call phase lasting around 5 minutes, during which orders are collected, and an indicative closing price is calculated. This is followed by an uncrossing event, where matched orders are executed at a single auction-determined price, the official closing price. After the auction, many venues enter a Trade-at-Close (or Trading-at-Last) phase of similar duration, during which additional trades can be executed, but only at the fixed closing price set by the auction.
14. Therefore, in order to ensure that the computation of prices for market capitalisation using transaction data is as close as possible to the prices stemming from the closing auctions, ESMA has reduced the time window **from 15 minutes to 5 minutes**. This refinement ensures that, where a closing auction exists, the methodology will capture only the price resulting from it.



15.

FIGURE 1: ILLUSTRATION OF ESMA'S REFINED METHODOLOGY FOR END-OF-YEAR SHARE PRICE CALCULATION.

THE DIAGRAM SHOWS THE 5-MINUTE TIME WINDOW ENDING AT TIME T , WHICH CORRESPONDS TO THE END OF THE TRADING-AT-LAST PHASE ON THE MOST RELEVANT TRADING VENUE, IF THE INSTRUMENT WAS TRADED DURING THAT INTERVAL. IN SUCH CASES, THE WINDOW CAPTURES PRIMARILY TRANSACTIONS EXECUTED AT THE CLOSING AUCTION PRICE, ENSURING ALIGNMENT WITH MARKET VALUE. IF NO CLOSING AUCTION IS AVAILABLE OR THE INSTRUMENT WAS NOT TRADED DURING THAT PHASE, T REFERS TO THE TIME OF THE LAST TRADE OF THE CALENDAR YEAR, AND THE 5-MINUTE WINDOW CAPTURES THE MOST RECENT EXECUTED TRANSACTIONS.

16. In cases where the most relevant market for a given share does not operate a closing auction, the methodology will still apply the average of the last executed transactions within the final 5 minutes before the last trade of the year. It is important to note that this 5-minute window is anchored to the day and time of the last trade for the given share of the calendar year, which may not necessarily fall on the last trading day.
17. ESMA will apply a similar methodology to the rest of computations and aggregations that require closing price.
18. As a follow-up to the analysis presented in Section 5.1 of the consultation paper ("Transaction vs FITRS share prices comparison"), where computed prices were compared against end-of-year prices reported to FITRS, ESMA reassessed the comparison using a 5-minute interval instead of 15, focusing on major trading venues operating closing auctions. The results showed a high level of accuracy, with strong alignment between transaction-derived prices and FITRS-reported prices.

19. ESMA considers that this adjustment strikes a balance between methodological consistency, data quality, and market feedback, and will proceed with the revised approach in the implementation of the FASTER framework.
20. Finally, in response to concerns that the proposed approach might require technical changes by trading venues or overcomplicate the process, ESMA clarifies that market capitalisation calculations under the FASTER Directive are carried out exclusively by ESMA on data that is already reported pursuant to Article 26 of MiFIR. Trading venues are therefore not required to modify their internal pricing methodologies or the information that need to be disclosed or reported. This shift does not imply any operational or reporting changes for trading venues.

3.2 Calculation of market capitalisation at the LEI level

3.2.1 Proposal in the CP

21. ESMA proposed to calculate market capitalisation at the LEI level by multiplying the computed share price (in euros) by the number of outstanding shares for each instrument. In cases where a single LEI is associated with multiple ISINs, such as different share classes or corporate actions like stock splits, all relevant instruments are aggregated, provided they are active as of the end of the year. Terminated ISINs are excluded to ensure only current instruments are considered. This approach ensures a comprehensive and accurate representation of a company's total market value.

3.2.2 Feedback to the consultation

Q2: Do you agree with the proposed methodology for calculating market capitalisation at the LEI level, including the grouping of multiple ISINs associated with a single LEI, such as in cases involving multiple share classes, and the exclusion of terminated ISINs to ensure that only the most recent, active instruments are considered in the calculation? If not, please provide your reasoning and suggest any alternative approaches you consider more appropriate.

22. The proposal received supportive feedback from the limited number of respondents.

3.2.3 ESMA's assessment and next steps

23. In light of the feedback received, ESMA confirms the proposed methodology for computing market capitalisation at the LEI level. This includes grouping multiple ISINs

associated with a single LEI and excluding terminated ISINs to ensure that only active instruments are taken into account.

3.3 Calculation of market capitalisation at the at the country level

3.3.1 Proposal in the CP

24. ESMA proposed to calculate market capitalisation at the country level by aggregating the market capitalisation of all instruments issued by entities legally registered in that country. This involves three steps: (a) mapping instruments to legal entities using FIRDS; (b) assigning each entity to a country based on its legal address from the GLEIF database; and (c) summing the market capitalisation of all instruments linked to entities in that country. This approach ensures consistency with regulatory and tax frameworks and supports the identification of Member States exceeding the 1.5% EU-wide threshold.

3.3.2 Feedback to the consultation

Q3: Do you agree with the approach of using the legal address as the basis for determining an entity's country for market capitalisation aggregation, instead of the headquarters address? If not, please explain your preference.

25. This question received generally supportive feedback. Respondents agreed with the proposed approach of using the legal address as the reference point for determining an entity's country in market capitalisation aggregation.
26. One respondent acknowledged that both legal and headquarters addresses could be reasonable, provided the underlying data is of high quality.
27. This respondent also noted a broad alignment between ESMA's preliminary calculations based on the methodology described in the RTS and those published by the ECB in its sectoral statistics on listed shares, highlighting a material difference only in one case.

3.3.3 ESMA's assessment and next steps

28. ESMA confirms the proposed approach of using the legal address as the basis for determining an entity's country for market capitalisation aggregation. This criterion is considered more appropriate for regulatory and taxation purposes, as it provides a stable and legally grounded reference point.

29. Regarding the comment on discrepancies with other sources, ESMA notes that the methodology used for the calculation is the one described in the document. ESMA cannot comment on other statistics that use a different methodological approach and might rely on different data sources, assumptions, and filtering criteria that naturally lead to variations in results.

4 Annexes

4.1 Annex I – Summary of questions

Q1: Do you agree with the proposed approach of using the average of up to the last 100 transactions within the final 15 minutes before the last trade of the year of each share on the most liquid EU trading venue to determine end-of-year share prices? Alternatively, should a longer-term average be considered to better account for potential price volatility?

Q2: Do you agree with the proposed methodology for calculating market capitalisation at the LEI level, including the grouping of multiple ISINs associated with a single LEI, such as in cases involving multiple share classes, and the exclusion of terminated ISINs to ensure that only the most recent, active instruments are considered in the calculation? If not, please provide your reasoning and suggest any alternative approaches you consider more appropriate.

Q3: Do you agree with the approach of using the legal address as the basis for determining an entity's country for market capitalisation aggregation, instead of the headquarters address? If not, please explain your preference.

4.2 Annex II – Cost-Benefit Analysis

30. This section provides an overview of the expected costs and benefits associated with the proposed RTS on the methodology for the calculation of market capitalisation and the market capitalisation ratio of Member States, as mandated by the FASTER Directive.
31. The proposed methodology aims to ensure a harmonised, transparent, and operationally feasible framework for calculating market capitalisation metrics across the EU. It builds on existing MiFIR transparency regimes and leverages transaction data to reduce duplicative reporting and improve data consistency.

32. This CBA assesses the impact of the RTS on key stakeholder groups, including trading venues, data providers, and national competent authorities. It considers both the direct implementation costs and the broader benefits in terms of regulatory clarity, data quality, and alignment with the objectives of the FASTER Directive.

Calculation of share prices

Policy objective	Establish a harmonised and reliable methodology for determining end-of-year share prices
Option 1	Use transaction data (average of up to last 100 trades within 5 minutes before the final trade of the year on the most liquid venue)
Option 2	Use end-of-day prices published by trading venues reported to FITRS
Preferred option	Option 1 - It supports ESMA's objective to reduce reporting burden, ensures consistency across Member States, and provides a robust and harmonised data source
Option 1 – Transaction data	
Benefits	- Improved consistency and comparability across Member States - Reduced reporting burden by phasing out FITRS - Enhanced data quality - Avoids reliance on venue-specific methodologies and data quality issues
Cost to regulator	- One-off: development and implementation of data processing systems to extract and compute prices from transaction data (minimal) - Ongoing: maintenance of data infrastructure and annual computation of prices
Compliance costs	Minimal, as firms already report transaction data under MiFIR
Other costs	None identified
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS

Proportionality-related aspects	The proposed methodology builds on existing reporting obligations and avoids introducing new burdens, ensuring proportionality
Option 2 – End-of-day prices	
Benefits	- Leverages existing published prices - Familiar to stakeholders already using FITRS
Cost to regulator	- One-off: continued reliance on FITRS infrastructure - Ongoing: maintenance of FITRS
Compliance costs	Maintenance of FITRS reporting by venues
Other costs	None identified
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
ESG-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
Proportionality-related aspects	Would require maintaining a separate reporting regime, which runs counter to ESMA's burden reduction goals. It may also introduce inconsistencies due to the absence of a harmonised methodology across trading venues

Calculation of market capitalisation at the LEI Level

Policy objective	Ensure accurate calculation of market capitalisation at the legal entity level, accounting for multiple vote share structures and corporate actions
Preferred option	Aggregate market capitalisation across all active instruments linked to a single LEI, excluding terminated ISINs
Benefits	- Comprehensive view of entity-level market value - Alignment with MiFIR transparency logic - Supports comparability across entities

Cost to regulator:	- One-off: development of filtering logic and aggregation mechanisms - Ongoing: annual data validation and aggregation (which anyhow contribute to other ESMA data processes)
Compliance costs	None, as data is sourced from existing regulatory submissions
Other costs	None identified
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS
Proportionality-related aspects	The approach uses existing data sources and avoids duplicative reporting, ensuring proportionality

Calculation of market capitalisation at the country level

Policy objective	Enable aggregation of market capitalisation by Member State to support the application of thresholds under the FASTER Directive
Option 1	Use legal address to assign country
Option 2	Use headquarters address to assign country
Preferred option	Option 1 – It aligns with regulatory and tax frameworks and offers greater legal certainty
Option 1 – Legal address	
Benefits	- Clear and consistent country-level attribution - Alignment with legal, regulatory and tax frameworks in the EU - Facilitates the supervisory process at national level
Cost to regulator	- One-off: development of country-level aggregation logic - Ongoing: Annual updates and validation of legal address data

Compliance costs	None, as firms are not required to provide additional data
Other costs	None identified
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS
Proportionality-related aspects	The methodology relies on publicly available data and avoids imposing new obligations, ensuring proportionality
Option 2 - Headquarters address	
Benefits	- May better reflect operational control
Cost to regulator	Same as Option 1
Compliance costs	None, as firms are not required to provide additional data
Other costs	None identified
Innovation-related aspects	Innovation-related aspects are not of direct relevance to the specific nature of the proposed RTS
ESG-related aspects	ESG-related aspects are not of direct relevance to the specific nature of the proposed RTS
Proportionality-related aspects	Same as Option 1

4.3 Annex III – Draft Technical Standards

Draft RTS on the methodology for the calculation of market capitalisation

COMMISSION DELEGATED REGULATION (EU) 2025/XXX of XXX

supplementing Directive (EU) No 2025/50 of the Council on faster and safer relief of excess withholding taxes with regard to regulatory technical standards specifying the methodology for the calculation of market capitalisation and the market capitalisation ratio

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive (EU) No 2025/50 of the Council of 10 December 2014 on faster and safer relief of excess withholding taxes, and in particular Article 20(2) thereof,

Whereas:

(1) For the purpose of consistency, the methodology for calculating market capitalisation should align with the established frameworks used for determining liquid markets under Regulation (EU) No 600/2014 (MiFIR) and Commission Delegated Regulation (EU) 2017/567, while adapting to the requirements of the FASTER Directive. In particular, in accordance with the definition set out in Article 3(1)(32), of the FASTER Directive, market capitalisation refers exclusively to the total value of shares admitted to trading on regulated markets (RMs) or multilateral trading facilities (MTFs).

(2) Given that shares may be admitted to trading on multiple trading venues across the Union, it is essential to identify the most representative price source to ensure a consistent and meaningful measure of market capitalisation. Therefore, share prices used for the calculation should reflect actual market conditions and be derived from the most relevant market in terms of liquidity for each instrument, as defined in Article 4(1)(a) of Commission Delegated Regulation (EU) 2017/587. Furthermore, transaction data reported in accordance with Article 26 of Regulation (EU) No 600/2014 and Commission Delegated Regulation (EU) 2017/590 provides an appropriate basis for this determination.

(3) The number of outstanding shares is a fundamental component in calculating market capitalisation, as it represents the total equity base over which share prices are applied. To ensure consistency, reliability, and alignment with existing reporting practices, this information should be sourced from the data submitted to ESMA in accordance with Commission Delegated Regulation (EU) 2017/567 for the purposes of determining a liquid market for equity instruments.

(4) To ensure a harmonised and transparent approach in attributing issuers to Member States for the purposes of market capitalisation aggregation, the legal address of the issuing entity, as recorded in the Global Legal Entity Identifier Foundation (GLEIF) database, should be used. In accordance with ISO 17442, this address represents the official registered location of the entity, typically used for regulatory and tax purposes, and therefore provides a sound basis for determining the issuer's country of operation.

(5) To facilitate cross-country comparisons and to support the objectives of the FASTER Directive in assessing the relative size of Member State capital markets, the market capitalisation ratio should be expressed as a percentage of the market capitalisation of a Member State relative to the total market capitalisation of the Union on the same reference date. This definition, as set out in Article 3(1), point (33), of Directive (EU) 2025/50, ensures consistency and comparability across jurisdictions.

(6) This Regulation is based on the draft regulatory technical standards submitted by the ESMA to the Commission.

(7) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁴,

HAS ADOPTED THIS REGULATION:

⁴ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2020, p. 84).

Article 1

Methodology for the calculation of market capitalisation

- 1) The market capitalisation of a Member State shall be calculated as the total market value of all shares admitted to trading on a regulated market or a multilateral trading facility, issued by legal entities incorporated or legally established in that Member State, as of 31 December of the relevant year.
- 2) For each share, market capitalisation shall be calculated by multiplying:
 - (i) the number of shares outstanding on 31 December; and
 - (ii) the share price calculated in accordance with paragraph 3.
- 3) The share price shall be determined, on the most relevant market in terms of liquidity within the Union, as the average price of up to the last 100 transactions executed during the final 5 minutes preceding the last trade of the year for that share. Where 100 or more transactions were executed within this 5-minute window, the 100 latest transactions shall be used for the calculation. Where fewer than 100 transactions were executed in this period, all available transactions within the window shall be used.
Where applicable, the resulting share price shall be converted into euros.
- 4) The transaction data used for calculating the share price shall be as reported in accordance with Article 26 of Regulation (EU) No 600/2014 and Commission Delegated Regulation (EU) 2017/590. Only executed not cancelled transactions shall be considered.
- 5) The number of shares outstanding shall be determined in accordance with the applicable provisions of Commission Delegated Regulation (EU) 2017/567.
- 6) Shares no longer admitted to trading prior to 31 December shall be excluded from the calculation.
- 7) For each legal entity, market capitalisation shall be calculated by summing the market capitalisation of all shares issued by that entity.
- 8) The market capitalisation of a Member State shall be calculated by aggregating the market capitalisations of all legal entities whose legal address is located in that Member State.

Article 2

Methodology for the calculation of the market capitalisation ratio

- 1) The market capitalisation ratio of a Member State shall be calculated as the ratio, expressed as a percentage, of:
 - a) the market capitalisation of that Member State on 31 December of the relevant year, as calculated in accordance with Article 1; to
 - b) the total market capitalisation of all Member States of the Union on the same date.
- 2) The following formula shall be used:

$$\text{MarketCapRatio}_{\text{Country}_i} = \left(\frac{\text{MarketCap}_{\text{Country}_i}}{\sum_{j=1}^N \text{MarketCap}_{\text{Country}_j}} \right) \times 100$$

where:

- $\text{MarketCap}_{\text{Country}_i}$ is the market capitalisation of country i ,
- N is the total number of Member States.

Article 3

Entry into force and application

- 1) This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.
- 2) This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [DD MM YYYY]

For the Commission

The President