

# **The Neuer Markt: An (Overly) Risky Asset of Germany's Financial System**

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## *Abstract*

In this chapter, we describe the rise and fall of Germany's Neuer Markt from its promising start to its ultimate failure. We show that the Neuer Markt was designed to serve the special needs of small and medium sized growth firms. However, some regulatory flaws, insufficient means to enforce the rules, the IPO frenzy and the bursting of the stock market bubble destroyed its reputation beyond recovery. The closing of the Neuer Markt and the rebranding and restructuring of the entire Frankfurt stock market indicate the seriousness of the crisis of German public equity markets.

Keywords: financial system, stock markets, securities regulation, initial public offerings  
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