



Public consultation on building a proportionate regulatory environment to support SME listing

Fields marked with * are mandatory.

Introduction

Please note that this consultation is also available in [German](#) and in [French](#).

1. Background of this public consultation

Newly listed small and medium-sized enterprises (SMEs) are a key motor of new investment and job creation. Companies recently listed outstrip their privately-owned counterparts in terms of annual growth and workforce increase¹. The benefits of listing include a reduced dependency on bank financing, a higher degree of diversification of investors, easier access to additional equity capital and debt finance (through secondary offers) and higher public profile and brand recognition. In considering a listing, a firm needs to balance the economic advantages of being listed with both its initial and recurrent costs. From the investors' angle, small caps have a higher risk-return profile than large companies and allow for a higher level of portfolio diversification.

Despite the strong benefits of stock exchange listings, EU public markets for SMEs are struggling. Europe is producing only half of the SME IPOs that it generated before the financial crisis (300 on average from 2005-2007 vs. 172 in 2016). From 2005 to 2007, an average of EUR 11 billion was raised annually on European SME-dedicated Multilateral Trading Facilities (MTFs)² through initial public offerings (IPOs). This fell to EUR 2.8 billion on average from 2008 to 2015³. The situation is especially acute in some Central and Eastern Europe (CEE) Member States, where the market capitalisation of all listed companies can sometimes account for less than 10% of the GDP, and where the SME-dedicated MTF can sometimes count only one listed firm.

The funding gap at the IPO stage has wider consequences on the EU funding escalator. For example, ready access to public markets is an important consideration and can represent an "exit solution" for the investments of venture capital (VC) and private equity funds which back high growth companies at an early stage in their development. As the public markets for SMEs are weak, this deters VC funds from investing in the first place in SMEs. The low number of SME listings also decreases the number of companies that may graduate one day to the main (regulated) markets. Beyond equity markets, bond issuances are still far from widespread for the vast majority of SMEs, despite a number of specialised bond MTFs for smaller companies established in recent years⁴.

2. The CMU Mid-term Review and the focus on public markets for SMEs

From the outset, facilitating access to finance for SMEs has been a key goal of the Capital Markets Union (CMU) in order to support jobs and growth in the EU. Since the publication of the Capital Markets Union Action Plan in 2015, many actions were taken to develop adequate sources of funding for SMEs through all their stages of development. For instance, the Commission has taken forward a comprehensive package of legislative and non-legislative measures to scale up Venture Capital financing in Europe.

In June 2017, the CMU Mid-term Review⁵ raised the Commission's level of ambition and strengthened its focus on capital-raising by SMEs on public markets. The Commission is now setting in motion several legislative and non-legislative actions aiming to revive the public markets for high growth SMEs. These measures intend to build upon the creation of the 'SME Growth Market' concept, a new type of MTF introduced by Markets in Financial Instruments Directive II⁶ [\(and applicable as of January 2018\). The SME Growth Market framework was developed to acknowledge the special needs of SMEs entering the equity and bond market for the first time. Several EU Acts already refer to this new form of trading venues in order to provide alleviations and ease the listing of SMEs.](#)

The Commission has committed to conducting an impact assessment that will explore whether targeted amendments to relevant EU legislation could deliver a more proportionate regulatory environment to support SME listing on public markets. The objective of this work is to further alleviate the administrative burden on listed SMEs and revive the local ecosystems surrounding SME-dedicated markets, while keeping investor protection and market integrity unharmed. This workstream also aims to enhance the SME Growth Markets' prospects of success.

In the context of the CMU, progress has already been made in easing capital-raising by SMEs on public markets. The revised Prospectus Regulation⁷ has created an alleviated 'EU Growth Prospectus'. The Commission is now working with the European Parliament, the Member States, and ESMA to put in place implementing measures on the content and format of this new form of prospectus.

However, more needs to be done on the regulatory side to ensure that SMEs can reap the full benefits of access to public markets, and especially to SME Growth Markets. In a resolution adopted on 19 January 2016, the European Parliament also called on the Commission and the Member States "to make active use of the SME Growth Market category in future financial services regulation". On 29 June 2017, the Council underlined that it *'welcome[d] the Commission's commitment to deliver a more proportionate regulatory environment to support SME listing on public markets, which – coupled with related non legislative actions – would further promote the development of equity capital markets across all Member States'*⁸.

The Commission has therefore committed to exploring avenues to tailor and complement the provisions applicable to the future 'SME Growth Markets' and their issuers. While MiFID II legislation will enter into force in January 2018, the provisions of the Market Abuse Regulation (MAR)⁹ are already applicable to MTFs which may seek registration as SME Growth Markets. Lessons can be drawn from the experience of these MTF issuers in order to identify ways to improve and complement the SME Growth Market framework. Apart from reviewing the scope of the SME Growth Market concept and one operational provision (on tick sizes for SME Growth markets), this workstream does not entail revisiting the MiFID II /MiFIR¹⁰ legislation.

3. Responding to this consultation and follow up to the consultation

In this context and in line with [Better Regulation principles](#), the Commission has decided to launch an open public consultation designed to gather evidence on regulatory barriers to SME listings.

This consultation document contains **two separate sections**.

The **first section** aims to capture views from all stakeholders on the main challenges that SME-dedicated markets are currently facing. Stakeholders' responses will help identify the main drivers behind the downward trend of SME IPOs and bond issuances and estimate their scale. The replies will also help the Commission determine the priorities for policy actions (including regulatory ones).

The **second section** will allow the Commission to assess the impact of possible changes to EU legislation on the basis of proposals already put forward by stakeholders in the context of previous public consultations (the [CMU public consultation \(Green Paper on building a Capital Markets Union\)](#), the [Call for evidence on the EU regulatory framework for financial services](#) and the [Public consultation on the capital markets union mid-term review 2017](#)) and technical workshops held in 2016 and 2017. This second section is therefore narrowly framed around a number of well-defined issues. Stakeholders are also invited to draw the attention of the Commission to any further regulatory impediments that would not be mentioned in this second part and that could be tackled through this initiative. The results should provide a basis for concrete and coherent action, by way of a legislative action if required.

While responding to the regulatory barriers consulted on, two principles should be kept in mind. First, this review of regulatory barriers to SME listing should not undermine investor protection and market integrity or aim to modify core principles of EU acts that were crucial in restoring confidence in financial markets (e.g. the extension of the market abuse regime to MTFs under MAR). Second, the focus of this public consultation is on "SME Growth Markets" as created by MiFID II and the companies that can be listed on those trading venues.

¹ For example, during the period 2006-2012, the annual turnover of companies listed on NASDAQ OMX's junior market - First North - grew by 25 %, compared to 10 % for private companies in the Nordics.

² A Multilateral Trading Facility (MTF) is a trading venue where companies may list their financial instruments, with lower regulatory requirements than on main regulated markets.


³ AFME, The shortage of Risk Capital for Europe's High Growth Businesses, 2017

⁴ OECD, Opportunities and Constraints of Market-based financing for SMEs, 2015

- 5 [Communication from the Commission on the mid-term review of the capital markets union action plan \(SWD\(2017\)224 final](#) and [SWD\(2017\)225 final](#) – 8 June 2017)
- 6 [Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments](#)
- 7 [Regulation \(EU\) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market](#)
- 8 [Council conclusions on the Commission Communication on the mid-term review of the Capital Markets Union Action Plan](#) (11 July 2017)
- 9 [Regulation \(EU\) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse \(market abuse regulation\)](#)
- 10 [Regulation \(EU\) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse \(market abuse regulation\)](#)

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-listing-smes@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#) 

1. Information about you

* Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

* Name of your organisation:

Swedish Securities Dealers Association

Contact email address:

The information you provide here is for administrative purposes only and will not be published

jenny@fondhandlarna.se

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
 No

* If so, please indicate your Register ID number:

7777147632-40

* Type of organisation:

- | | |
|---|---|
| <input type="radio"/> Academic institution | <input type="radio"/> Media |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input type="radio"/> Non-governmental organisation |
| <input type="radio"/> Consultancy, law firm | <input type="radio"/> Think tank |
| <input type="radio"/> Consumer organisation | <input type="radio"/> Trade union |
| <input checked="" type="radio"/> Industry association | <input type="radio"/> Other |

* Where are you based and/or where do you carry out your activity?

Sweden

* Field of activity or sector (*if applicable*):


at least 1 choice(s)

- Accounting and auditing
- Broker/market-maker/liquidity provider
- Investment bank
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Financial research provider
- Other
- Not applicable



Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)

No, I do not want my response to be published

2. Your opinion

I. Questions on challenges faced by public markets for SMEs

Extensive research and exchanges with stakeholders showed that three main drivers seem to explain the sluggish activity of EU public markets for SMEs.

First, there is a weak pipeline of companies seeking a listing. Many SMEs would still consider that the burden of being listed (such as admission and ongoing compliance costs) outweighs the benefits and therefore would not even consider this possibility. The lack of business education and awareness on alternative sources of finance would also constrain the supply of companies seeking a listing. Moreover, some owners are reluctant to raise equity finance on public markets by fear of losing control of their business to new shareholders.

Second, the local ecosystems that are able to support companies at the IPO stage (i.e. the network of SME specialists surrounding the local exchanges) are under pressure in many Member States. IPOs and debt offerings on public markets are the result of joint efforts between SMEs and investment banks, research analysts, brokers, market-makers, investors, credit rating agencies, lawyers and accountants specialised in SMEs and who support those companies at the IPO stage and throughout the floatation process. The decline of ecosystems seems to be particularly acute for equity brokers specialising in SMEs. Due to regulatory and technological changes, equity trading is focusing on large caps, thus leading to a decline in the liquidity of SME shares. This low liquidity can deter investors from investing in SME shares in the first place and drives the cost of capital up for SMEs. As liquidity is weak, brokers specialised in SMEs also experience a decline in their brokerage fees. One consequence of this decline in local ecosystems is the rise in the costs of SME IPOs, as SMEs are compelled to rely on larger market players' services when going public.

Third, there is a lack of institutional and retail investors for SME financial instruments. Several factors might explain this situation, such as regulatory barriers to investments in SMEs, lack of visibility of SMEs towards investors, lower investor confidence in this asset class and lack of tax incentives. As a small proportion of investment is effectively channelled into SME shares, there is little motivation for small companies to list their shares or bonds on a stock exchange.

In order to collect further evidence, the Commission is seeking general views on the main reasons behind the weakness of EU public markets for SMEs.

Question 1. In your opinion, what is the importance of each of the factors listed below in explaining the weakness of EU SME-dedicated markets?

Please rate each proposal from 1 to 5, 1 standing for "not important factor" and 5 for "very important factor".

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	1 (not important factor)	2	3	4	5 (very important factor)	Don't know / no opinion / not relevant
Low number of companies coming to the public markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Decline of local ecosystems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of retail and institutional investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Question 1.2 Please explain and describe the current situation of SME-dedicated markets in your own jurisdiction or countries of operations:

The SSSDA welcomes the initiative to consult on how to build a proportionate regulatory environment to support SME listing and fully agrees upon the importance of SMEs as a key motor of new investment and job creation. Hence, any initiative that supports the development of SME markets is likely positive for the long-term development of the EU economy. It is important to keep in mind though that SME markets vary a lot across the EU and that they are to a large extent local by nature. As put forward by Elert, Henreksson and Stenkula in "Institutional Reform for Innovations and Entrepreneurship, An Agenda for Europe", successful reforms in Europe to promote innovation and growth in the EU must take into account country differences to be successful. They identify the existence of several different types of capitalism in the EU that have evolved into complex entities that are held together by complementary institutions. None of them is superior to the others and it is therefore difficult to determine a model towards which the EU should strive. Therefore, a general remark is that it is difficult, if not impossible, to find a regulatory solution that is adapted to all SME markets in the EU. Any regulatory framework needs to consider those differences and must be flexible. We would therefore advocate outcome-based regulations where the areas to be regulated are decided at the EU level, but the actual rules are set in each jurisdiction or market place. One example of that is how to define an SME. A definition of an SME is certainly needed in each jurisdiction. That need could be defined in an EU-based framework but how the limits should be drawn to define an SME needs to be adapted to local conditions and should therefore be done locally.

The Swedish SME-markets have worked well both as regards equities and non-equities. In fact, the Swedish SME-markets have experienced strong interests from both issuers and investors in the past years. As regards equity SME-markets there are today two regulated markets and three MTFs. There are almost 340 companies listed on the regulated markets. On the MTFs there are over 520 companies whereof 290 at Nasdaq First North, 170 at "AktieTorget" and almost 60 at Nordic MTF. Over 70 companies have transferred from the MTFs to the Nordic Main Market in the past ten years. The amount of capital raised in IPOs as well as the number of IPOs on First North have in the past years been higher than before the financial crisis. We would like, throughout the consultation response, to take the opportunity to put forward which factors we see as the main reasons for the development and strength of the Swedish SME market.

Question 2. What are the main factors that can explain the low number of SMEs seeking an admission of their shares or bonds to trading on EU public markets?

Please rate each proposal by level of relevance from 1 to 5, 1 standing for "completely irrelevant" and 5 for "highly relevant".

	1 (completely irrelevant)	2	3	4	5 (highly relevant)	Don't know / no opinion / not relevant
Availability of alternative sources of financing for SMEs (including bank finance) for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Availability of alternative sources of financing for SMEs (including bank finance) for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of awareness of SMEs on the benefits of public markets for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of awareness of SMEs on the benefits of public markets for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
High (admission and ongoing) compliance costs due to regulatory constraints for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
High (admission and ongoing) compliance costs due to regulatory constraints for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of preparation from companies' management as regards the implication of a listing for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of preparation from companies' management as regards the implication of a listing for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Reluctance of SMEs' owners to relinquish a stake in the capital of their company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

2.1 Please illustrate by providing evidence from your own jurisdiction:

First, Swedish households have a long tradition of saving in equities as well as in mutual funds which in their turn invest in equities and bonds. The strong development of the Swedish SME-market stems from this investor demand. Eight out of ten Swedes save in funds and if you include the fund-based premium pension savings that figure is ten out of ten Swedes. An important reason behind the development of the Swedish savings pattern is that savings in securities have been subject to different kinds of tax subsidies. The subsidies have sometimes been related to the saved amount and sometimes to the return. Also, the Swedish pension system is based on market-based savings and in the public pension system part of the capital is reserved for risk capital investment. There are also specialized pension funds that focus on SME IPOs. A wide group of business angels and family offices are also part of this development. This strong tradition together with the low level of interest rates as well as the inexistent return on bank account savings have led to a search for yield behavior that has to a large extent benefited investment in SMEs in recent years and thereby also created strong demand for new listings.

About the ecosystem, it has developed almost automatically as the conditions for the related markets have improved. It is not the result of rules or frameworks created by Swedish authorities. The tradition has rather been voluntary regulation and parts of the framework surrounding our growth markets result from work done by semi-legal bodies such as the Swedish Securities Dealers Association, the Swedish Securities Council, the Swedish Corporate Governance Board, and the Swedish Financial Reporting Board. It is also worth mentioning the work done by the Swedish regulated markets to improve the SME eco-system. Self-regulation combined with a strict and sensible legal framework adapted to growth companies provides both investor protection and the conditions necessary for the development of a healthy growth market surrounded by an efficient local ecosystem. We would also like to underline that successful growth markets are local by nature not the least in the initial stages of the development. The ecosystem and the investors are to a very large extent local. Hence, it is our strong belief that cross border regulation should, as much as possible, be limited to outcome-based regulation as explained above. Frameworks made for retail investors have a hampering effect on the development of growth markets. At the same time cross border transactions are exclusively done by institutional investors. One example of a pan EU regulatory initiative that will have a negative impact on the development of SME markets is the idea to transfer the approval of certain prospectus from local NCAs to Esmā. The Swedish prospectus process is today very efficient and well established. The Swedish FSA has normally a ten-day approval process at a cost of EUR 6500. If this process is moved to Esmā for the group of companies that normally constitutes an important part of the SME sector, the SME growth markets will suffer. The need for EU-wide requirements where the target group is retail investors is limited and such requirements are likely to have a hampering effect on growth markets. That does not exclude some pan EU initiatives. Those could, as a start, be taken through the development of digital networks where information about local growth markets could be found. In the longer run such a network could lead to cross border developments as those markets become more mature.

Question 3. What are the main factors that inhibit institutional and retail investments in SME shares and bonds?

Please rate each proposal by level of relevance from 1 to 5, 1 standing for "completely irrelevant" and 5 for "highly relevant".

	1 (completely irrelevant)	2	3	4	5 (highly relevant)	Don't know / no opinion /
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						not relevant
Lack of visibility of SMEs (including lack of financial research and credit information) towards investors for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of visibility of SMEs (including lack of financial research and credit information) towards investors for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Differences in local accounting standards hindering cross-border investments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Regulatory constraints on investors as regards investments in SMEs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of liquidity on SME shares and bond markets for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of liquidity on SME shares and bond markets for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of investor confidence in listed SMEs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of tax incentives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

3.1 Please illustrate by providing evidence from your own jurisdiction:

First, to draw investors' attention to growth markets they need incentives. Higher returns likely attract knowledgeable investors. To attract a broader investor base, which is a prerequisite for growth markets to develop further, other incentives are needed. As stated in question 1, the Swedish SME market has grown with the help of different kinds of tax incentives. It goes without saying that investors also need to get information about what they are buying. Therefore, financial research and credit information are also important aspects for attracting investors. There is a risk though that less research will reach out to potential investors as a result of MiFID II/MiFIR. As many investors will have to pay for research one could fear that the willingness to pay for SME research is limited as SME investment generally make up a reduced part of their investment portfolios and thereby may be less worth to pay for. Also, well-functioning secondary markets are an important condition for well-functioning primary markets. Hence it is difficult to disregard the aspect of market liquidity.

Question 4. In your opinion, what participants of the ecosystems surrounding local exchanges for SMEs are declining the most?

Please rate each proposal by level of relevance from 1 to 5, 1 standing for "completely irrelevant" and 5 for "highly relevant". Some options might not be mutually exclusive.

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	1 (completely irrelevant)	2	3	4	5 (highly relevant)	Don't know / no opinion / not relevant
Brokers, market-makers, liquidity suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Financial research providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Credit Rating Agencies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Investor base	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Investment banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Boutiques specialised in SMEs and offering several services (brokerage, research, underwriting...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Legal and tax advisers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Accountants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Others (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

4.1 Please illustrate by providing evidence from your own jurisdiction:

On the Swedish markets there is no decline in the ecosystem around SME listings. If conditions are good the ecosystem will grow. Hence, if investor demand is high enough the ecosystem will develop. As stated in the answers above there are some factors that have attracted investors to the SME segment on the Swedish market that merit attention.

Question 5. What are the main reasons behind the decline of the ecosystems surrounding the local exchanges?

Please rate each proposal by level of relevance from 1 to 5, 1 standing for "completely irrelevant" and 5 for "highly relevant".

	1 (completely irrelevant)	2	3	4	5 (highly relevant)	Don't know / no opinion / not relevant

Impact of low level of liquidity on brokers' business models for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Impact of low level of liquidity on brokers' business models for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Impact of low level of investors' appetite for SME instruments for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Impact of low level of investors' appetite for SME instruments for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Regulatory constraints on investment services providers specialised in SMEs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of profitability of the SME segment for equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Lack of profitability of the SME segment for bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

5.1 Please illustrate by providing evidence from your own jurisdiction:

See answer to question 4.

II. Questions on specific regulatory barriers

The second part of the public consultation is divided into three sub-sections. The first sub-section identifies provisions that could be changed in order to encourage SME-dedicated MTFs to seek a registration as an 'SME Growth Market' (**A.**). The second sub-section examines provisions that could be potentially modified in order to alleviate the administrative burden on small issuers of debt and equity instruments, thus making the listing of companies on an SME Growth Market more attractive (**B.**). The last sub-section explores barriers that may put the local ecosystems surrounding the SME-dedicated markets (notably the brokerage ecosystem) under pressure (**C.**).

A. Making a success of the 'SME Growth Market' concept

Criteria and requirements in relation to the 'SME Growth Market' should be set in a way that makes this segment attractive for issuers, investors and stock exchanges, while ensuring investor protection and market integrity. The Commission is seeking views to assess whether MiFID II rules on SME Growth Markets as currently framed are sufficiently well-calibrated to achieve their intended objectives.

A1. Definition of an SME Growth Market and SME Growth Market issuer (MiFID II – Articles 4 and 33)

The criteria defining an SME Growth Market should be well-calibrated in order to facilitate the registration of SME-dedicated MTFs as SME Growth Markets. In turn, if the SME Growth Market framework is widely used, this will allow many SMEs across the EU to benefit from the regulatory incentives embedded in the EU legislation for those issuers and the potential further alleviations envisaged in this document (see sub-section B. below).

An 'SME Growth Market' is currently defined as an MTF, where at least 50% of the issuers whose financial instruments are traded on the MTF are SMEs. MiFID defines an SME as a company that 'had an average market capitalisation of less than EUR 200 million on the basis of end-year quotes for the previous three calendar years'.

As regards the size threshold (i.e. EUR 200 million of market capitalisation), it should be noted that some EU Acts currently grant regulatory incentives to companies with a higher market capitalisation¹¹. Furthermore, the definition of an SME under MiFID II does not correspond to the definition of small and midcaps used by asset managers of equity funds¹² and in indexes¹³. If the market capitalisation threshold is set at a too low level, the SME Growth Markets risk capturing only smaller companies and this could reduce the interest of institutional investors in the shares traded on those trading venues. On the contrary, if the threshold is set at a too high level, this could create regulatory arbitrage opportunities for larger companies.

As regards the requirement of having at least 50% of SME issuers, it can be important to ensure that a proportion of large companies can be admitted to trading on SME Growth Markets so that a sufficient level of liquidity and profitability of those platforms is ensured. This allows successful companies that were SMEs at the time of the IPO but whose market capitalisation has increased beyond the EUR 200 million threshold to remain listed on an SME Growth Market. However, if the market capitalisation threshold (i.e. EUR 200 million) was raised to a significant extent, the question would arise whether the proportion of SMEs (at least 50%) should also be raised to avoid any regulatory arbitrage by non-SME issuers.

¹¹ For instance, the alleviated 'EU Growth Prospectus', created by the revised Prospectus Regulation, is available (beyond SMEs) to companies listed on an SME Growth Market with a market capitalisation up to EUR 500 million.

¹² [See classification of Equity Funds by EFAMA](#)

¹³ For instance, the median capitalisation of companies in the Morgan Stanley Capital International (MSCI) micro caps index is EUR 100 million; EUR 1 billion for companies included in the small caps index and EUR 6.4 billion in the midcaps index (Source: MiddleNext, The 2017 Small & Mid Cap Outlook).

Question 6. Given the considerations mentioned above, do you consider that the criteria used to define an SME Growth Market should be modified?

An SME Growth Market is defined as a MTF, where at least 50% of the issuers whose financial instruments are traded on it are SMEs with a market capitalisation below EUR 200 million.

- Yes
- No
- Don't know / no opinion / not relevant

6.1 Please explain your reasoning:

Yes. See answer to next question.

Question 7. Should the market capitalisation threshold of EUR 200 million defining SMEs under MiFID II be:

- raised (please specify an appropriate market capitalisation threshold)
- decreased (please specify an appropriate market capitalisation threshold)
- left unchanged
- replaced by another criterion (Please specify below – e.g. turnover, number of employees...)
- Other (please specify below)
- Don't know / no opinion / not relevant

Please specify what other proposal you would have regarding the market capitalisation threshold of EUR 200 million defining SMEs under MiFID II:

It is, in our opinion, difficult to find a “one size fits all solution”. As we have pointed out above, SME markets are very much local markets. As local markets as well as the member state economies are of very different sizes it is impossible to use the same definition all over the EU. What is considered an SME in one of the larger Member States can be considered a large company in one of the smaller Member States. Hence, the suggested EUR 200 million definition could cover almost all listed companies in one country and possibly be too low in the larger Member States. In the case of Sweden, it needs to be decreased to below EUR 100 million. In Sweden the average market value is below EUR 200 million on all SME lists. The current average market capitalization on the MTF Nasdaq First North is EUR 50 million and on the small cap segment at the Nordic Main Market (regulated market) the current average market capitalization is EUR 78 million. EUR 200 million as criteria would in Sweden mean that all small and midcap companies would be included which is unfortunate as midcap companies are able to handle the compliance requirements to be listed on regulated markets. Hence, we are not positive to using the same criteria for an SME growth market in all EU countries at the time being. Maybe in the future when those markets are more developed. The best solution would in our opinion and as stated above be to use outcome-based regulation in this area.

7.1 Please explain your reasoning.

Where relevant, please specify appropriate market capitalisation thresholds or criteria to define an SME for the purpose of SME Growth Markets:

It is, in our opinion, difficult to find a “one size fits all solution”. As we have pointed out above, SME markets are very much local markets. As local markets as well as the member state economies are of very different sizes it is impossible to use the same definition all over the EU. What is considered an SME in one of the

larger Member States can be considered a large company in one of the smaller Member States. Hence, the suggested EUR 200 million definition could cover almost all listed companies in one country and possibly be too low in the larger Member States. In the case of Sweden, it needs to be decreased to below EUR 100 million. In Sweden the average market value is below EUR 200 million on all SME lists. The current average market capitalization on the MTF Nasdaq First North is EUR 50 million and on the small cap segment at the Nordic Main Market (regulated market) the current average market capitalization is EUR 78 million. EUR 200 million as criteria would in Sweden mean that all small and midcap companies would be included which is unfortunate as midcap companies are able to handle the compliance requirements to be listed on regulated markets. Hence, we are not positive to using the same criteria for an SME growth market in all EU countries at the time being. Maybe in the future when those markets are more developed. The best solution would in our opinion and as stated above be to use outcome-based regulation in this area.

Question 8. Bearing in mind your answer to the previous question, should the proportion of SMEs on SME Growth Markets (currently 50%) be:

- Below 25%
- Between 25%-49%
- Unchanged (50%)
- Between 51%-74%
- 75% or above
- Don't know / no opinion / not relevant

8.1 Please explain your reasoning:

It doesn't really matter but we deem that it is important that the proportion of SMEs on growth markets somehow considers the nature of the companies that need regulatory relief.

A2. Definition of an SME debt issuer for the purpose of an SME Growth Market (MiFID II – Article 4)

There are several markets across the EU specialised in SME bonds¹⁴. SMEs tapping the bond markets have an annual turnover between EUR 19 million and EUR 400 million and the typical minimum issuance size is around EUR 17 million¹⁵.

An issuer that has no equity instrument traded on any trading venue shall be deemed an SME according to level 2 of MiFID II¹⁶ if it meets at least two of the following three criteria according to its last annual or consolidated account: (i) an average number of employees during the financial year of less than 250; (ii) a total balance sheet not exceeding EUR 43 million and (iii) an annual net turnover not exceeding EUR 50 million. Given these provisions, SME bond markets could face difficulty in registering as SME Growth Markets, as their issuers could most likely not meet the criteria set in MiFID II level 2, despite their relatively small size.

¹⁴ SME Finance Guide, Association for Financial Markets in Europe (AFME), 2015

15 Art. 77 of the Commission Delegated Regulation (EU) 2017/565

16 An SME Growth Market is defined as a MTF where at least 50% of the issuers whose financial instruments are traded on it are SMEs with a market capitalisation below EUR 200 million

Question 9. Should the criteria used to define an SME Growth Market non-equity issuer be modified?

- Yes
- No
- Don't know / no opinion / not relevant

9.1 Please explain your reasoning.

If you answered affirmatively, please provide appropriate criteria (turnover, outstanding issues of debt securities, size of the bond issuance...) and thresholds to define an SME Growth Market debt issuer:

Yes. The potential issuers that would fit into that criteria are far too small to issue corporate bonds on the Swedish market. The fixed costs don't make it worthwhile to issue bonds. Just as in the answer to question 7 there are differences between markets in the different member states and therefore it is difficult to set a fixed number. Nevertheless, an indication of a suitable upper level could be when a company manages to make benchmark issues. But the best solution would in our opinion and as stated above be to use outcome-based regulation in this area.

A3. Key adviser requirements

The vast majority of SME-dedicated MTFs across the EU require their issuers to be assisted by a key adviser¹⁷, i.e. a market professional approved by the exchange. The key adviser plays a prominent role by assessing the company's suitability for the market, bridging the information gap between quoted SMEs and investors and upholding the reputation and integrity of the market. A 'key adviser' on SME Growth Markets could boost investor confidence in securities listed on those trading venues that have no such requirements at the moment.

However, the role of a key adviser can vary greatly from one SME-dedicated MTF to another. For instance, some markets do not require issuers to have a key adviser for SME listing (due to the costs of such advisers for SMEs).

17 The name of this key adviser can vary from one MTF to another: Nominated Adviser or NOMAD, certified adviser, authorised adviser, listing sponsor...

Question 10. Please indicate whether or not you agree with the following statements regarding minimum requirements and obligations of key advisers for firms listed on SME Growth Markets:

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
A key adviser should be imposed for equity issuers on an SME Growth Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
A key adviser should be imposed for bond issuers on an SME Growth Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
A key adviser should be mandatory during the whole period an SME is listed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
A key adviser should only be mandatory during a limited period after the first listing of a firm (please specify below the relevant period (1 year, 3 years; ...))	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minimum requirements regarding the mission and obligations of key advisers on SME Growth Markets should be imposed at the EU level (Please specify)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minimum requirements regarding the mission and obligations of key advisers on SME Growth Markets should be imposed by individual stock exchanges	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

10.1 Please explain your reasoning and provide supporting evidence on the costs associated with the appointment of a key adviser. If appropriate, please specify the mission and obligations that should be placed on key advisers at EU level:

10. Regarding equity issuers key advisers contribute to a sound behavior and hence fulfil a self-regulating function. In Sweden the concept of certified adviser (CA) was introduced ten years ago when Nasdaq created First North and the general impression has been very positive. The obligations of a CA are defined in the First North rulebook. The CA guides the issuer through the listing process. It ensures that the issuer complies with market standards which includes due diligence of the issuer, analyzing and screening of the management, the Board of Directors and principal owners. It is also involved in the educational process regarding the rulebook and MAR. After the market introduction the CA assumes a continuous dual role which means both monitoring and supporting the issuer. The main objective is to make sure that the issuers comply with the rules and market standards for listed companies. This concept has worked very well in Sweden. The CA is a guarantee of quality and has facilitated the development of a highly functional growth market. It has also been an important factor in the emergence of the local ecosystem surrounding the Swedish growth market.

We would like to underline that it is important that such a role does not become burdensome from a

regulatory perspective as that would likely limit the willingness to take the role. Given that there are large differences between EU SME markets we would advocate that this is an area where the different markets should develop rules adapted to local needs.

A4. Delisting rules on SME Growth Markets

Delisting refers to cancelling a company's authorisation to be listed on a stock exchange. Delisting can be mandatory or voluntary. A mandatory delisting follows a decision of the stock exchange when the listing requirements are no longer met by a company. A voluntary delisting may be decided by a controlling shareholder, either after enhancement of control by a 'historical' controlling stakeholder or by a new owner after a takeover bid¹⁸ or a merger. In general, such delisting decisions usually give rise to a 'squeeze out' procedure¹⁹. Voluntary delisting may also be decided by the management's company, and results in the company continuing as an unquoted company with the same shareholder register.

Voluntary delisting can be an important part of the regulatory landscape for investors and SMEs. The rules on delisting can vary from country to country or from market to market and investors can be deterred from investing in the first place (especially in a cross-border context) if they anticipate difficulties in gaining full control of a listed SME and in delisting its shares. Likewise, some companies can be deterred from going public because they consider a listing of their shares to be a 'one-way ticket' and that they cannot go back to their previous (unlisted) situation. However, even if a decision to delist taken by the management's company is based on sensible grounds, this raises some fundamental investor protection issues .

¹⁸ It should be noted that the [Takeover Bid Directive \(Directive 2004/25/EC\)](#) does not apply to financial instruments traded on multilateral trading facilities, including SME Growth markets.

¹⁹ Squeeze-outs can be described as transactions in which the controlling shareholder exercises a legal right to buy out the shares of the minority.

Question 11. In your opinion, are there merits in imposing minimum requirements at EU level for the delisting of SME Growth Market Issuers?

- Completely disagree
- Rather disagree
- Neutral
- Rather agree
- Fully agree
- Don't know / no opinion / not relevant

11.1 Please explain your reasoning.

If you answered affirmatively, please indicate the scope (mandatory, voluntary delisting at the management's and/or controlling shareholders' initiative) and the features of such minimum requirements:

Delisting related issues have never been a problem on the Swedish market. Voluntary delisting does not occur very often except when an issuer is subject to a takeover bid. The Swedish Corporate Governance Board has developed rules for those kinds of transactions and offer protection of existing owners and

opportunities for large-scale investors. The First North Rulebook includes rules for other types of voluntary delisting which are normally the result of the issuer's business having failed: "where the Issuer has asked that its financial instruments be removed from trading, such a request shall be granted unless the Exchange finds that removal would be detrimental to the interest of the investors or the securities market. The Exchange shall, following consultation with the Issuer, decide on the last day of trading". These rules have worked very well so far and could be used as inspiration if there is a decision to introduce common rules for delisting. But, given that SME markets are local by nature and at very different stages of development throughout the EU, we deem that it would be a better idea to let the different markets develop rules that are adapted to local needs.

A5. Transfer of listings

Small caps listed on regulated markets can find it increasingly difficult to comply with some regulatory requirements (such as the Transparency Directive²⁰, the Shareholders Rights Directive²¹). Furthermore, many midcaps on regulated markets can feel that their market capitalisation makes them candidates for SME Growth Markets. In such a case, quoted SMEs may consider a voluntary transfer of their shares from a regulated market to a market with a lighter regulatory burden (i.e. the future SME Growth Markets). However, such transfers may imply some investor protection issues²² and can be difficult to organise for SMEs. In addition, the legal framework of such transfers can vary from one Member State to another.

20 [Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market](#)

21 [Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement](#)

22 For instance, some institutional investors may be prohibited from holding shares listed on MTFs.

Question 12. In your opinion, are there merits in introducing harmonised rules at EU level on voluntary transfer of listing from a regulated market to an SME Growth Market?

- Completely disagree
- Rather disagree
- Neutral
- Rather agree
- Fully agree
- Don't know / no opinion / not relevant

12.1 Please explain your reasoning.

If you answered affirmatively, please indicate examples of rules and their purpose:

The experience on the Swedish market is that issuers very seldom transfer from a regulated market to an MTF and never for the reason of a lighter regulatory burden. It is costly to become listed on a regulated market, but it also gives the issuer a higher status on the financial market.

On the other hand, SME Growth Markets should only be a step in the growth path of SMEs. When their capitalisation has grown, SME Growth Markets issuers should be encouraged to graduate to a main /regulated market, in order to benefit from greater liquidity, investor pool, and credibility. This would also help avoid situations of regulatory arbitrage where large corporates remain listed on SME-dedicated exchanges for the purpose of benefiting from exemptions. The question arises if the transfer of SME Growth Markets issuers to regulated markets should be required or incentivised (through regulatory measures) when those issuers have reached a certain size.

Question 13. In your opinion, should the transfer of issuers from an SME Growth Market to a regulated market be:

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
required when the issuer exceeds some thresholds (such as the market capitalisation)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
incentivised through regulatory measures when they exceed some thresholds (such as the market capitalisation)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
always left to the discretion of issuers and not required or incentivised by regulatory measures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Don't know / no opinion / not relevant	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13.1 Please explain your reasoning and supporting arguments/evidence. When relevant, please indicate appropriate thresholds or possible incentives for SME Growth Market issuers to move to a regulated market:

As we have stated in several of the answers above, those markets are very local by their nature and the thresholds for what could be considered an SME on each market vary a lot. Hence, it should be the issuer that makes the decision based on its need for reaching out to another type of investor base.

B. Alleviating the administrative burden on SME Growth Market issuers

Disclosure and transparency rules are the hallmarks of sound and fair market places. From the perspective of SMEs, those rules can be seen as burdensome and costly. It is critical to ensure that the benefits of being listed continue to outweigh the costs. If the standards are too strict, the resulting compliance costs may discourage listings by SMEs. On the contrary, if the standards are too lax, investor protection and confidence may be jeopardised and some investors might choose not to invest in SME securities. The objective of this sub-section B is to identify scope for reducing obligations placed on the future SME Growth Markets issuers while maintaining a high level of investor protection and market integrity on those markets.

Question 14. Please indicate whether you agree with the statements below:

Regulatory alleviations should be restricted to

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
SMEs listed on SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
All SME Growth Markets issuers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
No regulatory alleviations should be granted for any kind of firm	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14.1 Please explain your reasoning:

We agree with the fact that disclosure and transparency rules are the hallmarks of sound and fair markets. Nevertheless, the administrative burden on SMEs has increased to an extent where many SMEs think twice before seeking to become listed. If the EU-commission is considering alleviating the administrative burden on SMEs, we believe it is best done through the adoption of outcome-based regulation in this area.

MAR is more suitable for large corporations that have the resources required to establish compliance departments whether SMEs have more limited resources. SMEs do not have neither the financial resources nor the manpower to handle all MAR requirements. MAR is difficult to interpret for the management of a small company. The current MAR rules could be so harmful for an SME that it severely limits its growth potential. For example, there are clear risks that SMEs lose contracts from large and well-known companies if they disclose the order. It also has a large impact on the SME equity price. Hence, parts of MAR requirements are detrimental for the development of SMEs and have the potential to damage the markets that already function well such as Nasdaq First North, Nordic Growth Market and AktieTorget in Sweden. Ultimately, MAR compliance could lead to less SME listings. As a matter of fact, we are currently aware of

several companies that are considering a de-listing due to the administrative burden that has been added due to new regulatory frameworks. That does not exclude that SMEs should be subject to some market abuse rules but preferably with characteristics that could easily be adapted to local conditions. Also, given that we do not believe in setting the same exact definitions for SMEs in each jurisdiction, there might be markets where SMEs are substantially larger than in others and consequently where it is motivated to have stricter MAR related requirements than in others. This once again shows that outcome-based regulation is better suited for SME markets.

Question 15. For each of the provisions listed below, please indicate how burdensome the EU regulation associated with equity and bond listings on SME dedicated markets is:

Please rate each proposal from 1 to 5, 1 standing for "not burdensome at all" and 5 for "very burdensome".

	1 (not burdensome at all)	2	3	4	5 (very burdensome)	Don't know / no opinion / not relevant
Management's transactions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insider lists	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Justification of the delay in disclosing inside information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market soundings	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disclosure of inside information by non-equity issuers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Half-yearly reports for SME Growth Market issuers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify below)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Don't know / no opinion / not relevant	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15.1 Please explain your reasoning:

Overall, we see this as a potential area for outcome-based regulation about SMEs.

Management's transactions: this part of MAR should also be applicable to SMEs. Prior to MAR the issuer was responsible for reporting the PDMR's transactions on its homepage. Now, the responsibility has been transferred from the issuer to the individual and it is the NCA that makes the information public. Nevertheless, the delay of three days should be extended to five days.

Insider lists: To make and constantly update insider lists is very burdensome for such small companies. In a typical growth company all employees can be considered insiders and everyday business decisions are insider information. This is an area where outcome-based regulation would be suitable for SMEs. The required outcome is rather obvious but the way to proceed needs to be thoroughly thought out together with the relevant stakeholders.

Delay in disclosing inside information: It is difficult to understand when the criteria in article 7, paragraph 2 of MAR is met, not the least for the management of a small company. The obligation to keep records of insiders in all situations that may or may not lead to a deal is a draining process for the management of a small growth company. Also, almost all companies are almost always involved in negotiations of one kind or the other. Hence, the right balance between investor protection and burden for the SMEs needs to be found. This is an area where outcome-based regulation would be suitable for SMEs. The required outcome is rather obvious but the way to proceed needs to be thoroughly thought out together with the relevant stakeholders.

Market soundings: It has become more burdensome to carry out market soundings since the introduction of MAR requirements. At the same time, some rules are needed also on the SME markets. This is once again an area where outcome-based regulation would be suitable for SMEs. The required outcome is rather obvious but the way to proceed needs to be thoroughly thought out together with the relevant stakeholders.

Disclosure of inside information by non-equity issuers: Inside information that could have an impact on a company's credit worthiness is of importance for market trust. The ideal rules would take into consideration when insider information is of such importance that it needs to be revealed from an investor protection point of view. Since such a delimitation is difficult to make bond issuers should have the same disclosure requirements as equity issuers on SME growth markets.

Half-yearly reports for SME Growth Market issuers: a minimum amount of information about the issuers need to be disclosed to attract investors. We believe the publication of half-yearly reports is not enough and that quarterly reports should be required for SME issuers.

For each of the following questions in sub-section B, you will be asked to provide cost estimates for the provisions you identified as burdensome, as well as estimate the reduction in costs for the alleviations you identified as meaningful.

B1. Management's transactions (Market Abuse Regulation – Art. 19)

Under MAR, the Person Discharging Managerial Responsibilities (PDMR) or associated person must notify the issuer (either on a regulated market or an SME Growth Market) and the competent authority of every transaction conducted for their own account relating to those financial instruments, no later than three business days after the transaction. The obligation to disclose a manager's transaction only applies once the PDMR's transactions have reached a cumulative EUR 5,000 within a calendar year (with no netting). A national competent authority may decide to increase the threshold to EUR 20,000.

Issuers must ensure that transactions by PDMRs and persons closely associated with are publicly disclosed promptly and no later than three business days after the transaction. Alternatively, national laws may provide that a competent authority may itself make the information public.

Question 16. Does the management's transactions regime represent a significant administrative burden for SME Growth Markets issuers and their managers?

- Completely disagree
- Rather disagree
- Neutral
- Rather agree
- Fully agree
- Don't know / no opinion / not relevant

16.1 Please explain your reasoning and provide supporting evidence, notably in terms of costs (one-off and ongoing costs)/time spent (number of hours)/number of people needed (in full-time equivalent):

In 2011, a study from EIM ([Effects of possible changes to the Market Abuse Directive, p.39](#)) estimated that for an SME, the annual average cost related to manager transaction reports was at EUR 135 per year (and 3 hours spent per issuer per year). In 2015, a study from Europe Economics ([Data gathering and Cost Analysis on Daft Technical standards relating to MAR, p.59-60](#)) estimated the one-off compliance costs for technical standards on management's transactions at between EUR 300 and EUR 500 for a small issuer and between EUR 3.400 and EUR 4.900 for a medium-sized issuer. The annual ongoing compliance costs were estimated at EUR 0 for a small issuer and at EUR 200 per year for a medium-sized issuer.

It doesn't matter if it is burdensome or not. This part of the regulation is needed.

Question 17. Please indicate if you would support the following changes or clarifications to the management's transactions regime for SME Growth Markets:

17 a) The time limit (i.e. currently 3 days) for PDMRs and person closely associated to notify their transactions to the issuer should be extended

- I support
- I don't support
- Don't know / no opinion / not relevant

Please indicate the appropriate notification period length for proposal 17 a)

The delay of three days should be extended to five days.

Please explain your reasoning for proposal 17 a) and provide supporting arguments /evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

17 b) The threshold (i.e. EUR 5,000) above which managers of SME Growth Markets Issuers should declare their transactions should be raised

- I support
- I don't support
- Don't know / no opinion / not relevant

Please explain your reasoning for proposal 17 b) and provide supporting arguments /evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

We would prefer to report each transaction instead of setting a threshold.

17 c) The national competent authorities (NCA) should always be made responsible for making public the managers' transactions

- I support
- I don't support
- Don't know / no opinion / not relevant

Please explain your reasoning for proposal 17 c) and provide supporting arguments /evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

17 d) The trading venue should be made responsible for making public the managers' transaction

- I support
- I don't support
- Don't know / no opinion / not relevant

Please explain your reasoning for proposal 17 d) and provide supporting arguments /evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

17 e) The time limit for issuers to make management's transactions public (or notify the NCA when the latter is made responsible for making the manager's transaction public) should start as of the date the transactions have been notified to issuers (and not as from the date of transactions)

- I support
- I don't support
- Don't know / no opinion / not relevant

Please explain your reasoning for proposal 17 e) and provide supporting arguments /evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

The time limit should instead start from the date of the transactions.

17 f) Is there any other change or clarification to the management's transactions regime for SME Growth Markets that you would support?
Please explain your reasoning and provide supporting arguments/evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

B2. Insider lists (Market Abuse Regulation – Art. 18)

Issuers must draw up a list of all persons who have access to inside information. The 'insider list' must be regularly updated and transmitted to the National Competent Authority (NCA) whenever requested. Lists must be retained for at least five years.

The Market Abuse Regulation already provides for alleviations for SME Growth Markets Issuers (Art. 18(6) of MAR). Those issuers are exempt from keeping insider lists on an ongoing basis, as long as (i) the issuer takes all reasonable steps to ensure that any person with access to information acknowledges the legal and regulatory duties which follow and is aware of sanctions applicable, and (ii) the issuer is able to provide the NCA, on request, with the insider list.

Question 18. What is the impact of the alleviation provided by MAR for SME Growth Market issuers as regards insider lists? Please illustrate and quantify, notably in terms of reduction in costs (one-off and ongoing) /in time spent (number of hours)/in number of people needed (in full-time equivalent) resulting from the alleviation:

In 2011, a study from EIM ([Effects of possible changes to the Market Abuse Directive, p.39](#)) estimated that for an SME, the annual average cost related to insider lists was at EUR 945 per year (and 21 hours spent per issuer and per year). In 2015, a study from Europe Economics ([Data gathering and Cost Analysis on Daft Technical standards relating to MAR, p.59-60](#)) estimated the one-off compliance costs for technical standards on insider lists at between EUR 300 and EUR 600 for a small issuer and between EUR 3.300 and EUR 5.800 for a medium-sized issuer. The annual ongoing compliance costs were estimated at between EUR 600 and 800 for a small issuer and between EUR 3.300 and 5.500 per year for a medium-sized issuer.

Question 19. Please indicate whether you agree with the statements below:

SME Growth Market issuers should be:

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
Obligated to maintain insider lists on an ongoing basis	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Obligated to submit insider lists when requested by the NCA (as provided by MAR)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

	1 (completely disagree)	2	3	4	5 (fully agree)	no opinion / not relevant
The written explanation justifying the delay to communicate inside information by SME Growth Market issuers should be submitted only upon request from the NCA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
SME Growth Market issuers should be exempted from the obligation of keeping a 'disclosure record'	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20.1 Please explain your reasoning and illustrate the impact in terms of cost (one-off and ongoing costs)/time spent (number of hours)/number of people needed (in full-time equivalent):

In 2011, a study from EIM ([Effects of possible changes to the Market Abuse Directive, p.39](#)) considered that, for an SME, the annual average costs related to administrative burdens related to reporting decision to delayed disclosure was estimated at EUR 1,755 per year (and 39 hours spent per issuer per year). For another cost estimate, see also: [Europe Economics, Data gathering and Cost Analysis on Daft Technical standards relating to MAR, p.51](#).

B4. Market soundings (Market Abuse Regulation – Art. 11)

Market soundings are a communication of information, prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction and the conditions relating to it such as its potential size or pricing, to one or more potential investors²³.

The market sounding rules could raise issues for SME issuers, in particular when they issue some privately placed bonds. Private placement transactions of debt instruments can sometimes take the form of listed bonds. This is the case notably in France ('Euro-PP' when issued in a listed bond format), in Italy (the so-called 'Mini-bond' markets) and in Spain (on the Mercado Alternativo de Renta Fija – 'MARF'). In general, such transactions are not subject to a prospectus requirement because they rely on the 'qualified investors' or high denomination bond exemptions. However, they do fall under the scope of market sounding rules as the privately placed bonds are admitted to trading on an MTF.

When a privately placed bond transaction is prepared, the goal is not to contact a few selected investors to identify certain specific terms of a transaction with a view to maximising its chances of success, but rather to identify potential investors with whom all the terms of the privately placed bond transaction (including contractual terms) will be negotiated. In the past, some Member States established an 'accepted market

practice' (under the Market Abuse Directive) recognising that private placements of bonds were outside the scope of market sounding rules²⁴.

23 Article 11 only applies to discussions regarding transactions in Article 2.1 of MAR, which provides that MAR applies to financial instruments admitted to trading on either a regulated market, an MTF or an OTF or for which a request for admission to trading on such a venue has been made.

24 See 'Norme professionnelle AMAFI relative aux sondages de marché et aux tests investisseur' in France.

Question 21. Should private placement of bonds on SME Growth Markets be exempted from market sounding rules when investors are involved in the negotiations of the issuance?

- Completely disagree
- Rather disagree
- Neutral
- Rather agree
- Fully agree
- Don't know / no opinion / not relevant

21.1 Please explain and illustrate your reasoning, notably in terms of costs (one-off and ongoing costs)/time spent (number of hours)/number of people needed (in full-time equivalent):

B5. Disclosure of inside information for SME Growth Markets Issuers of bonds only

MAR has extended the scope of the market abuse regime to MTFs, including those where debt instruments are traded. Some market participants underline that plain vanilla bonds²⁵ are less exposed to risks of market abuse due to the nature of the instrument. While the prices of equity financial instruments can be influenced by the publication of (negative or positive) inside information about the firm, the key variables that would impact the price of the plain vanilla bonds would be market risk, liquidity risk and credit risk. Bondholders would not be able to act on those variables while the only factor that could be influenced by the issuer is the likelihood of default. As a consequence, some stakeholders have argued that the disclosure of all inside information (either positive or negative) for debt issuers only would be burdensome and not justified.

25 A plain vanilla bond is a bond without any unusual features; it is one of the simplest forms of bond with a fixed coupon and a defined maturity and is usually issued and redeemed at the face value. It is also known as a straight bond or a bullet bond.

Question 22. Please indicate whether you agree with the following statements:

SME Growth markets issuers that only issue plain vanilla bonds should:

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
have the same disclosure requirements as equity issuers on SME Growth markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
disclose only information that is likely to impair their ability to repay their debt	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

22.1 Please explain your reasoning and provide supporting arguments/evidence, in particular in terms of savings/reduction in costs, or in terms of additional costs, that any change of the currently applicable rules may induce:

See cost estimates on technical means for disclosure for public disclosure of inside information and delays ([Europe Economics, Data gathering and Cost Analysis on Daft Technical standards relating to MAR, p.51](#)).

B6. Half-yearly reports for SME Growth Market Issuers

The level 2 of MiFID II (Delegated Regulation (EU) 2017/565 Article 78(2) point g.) requires SME Growth Markets issuers to publish annual financial reports within six months after the end of each financial year and half-yearly financial reports within four months after the end of the first six months of each financial year. MiFID II does not prescribe the form that such financial reporting should take. Financial reporting provided on a half-yearly basis is usually welcomed by investors and contributes to attracting interest in the company. In practice, the vast majority of SME-dedicated markets already ask for the publication of

both annual and half-yearly reports. However, some market participants have indicated that the publication of such half-yearly information represents a time-consuming and costly obligation for SMEs.

Question 23. Should the obligation of SME Growth Market issuers to publish half-yearly report be?

You may select several answers.

- Mandatory for SME Growth Markets equity issuers
- Mandatory for SME Growth Markets debt issuers
- Left to the discretion of the trading venue (through its listing rules) for SME Growth Markets equity issuers
- Left to the discretion of the trading venue (through its listing rules) for SME Growth Markets debt issuers
- Removed for all the SME Growth Market equity issuers
- Removed for all the SME Growth Market debt issuers
- Other (please specify below)
- Don't know / no opinion / not relevant

23.1 Please explain and illustrate your reasoning, notably in terms of costs/time spent (number of hours)/number of people needed (in full-time equivalent):

A minimum amount of information about the issuers need to be disclosed to attract investors. We believe the publication of half-yearly reports is not enough and that quarterly reports should be required for SME issuers.

C. Fostering the local ecosystems for SME Growth Markets and enhancing liquidity

Public markets for SMEs need to be supported by a healthy ecosystem (i.e. a network of brokers, equity analysts, credit rating agencies, investors specialised in SMEs) that can bring small firms seeking a listing to the market and support them after the IPO. The decline of those local ecosystems that can cater to SMEs' specific needs impedes the functioning and deepening of public markets and reduces the willingness of SMEs to seek a listing. One reason behind this decline of ecosystems is often attributed to the low level of liquidity on SME-dedicated markets that can deter institutional investors from investing in SME shares and undermine the brokers' business model. As a consequence, this sub-section places a strong focus on how to foster liquidity on SME Growth Markets.

C1. 'Tick size' regime of SME Growth Markets (Art. 49 – MiFID II)

MiFID II (Art. 49 of MiFID II in combination with Art. 18(5).) requires trading venues (including SME Growth Markets) to adopt minimum tick sizes (i.e. the minimum increment in which a security can be traded) in relation to equity and certain equity-like instruments, in order to ensure the orderly functioning of the markets and mitigate the risk of an ever-decreasing tick size. The level 2 of MiFID II specifies the minimum tick size regime which applies to those instruments depending on their liquidity and price level.

While lower tick sizes would contribute to the reduction in trading costs, tick sizes also have an impact on the spread between sellers and buyers of securities and consequently may influence the incentives of intermediaries (brokers) to trade those instruments and earn income from their activity. In the US, the low tick sizes are seen as a potential reason behind the erosion of the ecosystem for listing SMEs, since they allegedly undermined the business models of the mid-cap brokers. This is why a [new pilot project of larger tick sizes for smaller caps has been introduced in the US](#). Based on the preliminary results of this pilot programme, the US Treasury has recently recommended that the Securities Exchange Commission evaluate allowing issuers, in consultation with their listing exchange, to determine the tick size for trading of their stock across all exchanges²⁶.

In the EU, SME Growth Markets can decide to establish larger tick sizes than those specified by the MiFID II framework. However, in practice, this may be challenging for SME Growth Markets to depart from the minimum EU requirements and establish higher tick size standards²⁷.

²⁶ [US Treasury, A Financial System That Creates Economic Opportunities, October 2017](#)

²⁷ If a trading venue adopts higher tick sizes than those provided by the EU legislation, this decision only applies to the trading venue concerned and does not prevent other trading venues that quote the same shares to adopt lower tick sizes (in the limit of the minimum tick sizes requirements specified by MiFID II). Furthermore, it can be difficult for an SME Growth Markets to justify higher tick sizes than the EU minimum requirements towards its clients.

Question 24. Which of the following options best reflect your opinion on the impact that the minimum tick size regime provided by MiFID II would have on the liquidity and spreads of shares traded on SME Growth Markets:

	No impact	Lead to minor increase	Lead to significant increase	Lead to minor decrease	Lead to significant decrease	Don't know / no opinion / not relevant
Impact of the minimum tick size regime on the liquidity of shares traded on SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Impact of the minimum tick size regime on the spreads of shares traded on SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

24.1 Please explain your reasoning and provide supporting evidence:

As those markets are local by nature we advocate flexibility in this matter. Trading and market functioning on large cap markets differ a lot from that of SME markets. The impact of the minimum tick size regime on market liquidity on large cap markets is limited whether we see a potential impact on SME markets. Yet, as there are differences even between SME markets we are in favor of outcome-based regulation as concerns SME tick size.

Question 25. Please indicate whether you agree with the following statements:

Please rate each proposal from 1 to 5, 1 standing for "completely disagree" and 5 for "fully agree".

	1 (completely disagree)	2	3	4	5 (fully agree)	Don't know / no opinion / not relevant
Market operators should be given the flexibility not to apply the minimum EU tick size regime on their SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Market operators should be given another form of flexibility as regards the EU minimum tick size regime on their SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

C2. Creating a liquidity provision contract available for all SME Growth Market Issuers across the EU (MAR - Accepted Market Practice – Art. 11)

MAR prohibits market manipulation. Some practices are not qualified as market abuses where the transaction, order or behaviour was carried out for legitimate reasons and in accordance with an accepted market practice ('AMP') formally established by a national regulator.

For an accepted market practice to be established a national regulator must notify ESMA. ESMA then issues an opinion assessing whether the AMP would threaten market confidence in the EU's financial market. For the time being, only five Member States have tried to make liquidity provision contract recognised as an AMP under MAR. It means that liquidity provision contracts can still be qualified as a manipulative practice by certain competent authorities in other Members States. As a result, in 23 Member States, some SME Growth Markets issuers are deprived from the possibility to establish a liquidity contract with an investment firm. However, this mechanism could improve the liquidity of SME shares and attract the interest of new investors for SME shares, while creating more business opportunities for midcaps brokers.

Question 26. Building on the ESMA's opinion ('Points for convergence in relation to MAR accepted market practices on liquidity contracts' in May 2017), would there be merits in creating an EU framework on liquidity contracts that would be available for all SME Growth Market issuers across the EU?

- Yes
- No
- Don't know / no opinion / not relevant
- Other

26.1 Please explain your reasoning and provide supporting arguments/evidence. If you answered affirmatively, please describe the conditions for such EU framework for liquidity contracts:

In Sweden liquidity contracts are recognized as accepted market practice. Many small growth companies have a limited number of shareholders and small free floats which in many cases results in weak liquidity. The requirements set by our MTFs are typically a minimum of 300 shareholders and a free float of at least ten percent. A liquidity contract framework that contributes to enhancing liquidity of SME growth market issuers is positive for the development of those markets, but such a framework needs to be adapted to local conditions.

C3. Free float requirement on SME Growth Markets

When an SME goes public, it is likely that there will be a low level of free float (i.e. the percentage of shares that can be freely traded)²⁸. Limited free float may contribute to the low level of liquidity as it may limit the opportunities of day-to-day trading. To mitigate this risk, the listing rules of several SME-dedicated markets require companies to comply with free float requirements (expressed in a percentage of shares or in a fixed amount of capital, for instance) and/or a minimum capitalisation threshold before admitting SME shares to trading. Other SME-dedicated markets do not impose such requirements as this can make the listing unattractive for the company's owners. Currently MiFID II does not impose that SME Growth Markets impose a minimum free float (and/or a minimum capitalisation) criteria.

²⁸ This can be explained by different factors: (i) the smaller capitalisation of SMEs limits the total number of shares available to trade; (ii) smaller size also means that institutional investors' holdings tend to be large compared to the total number of shares issued and the 'buy and hold' strategy generally followed by those investors further reduces the available free float (iii) the percentage of shares in public hands can also be limited by the significant stake in the ownership that the company's founders retain.

Question 27. Which of the following options best reflects your opinion on the application of a rule on minimum free float:

- A rule on minimum free float should be introduced in the EU legislation with criteria and thresholds determined at EU level
-

A rule on minimum free float should be introduced by the EU legislation with criteria and thresholds left to the discretion of the SME Growth Market operator (through its listing rules)

- No rule on minimum free float should be introduced in the EU legislation
- Other (please specify below)
- Don't know / no opinion / not relevant

27.1 Please explain your reasoning, notably on the advantages and disadvantages of the introduction – at the EU level – of minimum free float requirements. Specify appropriate criteria and thresholds if you consider that such minimum free float rule should be introduced and determined at EU level:

The free float is an important element for the liquidity of an equity. Hence there are levels where the free float is not large enough to support trading on the secondary market. With a low turnover ratio on the secondary market investors are less interested in buying in the primary market. Hence, there are market incentives for the issuer to introduce a minimum level of free float. As those levels can vary from one market to another it is best if they are left to local market praxis.

C4. Institutional investors' participation in SME shares and bonds

There is a need to consider what can be done to diversify and grow the investor base for SME shares. The Commission has recently adopted regulatory initiatives to improve the ability of institutional investors to invest in SME shares. For example, the revised EuVECA regulation²⁹ – recently approved by the co-legislators – allow EuVECA funds to invest in SMEs listed on an SME growth market. The recent European Long-Term Investment Funds (ELTIFs) shall invest at least 70% of their money in certain type of assets among which SMEs listed on regulated market or MTFs and with a market capitalisation below EUR 500 million. Finally, with regards to investments made by insurance companies, a recent amendment to the Solvency II Delegated Regulation³⁰ (that came into force in March 2016) grants equities traded on MTFs (including the future SME Growth Markets) the same treatment as equities traded on regulated markets. However, some barriers to investment in SMEs may still exist.

²⁹ [Regulation \(EU\) 2017/1991 of the European Parliament and of the Council of 25 October 2017 amending Regulation \(EU\) No 345/2013 on European venture capital funds and Regulation \(EU\) No 346/2013 on European social entrepreneurship funds](#)

³⁰ [Commission Delegated Regulation \(EU\) 2016/467 of 30 September 2015 amending Commission Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings](#)

Question 28. Please describe any regulatory barriers to institutional investments in SME shares or bonds listed on SME Growth Markets or MTFs:

There has been some progress in the past years. One way to reduce regulatory barriers further would be to broaden fund managers investment mandates further.

C5. Credit assessments and ratings for SME bond issuers

Credit assessments and ratings can facilitate SME access to bond markets. They contain valuable information for participants in corporate bond markets, influencing profoundly investment decisions. They help investors assess credit risk and hence price in the probability of default. Therefore, many institutional investors have concentration limits in their portfolios based on credit assessments and ratings and require bonds to be rated, preferably by a Credit Rating Agency (CRA) – as regulated by the Credit Rating Agencies Regulation.

However, many SMEs seeking to issue bonds are not rated by CRAs. The costs SMEs have to bear for obtaining a rating from a CRA can be disproportionately high when compared to the average size of the issue. In the past, investment banks operating in some Member States used to issue "unsolicited ratings on SMEs". This practice increased the transparency and visibility of SMEs towards some institutional investors but was not compatible with the CRA regulation, as those investment banks were not registered as CRA. The Commission is seeking views on whether some market players should be allowed to publish "unsolicited credit ratings" on SME Growth Market issuers, provided that those ratings would not be used by institutional investors (such as insurance companies and credit institutions) for regulatory purposes.

Question 29. Which steps could be taken to facilitate SME bond issuances on SME Growth Markets without incurring high costs for assessing creditworthiness of issuers?

SMEs do not have the resources to use a credit rating agency. At the same time, ratings are an important tool when investors make investment decisions. Some, larger investors may have the resources to make their own judgment especially if they get direct access to the management of the issuing company. But many investors do not have those resources, nor do they have access to the company management. Hence their interest in investing in SMEs is limited to the amount of information available. At the same time a broad investor base is a prerequisite for the long-term functioning of SME markets. To help investors get a somewhat clearer picture of the credit quality for non-rated companies, notably SMEs, several Nordic banks used to add a summary of the company's credit quality in addition to the investment analysis. The experience on the Swedish market is that this summary contributed to the development of the SME bond market.

Question 30. What would be the risks associated with a more flexible approach to 'unsolicited credit ratings' by market players other than CRAs and what might be done to mitigate them?

The main risk associated with a more flexible approach to "unsolicited credit ratings" is if the credit quality of the company is inflated and leads to investment decisions that would otherwise not take place and ultimately leads to large losses for investors. That risk is very limited though as such behavior would, in the end, lead to severely reduced confidence in the provider of the assessment with a decline in business opportunities as a result.

General questions:

Question 31. Please indicate the areas and provisions where policy action would be most needed and have most impact to foster SME listings of shares and bonds on SME Growth Markets:

Please rate each proposal from 1 to 5, 1 standing for "no positive impact" and 5 for "very significant positive impact".

	1 (no positive impact)	2	3	4	5 (very significant positive impact)	Don't know / no opinion / not relevant
Criteria to define an SME Growth Market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market capitalisation threshold defining an SME debt issuer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Key adviser requirement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delisting rules on SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transfer of listings from a regulated market to an SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transfer of listings from an SME Growth Market to a regulated market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Management's transactions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insider lists	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Justification of the delay in disclosing inside information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market soundings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disclosure of inside information for bond issuers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Half-yearly reports for SME Growth Market issuers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tick size regime for SME Growth Markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquidity provision contracts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free float requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Institutional investors' participation in SME shares and bonds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Credit assessments and ratings for
SME bond issuers



Question 32. You are kindly invited to make additional comments on this consultation if you consider that some areas have not been covered above. Please include examples and evidence:

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[Consultation details \(http://ec.europa.eu/info/consultations/finance-2017-barriers-listing-smes_en\)](http://ec.europa.eu/info/consultations/finance-2017-barriers-listing-smes_en)

[Specific privacy statement \(http://ec.europa.eu/info/files/2017-barriers-listing-smes-specific-privacy-statement_en\)](http://ec.europa.eu/info/files/2017-barriers-listing-smes-specific-privacy-statement_en)

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