

Promotion of the use of SME growth markets

2018/0165(COD) - 24/05/2018 - Legislative proposal

PURPOSE: to facilitate access to capital for smaller and medium-sized enterprises.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: newly listed small and medium-sized enterprises (SMEs) are a key driver of investment and job creation. However, despite the benefits, EU public markets for SMEs are struggling to attract new issuers. The number of Initial Public Offerings on SME-dedicated markets steeply declined in the European Union in the wake of the crisis, and did not significantly pick up since.

Between 2006 and 2007, an average of EUR 13.8 billion was raised annually on European SME-dedicated MTFs through Initial Public Offerings. This amount fell to EUR 2.55 billion on average from 2009 to 2017.

The Commission considers that a **regulatory framework** still needs to be put in place to further facilitate SMEs' access to public savings. During the mid-term review of the Capital Market Union Action Plan in June 2017, the Commission reinforced the focus on SME access to public markets.

Companies listed on an SME growth market are required to comply with certain EU rules, in particular [Regulation \(EU\) No 596/2014](#) on market abuse and [Regulation \(EU\) No 2017/1129](#) on prospectuses. The Commission proposes to amend certain technical provisions of these two Regulations with a view to (i) reduce the administrative burden and the regulatory compliance costs faced by SMEs when their financial instruments are admitted to trading on an SME Growth Market, while ensuring a high level of investor protection and market integrity; and (ii) increase the liquidity of equity instruments listed on SME Growth Markets.

IMPACT ASSESSMENT: the alleviations under the Market Abuse Regulation should benefit to all companies listed on SME Growth Markets and not only to SMEs listed on those trading venues. This package of measures will support companies listed on SME Growth Markets, by reducing their administrative burden and by enabling improved liquidity.

CONTENT: the proposed legislative amendments aim in particular at **lowering the administrative burden and compliance costs faced by SME Growth Market issuers** and resulting from the application of the Market Abuse Regulation and the Prospectus Regulation. This initiative also seeks to promote liquidity by ensuring that any SME Growth Market issuer in the EU can enter into a liquidity provision contract.

The main elements of the proposal are as follows:

- **Exemption of negotiated private placements of bonds with institutional investors** when (i) the issuer seeking a private placement of bonds already has its equity or non-equity financial instruments admitted to trading on an SME Growth Market; and (ii) if an alternative wall-crossing procedure is in place, by which any potential qualified investor acknowledges the regulatory duties stemming from the access to inside information.

- **Creation of a European regime for liquidity provision contracts** for SME Growth Market equity issuers while allowing National Competent Authorities to establish Accepted Market Practices. This would increase liquidity and reduce volatility of SME shares, thus increasing the attractiveness of SME Growth Markets for investors, intermediaries and exchanges.
- **Justification of delayed inside information to be made only on request** (and no need to keep a disclosure record). This would reduce the administrative burden on issuers present on SME growth markets by exempting them from the obligation to register a long list of information (statement of deferred information).
- **Obligation to maintain a list of 'permanent insiders'**: this would alleviate the burden on issuers, by avoiding the costs of drawing up an ad hoc list of insiders for each piece of inside information. The impact on the capacity of National Competent Authorities to detect insider trading would be minimal as they rarely rely on insider lists in practice.
- **Adoption of a new deadline for the publication of transactions carried out by persons discharging managerial responsibilities** within issuers of SME growth markets. Such persons shall declare their transactions to the issuer and the national competent authority within three working days. Thereafter, after such notification, the issuer shall have two additional days to publish the information.
- **Creation of a lighter 'transfer prospectus'** for SME Growth Market issuers listed for at least three years when seeking a graduation to regulated market. A prospectus is a legally required document presenting information about a company when securities are offered to the public or admitted to trading on a regulated market.