

Promotion of the use of SME growth markets

2018/0165(COD) - 07/12/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Anne SANDER (EPP, FR) on the proposal for a regulation of the European Parliament and of the Council amending Regulations (EU) No 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets.

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 committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal.

Horizontal Union policy for SMEs: the amended text underlined that the diversification of SME lending is a guarantee for the economic health of the EU and stressed the need for additional regulations to ensure that SMEs can be matched up with arrangements such as business angels, seed capital, risk capital, etc.

Parliament clarified that small and medium-sized enterprises' or 'SMEs' shall mean companies, which, according to their last annual or consolidated accounts, meet at **least two of the following three criteria:** an average number of employees during the financial year of less than 250, a total balance sheet not exceeding EUR 43 million and an annual net turnover not exceeding EUR 50 million.

Reducing administrative costs and improving information to SMEs: the attractiveness of SME growth markets should be reinforced by further reducing the compliance costs and administrative burdens faced by SME growth market issuers. There is a need for a sharper focus on SMEs – the subjects of this Regulation – and their needs. The amended text stressed that cutting red tape is a vital part of that process, but other steps also need to be taken. Efforts need to be made to improve the information that is directly available to SMEs about the financing options open to them.

EU Growth Prospectus: the EU Growth Prospectus is a condensed form of the full prospectus to be published when securities are offered to the public or are admitted to trading on a regulated market, which includes essential information and documentation. The EU Growth Prospectus is shorter and therefore cheaper to produce, reducing costs for SMEs.

SMEs should be able to choose to use the EU Growth Prospectus. Moreover, in offers of securities up to EUR 20 million any issuer should also be able to choose to use the EU Growth Prospectus unless they intend to apply for admission to trading on a regulated market. Alternatively, issuers should be able to choose to draw up a full prospectus under Regulation (EU) 2017/1129.

Insider lists: the current less stringent requirements for SME growth markets issuers to produce, in accordance with Regulation (EU) No 596/2014, an insider list only upon the request of the competent authority, is of limited practical effect.

The existing alleviation should therefore be replaced by the possibility for SME growth markets issuers to maintain only a list of permanent insiders, which should include persons and **direct family of persons** who have regular access to inside information due to their function or position within the issuer. That list should be kept up to date on an annual basis and be communicated to the competent authority.

Since insider lists are an important tool for regulators when investigating potential market abuse. They preserve the integrity of the markets. It is essential to clarify that the obligation to establish insider lists rests with both issuers and persons acting on their behalf or on their account. The responsibilities of persons acting on behalf or on account of the issuer with regard to the establishment of insider lists should be clarified in order to avoid divergent interpretations and practices across the Union.

Reporting: the Commission shall, by 31 December 2020 at the latest, draw up a report:

- on SMEs' financing, their access to financial markets and the success of SME growth markets;
- on the impact of own fund requirements, investment ratios and any other measures that could have a restrictive impact on: (i) insurance and reinsurance companies in financing listed and unlisted SMEs; (ii) institutions for occupational retirement provision (IORP 2) in financing listed and non-listed SMEs; (iii) asset managers and investment firms in financing listed and non-listed SMEs.

The Commission shall, by 31 December 2019, set up an expert stakeholder group to monitor the success of SME growth markets.