Increasing the attractiveness of public capital markets and facilitating access to capital for SMEs – amending Directive

2022/0405(COD) - 07/12/2022 - Legislative proposal

PURPOSE: to ease EU small and medium capitalisation companies' access to capital markets, and to increase the coherence of Union listing rules.

PROPOSED ACT: Directive 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: Directive 2014/65/EU of the European Parliament and of the Council has been amended by Regulation (EU) 2019/2115 of the European Parliament and of the Council, which introduced proportionate alleviations to enhance the use of SME growth markets and to reduce the excessive regulatory requirements for issuers seeking admission of securities on SME growth markets, while preserving an appropriate level of investor protection and market integrity. However, to streamline the listing process and to render the regulatory treatment of companies more flexible and proportionate to their size, further amendments to Directive 2014/65/EU are necessary.

Directive 2014/65/EU and Commission Delegated Directive (EU) 2017/593 30 set out the conditions under which the provision of investment research by third parties to investment firms providing portfolio management or other investment or ancillary services is not to be regarded as an inducement. To foster more investment research on companies in the Union, in particular small and medium capitalisation companies, and to bring those companies greater visibility and more prospect of attracting potential investors, it is necessary to introduce some amendments to that Directive.

This proposal is part of the Listing Act package, a set of measures to make public capital markets more attractive for EU companies and facilitate access to capital for small and medium-sized companies (SMEs).

CONTENT: the Commission proposal seeks to introduce targeted adjustments to the EU rulebook in order to enhance visibility of listed companies, especially SMEs, and streamline the listing process with a view to enhancing legal clarity.

The proposal:

- introduces a new provision regarding the qualities of investment research. It sets out that research provided by third parties shall be fair, clear and not misleading;

- includes the conditions to label research as 'issuer-sponsored research'. Such conditions include the requirement for research to comply with a code of conduct, as well as the requirements for the content, publication and review of such code of conduct;

- clarifies that issuers may submit their issuer-sponsored research to the collection body under the proposal for a European single access point. A final clarification is added that any research material paid by the issuer but not produced in compliance with such code of conduct should be labelled as a marketing communication;

- increases the threshold of companies' market capitalisation from **EUR 1 billion to EUR 10 billion** to capture a broader scope of small and medium capitalisation companies, and in particular more medium size companies;

- clarifies that a segment of multilateral trading facilities can be registered as an SME growth market and set out the conditions and requirements for its registration or de-registration;

- covers conditions for the admission of shares to trading on a regulated market. Such conditions are the EUR 1 million minimum market capitalisation requirement for companies that seek to list their shares on a regulated market, as well as a 10% minimum free float requirement. Furthermore, the Commission is empowered to adopt delegated acts to change such thresholds when they hamper the liquidity on public markets, taking into account financial developments.