Creation of a European Capital Market for smaller entrepreneurially managed growing companies

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OBJECTIVE: this report in response to the Council resolution of 7 April 1995 on high- technology industries takes stock of progress achieved so far and lists the obstacles which continue to hamper the creation, at European level, of an efficient, liquid, financially viable capital market for high-growth, entrepreneurially-managed companies. CONTENT: the Commission states in its communication that the common objective of increasing the competitiveness of industry and creating new jobs is partly undermined by the restrictions which hamper the growth of young, expanding companies because they are unable to access long-term equity on the securities market. As the enterprises concerned themselves admit, this difficulty represents a major obstacle to innovation. The Commission has examined the feasibility of developing the concept of a pan-European capital market which could offer small enterprises looking for investors similar advantages to those offered in the United States by the NASDAQ electronic securities market (National Association of Securities Dealers Automated Quotation) where as many as 10% of the new companies listed are European in origin. The Commission considers that, although it has been difficult in the past to envisage a proper pan-European stock exchange because of fiscal, regulatory or other barriers, the entry into force of Community legislation on 1 January 1996, especially the directive on investment services in the securities field, should increase the potential in this area considerably. The Commission stresses the need in this respect for directives on investments services and stock exchange listings to be transposed strictly and promptly. Work on identifying all the potential barriers to the creation of a European capital market also needs to continue. A study carried out by the Tax and Legal Committee of the EVCA (European Venture Capital Association) concludes that the main problems are the regulatory difficulties inherent in the creation of a European financial services market, restrictions on the investment of pension funds in unlisted securities, the irregularities which have arisen in one Member State in connection with the transposition of the directive on the publication of prospectuses, capital gains tax and dividends. The Commission concludes by stressing the fact that a number of large-scale projects took off last year in connection with the introduction of European securities markets such as the launch of a European capital market or EASDAQ (European Association of Securities Dealers Automated Quotation). An agreement was concluded in September 1994 to promote the creation of a pan-European growth securities market between EASDAQ-UK, the Paris stock exchange, NASDAQ and EVCA and aims to set up an operational market by the beginning of 1996. Procedures were set in motion in 1995 to give this body a legal personality, which has been set up as a public limited company under Belgian law with start-up share capital of 1 million ecus. Even if, at this stage, there is no guarantee that these pan-European markets will prove to be profitable for investors, the Commission considers that its role is to: - encourage the private financial sector to examine the feasibility of a project to create a pan-European securities market for high-growth, entrepreneurially-managed companies, rather than take the initiative itself; - improve funding for innovation in Europe; - ensure that the Treaty is applied in order to safeguard the free movement of capital, while emphasizing that certain problems identified come within the jurisdiction of the Member States under the principle of subsidiarity. Under these circumstances and given the urgent need to find a solution, mutual cooperation between the Commission and the Member States needs to be stepped up in order to find the best way of reducing or eliminating the obstacles identified.