Basic information

2018/0165(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Promotion of the use of SME growth markets Amending Regulation (EU) No 596/2014 2011/0295(COD) Amending Regulation (EU) 2017/1129 2015/0268(COD) **Subject** 2.50.03 Securities and financial markets, stock exchange, CIUTS, investments 2.50.08 Financial services, financial reporting and auditing 3.45.02 Small and medium-sized enterprises (SME), craft industries	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	SANDER Anne (PPE)	31/05/2018
	Shadow rapporteur GILL Neena (S&D) SWINBURNE Kay (ECR) TREMOSA I BALCELLS Ramon (ALDE) LÓPEZ BERMEJO Paloma (GUE/NGL) LAMBERTS Philippe (Verts/ALE)	

Committee for opinion	Rapporteur for opinion	Appointed
ENVI Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date

	Economic and Financial Affairs ECOFIN	3725	2019-11-08

European Commission	Commission DG	Commissioner
	Financial Stability, Financial Services and Capital Markets Union	DOMBROVSKIS Valdis

European Economic and Social Committee

Key events

Date	Event	Reference	Summary
24/05/2018	Legislative proposal published	COM(2018)0331	Summary
11/06/2018	Committee referral announced in Parliament, 1st reading		
03/12/2018	Vote in committee, 1st reading		
03/12/2018	Committee decision to open interinstitutional negotiations with report adopted in committee		
07/12/2018	Committee report tabled for plenary, 1st reading	A8-0437/2018	Summary
10/12/2018	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
12/12/2018	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
21/03/2019	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE637.279 GEDA/A/(2019)002694	
18/04/2019	Decision by Parliament, 1st reading	T8-0439/2019	Summary
18/04/2019	Results of vote in Parliament		
08/11/2019	Act adopted by Council after Parliament's 1st reading		
25/11/2019	End of procedure in Parliament		
27/11/2019	Final act signed		
11/12/2019	Final act published in Official Journal		

Technical information

Procedure reference	2018/0165(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EU) No 596/2014 2011/0295(COD) Amending Regulation (EU) 2017/1129 2015/0268(COD)
Legal basis	Treaty on the Functioning of the European Union TFEU 114
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee

Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/13257

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE627.044	05/09/2018	
Amendments tabled in committee		PE628.662	11/10/2018	
Committee report tabled for plenary, 1st reading/single reading		A8-0437/2018	07/12/2018	Summary
Text agreed during interinstitutional negotiations		PE637.279	20/03/2019	
Text adopted by Parliament, 1st reading/single reading		T8-0439/2019	18/04/2019	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2019)002694	20/03/2019	
Draft final act	00089/2019/LEX	27/11/2019	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2018)0331	24/05/2018	Summary
Document attached to the procedure	SWD(2018)0243	24/05/2018	
Document attached to the procedure	SWD(2018)0244	24/05/2018	
Commission response to text adopted in plenary	SP(2019)440	08/08/2019	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES2916/2018	19/09/2018	

Additional information

Source	Document	Date
European Parliament	Briefing	
European Commission	EUR-Lex	

Final act
Regulation 2019/2115 OJ L 320 11.12.2019, p. 0001 Summary

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.

Promotion of the use of SME growth markets

2018/0165(COD) - 11/12/2019 - Final act

PURPOSE: to provide SMEs with easier and cheaper access to financial markets.

LEGISLATIVE ACT: Regulation (EU) 2019/2115 of the European Parliament and of the Council amending Directive 2014/65/EU and Regulations (EU) No 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets.

CONTENT: within the framework of the Capital Market Union, the EU seeks to help small and medium-sized enterprises (SMEs) to access new sources of finance.

Directive 2014/65/EU of the European Parliament and of the Council created a new type of trading venue, the SME growth market, a subcategory of multilateral trading facilities ('MTFs'), in order to facilitate access to capital for SMEs and enable them to grow, and also to facilitate the further development of specialist markets catering for the needs of SME issuers that have growth potential.

This amending Regulation introduces new rules to actively promote the use of SME growth markets.

Reducing formalities and administrative burdens on small businesses

The Regulation includes amendments to the Market Abuse Regulation and the Prospectus Regulation, which make the obligations imposed on issuers in SME growth markets more proportionate, while preserving market integrity and investor protection. It also aims to promote liquidity by allowing any issuer present on an EU SME growth market to enter into a liquidity contract.

Disclosure obligations

The new rules adapt and reduce disclosure obligations, in particular with regard to persons who have access to information that may influence prices ("insider lists").

The current requirement is replaced by the possibility for issuers whose financial instruments are admitted to trading on an SME growth market to keep only a list of persons, such as directors, members of the management bodies or legal advisers, who, in the normal exercise of their duties, have regular access to inside information.

Member States may introduce an obligation for issuers in SME growth markets to provide extended insider lists including all persons having access to inside information. However, these lists shall contain less information than full insider lists. The obligation of drawing up insider lists rests both with issuers and any person acting on their behalf or on their account.

Simplified prospectus

The Regulation also extends the possibility of using a lighter "prospectus", more suitable for SMEs that have already been listed on an SME growth market. It amends the current rules to allow issuers making an initial public offer with an indicative market capitalisation of less than EUR 200 million to draw up an EU growth prospectus.

Lastly, the text invites the Commission, when reviewing legal acts affecting the financing of listed and unlisted SMEs, to analyse the regulatory and administrative barriers that limit or prevent investment in SMEs and to work towards creating a favourable regulatory environment to foster SME financing.

ENTRY INTO FORCE: from 31.12.2019 (Article 1 applies from 1.1.2021).

Promotion of the use of SME growth markets

2018/0165(COD) - 18/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 448 votes to 18, with 71 abstentions, a legislative resolution 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 European Parliament's position adopted at first reading under the ordinary legislative procedure amended the Commission proposal as follows:

Horizontal Union policy for SMEs

The amended text underlined that a horizontal Union policy for SMEs is therefore essential. Such policy needs to be inclusive, coherent and effective, and must take into account the various subgroups of SMEs and their different needs.

Regulatory alleviation shall be for the benefit of those smaller companies that have growth potential.

The success of an SME growth market should not be measured simply by the number of companies listed, but rather by the rate of growth achieved by the listed companies.

Insider lists

The proposed alleviation relief would allow issuers in SME growth markets to maintain only a list of persons, such as directors, members of management bodies or in-house counsels, who, in the normal course of their duties, have regular access to inside information.

However, since some Member States deem insider lists to be an important element for ensuring a higher level of market integrity, Member States shall be provided with the option to introduce a requirement for the SME Growth Market issuers to provide more extensive insider lists that include all persons who have access to inside information. Nevertheless, taking into account the need to ensure a proportionate administrative burden for SMEs, these lists should contain an alleviated amount of information as compared to full insider lists.

The obligation to establish lists of insiders shall be incumbent on both issuers and persons acting in their name or on their behalf. Issuers and any person acting on their behalf or on their account, shall take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

A shorter 'Prospectus' more suitable for SMEs

The EU Growth Prospectus is short and therefore economical to produce, reducing costs for SMEs. As a result, it is planned to amend Regulation (EU) 2017/1129 of the European Parliament and of the Council shall be amended to allow firms seeking an initial public offer with a tentative market capitalisation of below EUR 200 million to draw up an EU Growth Prospectus.

Impact assessment of the legislation

When reviewing all legislation relating to the financing of listed and unlisted SMEs, the Commission shall analyse regulatory and administrative barriers, including on research, that limit or prevent investment in SMEs. In doing so, the Commission should assess the evolution of capital flows to SMEs and strive to create a favourable regulatory environment to foster the financing of SMEs.

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.
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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.