



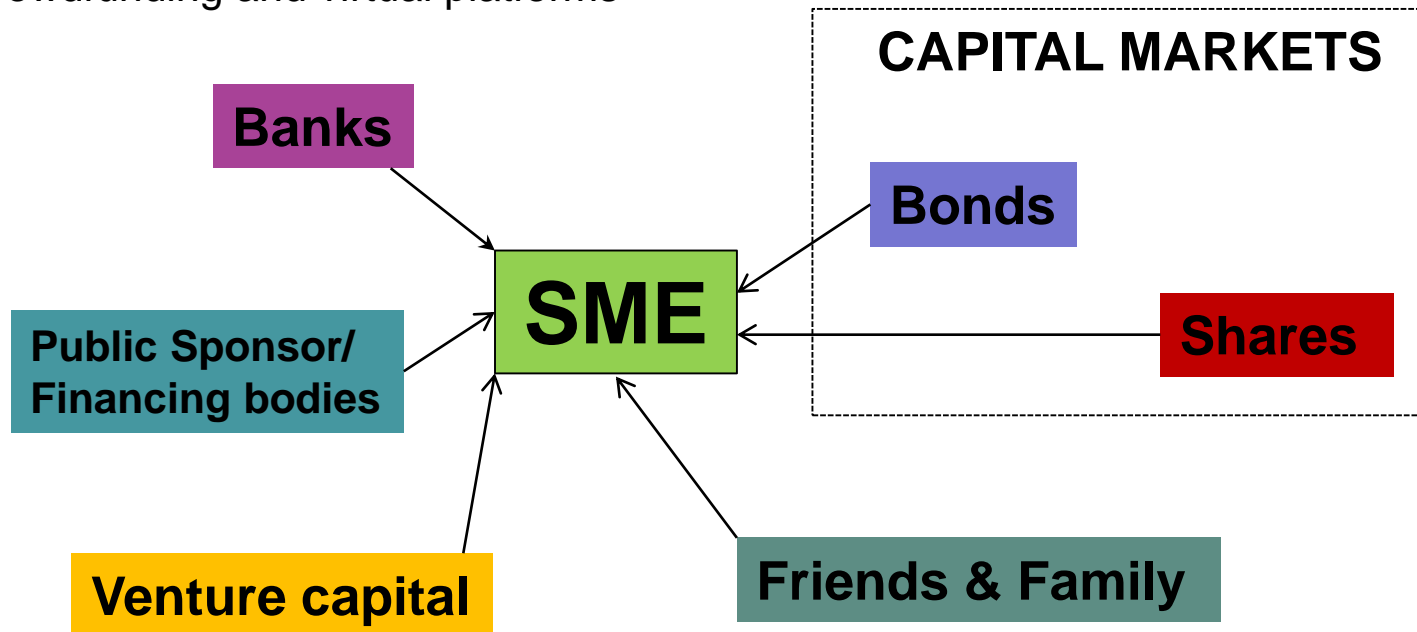
CAPITAL MARKETS UNION: focus on SMEs

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BE-SUERF Conference on Financial Disintermediation and the Future of the Banking Sector
30Oct18

SME financing through capital markets

- SMEs: Main driver for growth and job creation in the EU
- More vulnerable to credit contraction cycles than large companies
- Over-reliant on bank financing: difficult access to non-national bank financing
- Harder access to private and venture capital (to an extent), though changing through crowdfunding and virtual platforms



Why is market financing low ?

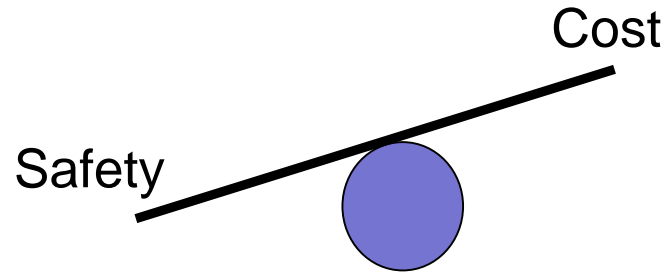
Company's view

- Crowding out by sovereigns and large companies
- Low interest rate environment: less incentive to open up capital
- Plenty of liquidity by venture capital, private funds.
- Expensive to get listed
- More complicated life when supervised
- Demand can be fickle

Investor's view

- Risky business
- Insufficient research
- Illiquid stocks/bonds
- Home bias: difficult to hold securities cross-border

Regulatory perspective: an eternal dilemma



- Full prospectus
- Ordinary disclosure (PSI, holdings)
- Insider dealing compliance
- Full IFRS
- Full Market Abuse regime
- Reduced prospectus
- Adapted disclosure
- Easier compliance
- Simplified Fin. Rep.
- Softened anti-manipulation regime

What can be done to promote SME financing in CM?

2 sides of the equation

Company's view

- Reduce costs of listing
- Reduce compliance costs
- Facilitate cross-border investment
- Incentivise (tax rebates)
- Facilitate jump to main market in due course



Investor's view

- Improve research coverage and quality
- Increase liquidity
- Proper supervision (fraud)
- Incentivise (tax rebates)

All in all, CE proposal is balanced and in the right direction. But regulations cannot create markets, just facilitate.

Open questions

- Should we start by professional investors if it is a more risky business?
- Is lack of liquidity really solvable or should we just accept it?
- How to avoid that funds get trapped in low liquidity stocks?
- Will digital disruption change the rules of the game? Are ICOs a real source of funding?
- Is financial capital as important as in the pre-digital era? Is the role of shareholders the same in start-ups with mainly intangible assets?



Thank you

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