CAPITAL MARKETS UNION: focus on SMEs
Rodrigo Buenaventura

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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

SME financing through capital markets

- Banks
- Bonds
- Shares
- Public Sponsor/Financing bodies
- Venture capital
- Friends & Family
### 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
- 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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