
Subject **Position Paper on the Commission Amendments to the Delegated Acts under MiFID II
'Promoting the use of SME Growth Markets – Level II'**

Euronext welcomes the possibility to provide feedback to the European Commission proposals to amend the Delegated Acts under MiFID II with an aim to strengthen the attractiveness of 'SME Growth Markets'.

We fully support the Commission work in the context of the Capital Markets Union Agenda and its goal to strengthen the European economy and ensure easier access to markets for all companies, including growth companies which are the backbone and engine of the economy.

In this regard, we welcome both the Level I measures presented by the Commission to encourage SMEs listings and the level II amendments to the Delegated Regulation under MiFID II. Small and medium sized companies are critical to European economic recovery and to accomplishing the EU's goals of job creation, competitiveness and growth. As the basis for these goals, SMEs require a favourable environment which allows them to meet their financing needs, in particular when accessing markets. Therefore, we support the continuous work of policy makers to ensure a comprehensive strategy on how to boost equity financing at all stages of the funding escalator.

The Commission's proposals to amend MiFID II Delegated Act on SME Growth Market registration conditions (2017/565) have provided additional flexibility for market operators to support both equity and non-equity issuers in the Growth Markets, whilst alleviating them from existing burdensome requirements.

➤ **Providing flexibility to market operators**

Euronext fully supports the Commission's amendments that would grant market operators with greater flexibility by maintaining the threshold of SME Growth Market issuers' free float requirement within their remits and giving them the possibility to grant exemptions for debt issuers from their requirement to publish half yearly financial reports.

Indeed, the Commission proposal to give flexibility to MTF operators to decide on whether or not to exempt debt issuers from the requirement to publish half yearly financial reports enables adaptation to what best supports the development of more liquid bond markets in each local market and would in turn reduce the burden for non-equity issuers to meet these requirements. This complements market operators' maintained flexibility to decide on the free-float requirements which would enable them to accommodate for specific situations or specific issuers who wish to use the public route to financing in an early stage of growth, when there is no or very limited free-float.

➤ **Facilitating access for non-equity SMEs to Growth Markets**

Euronext notably welcomes the change in the definition of an SME Growth Market non-equity issuer. We believe that the proposal which includes a cumulative issuance criterion not exceeding EUR 50 million over a period of 12 months will be better suited to covering the specificities of bonds issuance, rather than applying a total balance sheet or an annual net turnover threshold.

Overall, we believe that measures proposed by the European Commission are welcome steps in the right direction and we encourage European as well as national institutions to continue working towards creating the best opportunities for making the SME Growth Markets successful as a place for companies to access capital and create growth.

In pursuit of our common objective, Euronext would also like to take this opportunity to put forward additional inputs notably in regards to: 1) the Commission's proposal to allow market operators to exempt Growth Market non-equity SMEs from publishing half yearly financial report, 2) the market capitalisation threshold for SME Growth Market equity issuers and 3) the inclusion of a tentative market capitalisation criterion.

1) Aligning the MiFID II proposal with the Transparency Directive

Euronext fully supports the Commission proposal to give flexibility to MTF operators to decide on whether or not to exempt debt issuers from the requirement to publish half yearly financial reports. This requirement can be burdensome for non-equity issuers while flexibility enables adaptation to what best supports the development of more liquid bond markets in each local market.

However, to ensure a fully comprehensive approach between rules, we would encourage policy makers to extend the flexibility laid down in the proposal to include an exemption not only for half yearly reports but also to annual reports. Indeed, it would be logical to align the MiFID II proposal (modifying article 78 (2) (g)) with Article 8 of the Transparency Directive which establishes that regulated market issuers issuing bonds with a denomination per unit above EUR 100 000 (placed with professional investors) are not required to publish both half yearly and annual financial reports.

This extension to annual financial reports would fully establish a level playing field between non-equity issuers on SME Growth Markets and those on a regulated market that are exempted from the financial report obligation under the Transparency Directive.

2) Increasing the market capitalisation threshold for SME Growth Market equity issuers

In addition, Euronext would suggest to policy makers to further consider the definition of an SME Growth Market equity issuer. Although we agree that the market capitalisation is the most appropriate criterion to use to define SME issuers, we would argue that the qualifying threshold for SMEs should be increased from €200m to €1bn as the threshold is too low and only takes into consideration small enterprises and not mid-caps.

Alternatively, the threshold could be set at EUR 500 million to be in line with the ELTIF Regulation (EU) 2015/760 definition of an SME equity issuer and would help contribute to a strengthening of SME Growth Markets' ability to attract more companies, with the potential to increase liquidity on these markets.

3) Inclusion of a tentative market capitalisation criterion

Furthermore, in regard to public offers by SMEs, immediately followed by an initial admission to trading on an MTF or SME Growth Market, we believe it should be possible to consider including a tentative market capitalisation criterion for these prospective new issuers in line with the SME market capitalisation threshold established under the Prospectus Regulation. This is necessary to ensure that such firms can benefit from the alleviated prospectus requirements. Without such an approach, there is a risk that such companies will not match with the alternative functional definition of SMEs under the Prospectus Regulation¹.

¹ Prospectus Regulation Art 2(f)(i): average number of employees during the financial year of less than 250; a total balance sheet not exceeding €43m; and an annual net turnover not exceeding €50m.