FEDERATION OF EUROPEAN SECURITIES EXCHANGES

SME access to capital markets funding

1. Why are we specifically focusing on SMEs?

In July the FESE President met with Commissioner Barnier where it became clear that the Commissioner puts a strong political emphasis on SME finance. Commissioner Barnier confirmed during that meeting that he would like FESE to propose some concrete recommendations on how to improve SMEs' access to capital markets. This information would be considered for their joint 'action plan' related to SMEs which DG Internal Market and DG Enterprise are currently working on and which will be finalised by end-November. The Commissioner invited FESE to present these ideas during the meeting that was arranged for October, during this meeting the Commissioner advised that our recommendations (outlined below) included a request for financial support from the European Commission but he did not know what Exchanges have and are doing to support SMEs, it was therefore agreed that this would be the subject of our lunch with him on 21st November

2. Brief outline of FESE recommendations

INCENTIVES

- Positive tax incentives are needed. If Europe wants more investors to look at SMEs, incentives are needed, and tax incentives are among the most effective.
- FESE urged the Commission to study this issue carefully as we believe that incentives on taxation for the smaller and most dynamic companies will be a key instrument.

PUBLIC FUNDING:

- The European Commission is already committed to providing funds for private funds such as private equity and venture capital funds that invest in SMEs.
- Focusing on private equity only will be too narrow, SMEs need both private equity capital and public markets.
- What do we recommend?
  - Suggest that the funding for venture capital should only focus on early phase SMEs.
  - Allocate some funding to make SME IPOs more attractive to private investors.
  - Public funds could act as a domestic anchor for investors by funding a 'fund of listed SMEs', incentivising other domestic and foreign funds to join in.

RESEARCH

- Set up public/private partnerships to produce and disseminate high quality and credible research on SMEs.
- Assuming good research exists, it still needs to be widely available. Therefore the second suggestion would be to create or provide funding for an EU-wide information/guideline website for SMEs. The website could serve potential investors for SMEs listed on European Markets.

3. Supporting documents for the FESE SME proposals:

A. Why are public capital markets important for SMEs?
B. What are the challenges SMEs face in accessing public capital markets?
C. What have FESE member exchanges done to help SMEs in the past?
D. What are the lessons we have learned from our experiences?
E. How can the EU implement our recommendations?

A. Why are public capital markets important for SMEs?

- **Europe's SMEs need efficient and fair access to the <u>full spectrum</u> of finance, not just bank lending.** Bank loans and capital market finance are both needed to meet the needs of SMEs. EU support has so far tended to focus on bank lending. A substantial part of the EU financial programmes that are used by SMEs are based on debt instruments such as SME loans via intermediaries or guarantees for SME loans. There are also programmes based on equity-type instruments, but they do not operate directly via the capital market. By contrast, the share of SMEs in the capital market is small when compared with their share of the real economy, the level of employment they provide or even their share in the banking system. Therefore, there is a need for programmes that would foster use of capital markets to provide funding to SMEs. This will become increasingly necessary as, post-crisis, banks face pressure to reduce lending across the board.

- **Non-bank lending takes different forms which are all complementary but also in competition with one another.** Capital financing for SMEs takes different forms that are parts of a continuous chain and which meet the evolving needs of differently-sized SMEs at distinct stages of evolution: venture capital, private equity funds, and IPOs on the main market or junior markets. Venture capital helps early stage companies reach a level of maturity suitable for stock exchange listings, while the availability of listing as an 'exit' encourages venture capital to invest in risky SMEs. However, these different forms of finance also do compete with one another, especially in the middle segment of the market. In particular, venture capital funds are often interested in companies that might otherwise consider listing on a stock exchange. This fact has to be taken into account especially when public funds are being channelled into specific forms of finance targeting SMEs. Otherwise, public funds would be used inefficiently, replacing private activity that would have taken place anyway instead of addressing a true market failure, and at the same time distorting the market by favouring one set of private actors over another. This is not to say that the middle segment should not be supported. On the contrary, if there is sustainable demand for the middle segment, early stage financing will also be easier. However, in supporting the middle segment, venture capital funds should not be advantaged over securities exchanges.

- **Listing on exchanges has unique advantages for SMEs and the economy.** Within the broad spectrum of non-bank financing methods, listing on securities exchanges gives SMEs access to capital via shares or bonds listed on the main market (Regulated Markets) or junior markets (MTFs). Of the 20 million SMEs in Europe, only several thousand are listed on exchanges, but this avenue of finance has far wider advantages for the SMEs and the broader economy than its proportionate size might suggest: Listing on exchange gives the SMEs recognition and visibility and allows shareholders or bondholders to benefit from the performance of dynamic and innovative companies on their way to growth.

B. What challenges do SMEs face in accessing public capital markets?

1. **For a viable public listing market, SMEs must want to list, and investors must want to invest.** As in any marketplace, supply (companies wanting to list) and demand (investors wanting to invest) must meet at an optimal point that delivers a low cost of capital to companies while being an attractive investment option for investors. Currently, the market is much smaller than it could be essentially primarily because demand is too small. Since development of demand is more crucial than the development of supply, scarce resources and precious effort should be allocated to the development of demand. (However, some actions to help supply are also needed.) There are three main obstacles that are suppressing investor demand:

    a. **small size of SMEs,**

    b. **lack of liquidity, and**

    c. **inefficient price discovery.**

2. **Scale is the biggest obstacle facing SMEs when accessing the Single Capital Market.** Lack of demand, which is the bigger problem, is mostly rooted in the lack of investable scale, especially in terms of attracting pan-European investors. Due to their size, some SMEs can be attractive to domestic investors, but not have a viable chance to attract the institutional investors that would be able to offer them a low cost of capital. Hence the most promising option for the smaller SMEs is to be bundled into groups to reach a viable scale. Institutional investors which may find individual SMEs or funds of SMEs too small might well invest in 'funds of funds' of SME. On the other hand, individual SMEs (not necessarily grouped) could be made more attractive to private investors through other means such as appropriate incentives and regulation.

C. What some of FESE member exchanges are doing/have done to help SMEs?

Athens Exchange

ATHEX has created an MTF (Alternative Market – EN.A.) which is designed to accommodate the needs of SMEs. For this reason, this market has lower listing and disclosure requirements compared to ATHEX's regulated market. In addition, ATHEX offers an index, the Alternative Market Price Index, as a reliable means of tracking the performance of the stocks traded in this market. Further, we are currently considering an amendment of the MTF's rules having in mind to increase liquidity and create a new listing sector for Green Energy companies.

Deutsche Börse

Deutsche Börse offers tailored segments for SMEs - depending on the transparency the issuer can / is willing to provide and the minimum demand of investors the issuer is targeting:

Companies listed in the General Standard and the Prime Standard fulfil the highest European transparency requirements and gain all the advantages of a full listing. With the Entry Standard, Deutsche Börse has created a simple, fast and cost efficient way of including shares in exchange trading, which is particularly suited for small and medium-sized companies. Companies wishing to differentiate themselves within the Open Market and increase investor visibility opt for a listing in the Entry Standard – an entry segment which includes the possibility of a subsequent upgrade listing in the General Standard or the Prime Standard. Domestic and international companies whose shares are included in exchange trading in the Open Market for the first time and are subject to less stringent formal requirements can benefit from their inclusion in the First Quotation Board.

Deutsche Börse offers indices suited to support SMEs including:

- Benchmark/Selection indices like the SDAX, which comprises the 50 largest companies in terms of freefloat market cap and traded volume below DAX (30) and MDAX (50)
- Style indices like GEX (German Entrepreneurial Index), which comprises companies managed by the owners, and DAXplusFamily Index, which comprises family/founder owned companies

Deutsche Börse organises workshops and capital market conferences in order to support liaison of companies with investors and transfer of capital market know how, such as:

- yearly capital market conference for Prime Standard companies below DAX: German Equity Forum, Frankfurt
- yearly capital market conference for General & Entry Standard companies: Entry & General Standard Forum, Frankfurt
- several yearly Stoxx & Standards workshops with focus on capital market trends
- investor roadshows in London, New York, Zurich, Abu Dhabi for selected SME companies

Deutsche Börse offers a suite of services to support a professional IR for free, such as

- investor guide online
- stock report
- my X-mobile data service

NYSE Euronext

NYSE Euronext has been mobilized for many years in creating an attractive, solid and secure environment for SME's willing to open their capital, secure their funding needs, and meet investors interests. Through its global and cross border franchise, NYSE Euronext is committed to be a leading actor in financing the real economy, thereby enabling SME's fulfilling their dynamics in job creating businesses through capital and cost effective listing and issuer services.

With 1128 companies listed on Euronext regulated and organized markets, of which 978 domestic ones, NYSE Euronext is a leading actor in providing SME's access to capital markets.

Our current business model towards SME's has its roots in the creation of Alternext, a vibrant MTF started in 2005, by responding to SME's capital needs in all sectors, through the creation of a dedicated market, with simplified admission conditions, whilst maintaining high standards in securing investors interests. Today, more than 180 SME's are listed on Alternext, in our European markets, with a growth pattern outpacing the cyclical economical environment, in number of new admissions and capital raised through IPO's and follow on's.

The financial crisis has significantly fragilized the economical fundamentals, impacting severely SME's job creating businesses. NYSE Euronext has taken proactive measures, and in cooperation with governmental bodies and other key stakeholders, implemented educative, commercial and technical services and products for issuers, investors and intermediaries.

Educative measures include

- the creation of a Public Advocacy function, enabling to support and represent issuers towards institutional and regulatory bodies, whether national or European
- the creation of dedicated SME Issuer committees on our European platforms, gathering around strategic issues (MiFid, liquidity, MAD, corporate governance, etc)
- seminar and conferences throughout the year in association with local regulators and market intermediaries (for the NYSE Euronext AMF event in Lyon in September 2011 gathering all regional issuers and intermediaries)

Technical measures include

- reduction of the minimum amount while raising capital through private placements to 2,5 million euros, thereby raising IPO flexibility and attractiveness
- increasing trading liquidity for small and mid caps, by reducing the margin spreads for brokers acting as liquidity providers, and offering a continuous quotation for IPO's through private placements
- offering an improved visibility by creating two separate markets segments on Alternext (Public Offer/Professional Compartiment and Private Placement)
- introduction of new SME dedicated indices (in partnership with OSEO) in 2010 and 2011, and revamp of existing portfolio of SME dedicated indices (cross border), thereby increasing market liquidity

In order to ensure the implementation on a global scale of the several measures NYSE Euronext dedicates to improve SME's access to capital markets, significant commercial measures have been undertaken as well:

- improving proximity with the strategic and financial decision makers of our clients through the set up of a dedicated qualified coverage and advisory team
- a new and innovative state of the art service, Expertline, a push and pull communication platform based in the centralized European market surveillance room and run by a multidisciplinary team of market professionals, supporting listed companies with a broad range of listing services, all day long.
- attracting investor demand for SME's, through research initiatives financed by NYSE Euronext, a.o. by teaming up with Edison, thereby covering 115 companies listed on Alternext.
- Enhanced Marketing and Branding with an increasing portfolio of visible services, a.o. tailored for SME's (website, emblems, newsletters, bell ceremony,…)

Committed to its crucial role in the economy, NYSE Euronext organizes yearly for all stakeholders to public market financing qualitative and highly visible events, and roadshows which gather hundreds of investors, issuers, prospects and intermediaries. More than hundred events yearly are organized cross border, national and regional.

Since 2010, whilst a severely adverse economical environment, more than 70 new SME's have been listed on Alternext, of which 30 new companies in 2011 so far, showing a growth of 45% since 2010. A vibrant result, which shows the efforts NYSE Euronext undertakes to support SME's access to capital markets, bear its fruit.

D. What are the lessons we have learned from our experiences?

- Financial market finance is a complex chain of different forms of finance that can meet the needs of SMEs as they grow and evolve from one phase to another. For any of these forms to work well, all forms of financial market finance must be supported, because the weakest link of the chain determines the outcome.

- To help any of these forms, the main focus of attention must be to mobilise demand for investing in SMEs. This must be done by getting the incentives right, promoting information, and providing trigger funds for investors.

- When public funds are used to trigger private investment, this must be done wisely and fairly, aiming to create net new investment and without favouring one form of finance over another.

- To complement the actions aimed at increasing investment demand, there must also be targeted actions to help the supply of smaller companies willing to come to the market.

- All public actions – regulatory or other policy – must be evaluated in terms of their impact on the demand for investment in and supply of SMEs listed.

- Hence, we recommend:
    - Getting the incentives right
    - Providing trigger funds for investors
    - Promoting information
    - A supportive regulatory framework

E. How can the EU implement our recommendations?

Under each recommendation, we give details on the design and also point out what market failure (demand or supply) the proposal is intended to address.

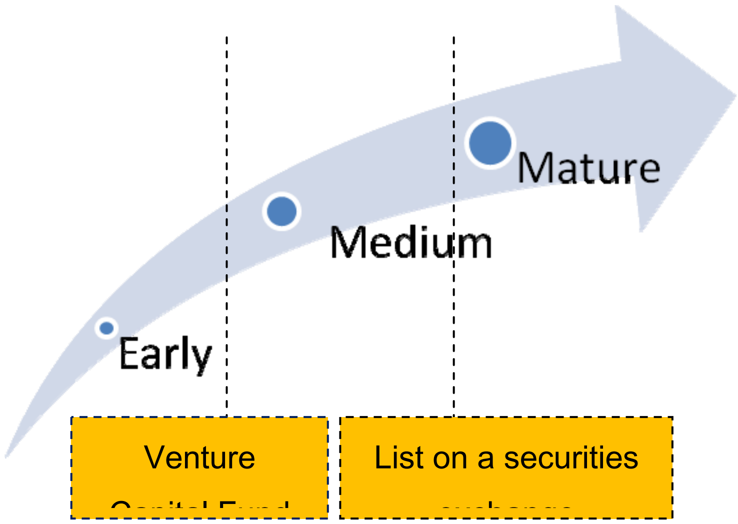
RECOMMENDATION 1: Providing tax and similar incentives (and removing disincentives) for all types of funds to invest in listed SMEs (to increase DEMAND)

Taxation is recognised as one of the biggest hurdles faced by investors considering investing in SMEs. With the exception of a few jurisdictions the tax regimes in many countries are unfavourable to investors in SMEs. This variation creates an unlevel playing field in Europe. Although the EU has limited competence in taxation, the importance of fixing this problem is so big that the EU should take action. The objective should be to remove clear disincentives and to offer SMEs the same opportunities across the EU. Case studies of recent public initiatives clearly demonstrate that such incentives can increase investor demand See annex

As a complement to this recommendation, we also think that the European Commission may wish to review its state aid guidelines related to SMEs to ensure that the most promising types of assistance for investors targeting SMEs are clearly within the scope of permitted EU state aid (or are not considered state aid).

The introduction of incentives for institutional investors to invest in SMEs (in accordance to their investment objectives and benchmark) would boost capital inflows in to these companies.

RECOMMENDATION 2: Focusing the use of EU money set aside for venture capital on early stage SMEs, and not the medium segment (to increase DEMAND and SUPPLY)



Life Cycle of a Company

Targeting the funding for venture capital funds - When providing funding for venture capital, the European Commission should ensure that this funding focuses on the early stage companies which **would not otherwise have attracted venture capital interest and which are also too small to consider listing on a RM or MTF.** This is important to ensure that support for venture capital funds is targeted to those companies that need it the most and which do not distort the incentives faced by SMEs. Furthermore, help to venture capital funds focusing on early stage companies will also increase the supply of SMEs which, at a later stage, will consider listing on exchange.

RECOMMENDATION 3: Setting up a fund to invest in IPOs as anchor investor to attract other investors (to increase DEMAND)

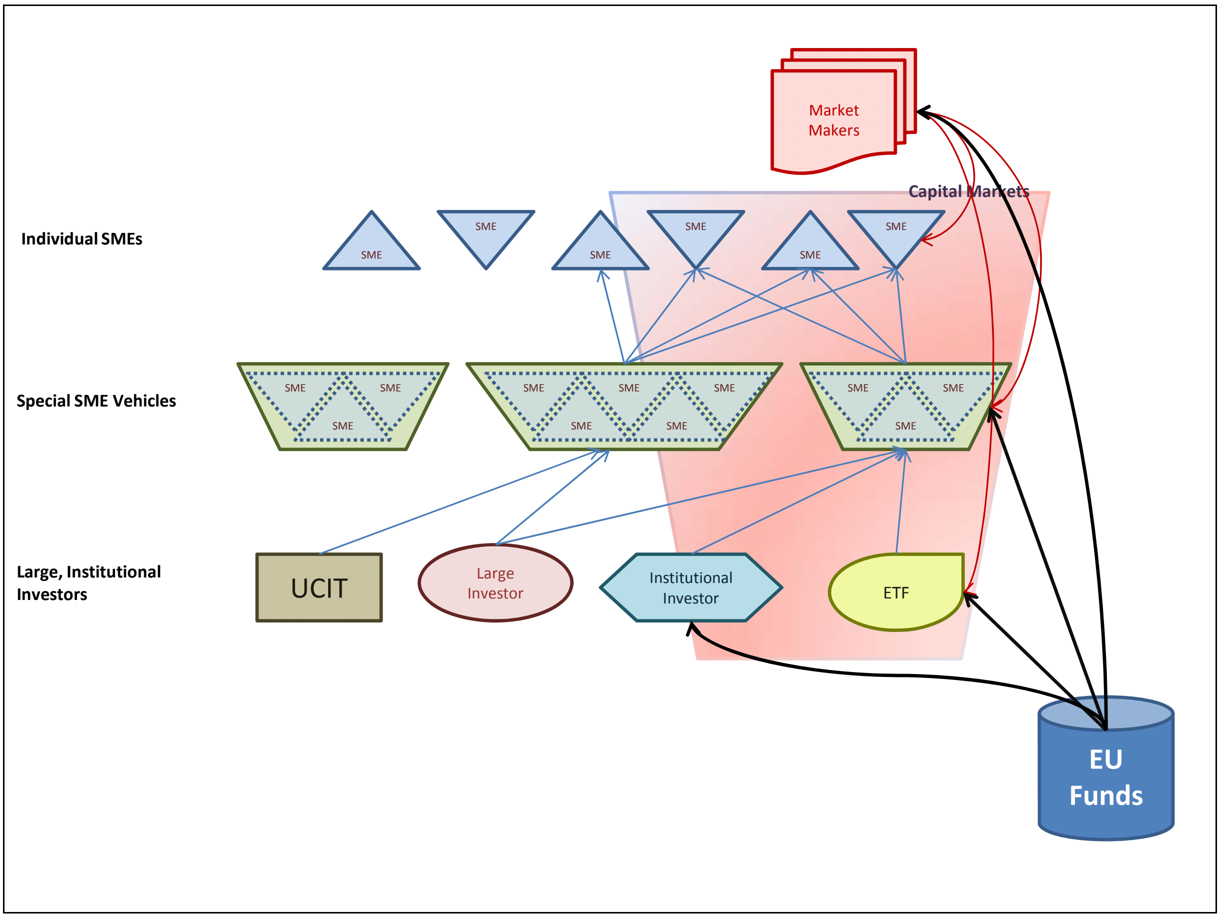
Money- and credit-markets have mostly failed during the crisis, whereas the market infrastructure of exchanges and capital raising via exchanges as an instrument of equity financing have worked reliably. Initial public offerings are the first entry of a company into capital markets. An IPO and/or capital increases of exchange-listed companies are indispensable strategic instruments for companies. Investments in the company´s growth, financing of acquisitions and internationalization strategies can be financed independently, employee stock ownership can be pursued easily, and image and visibility can be improved. Access to capital via IPOs is limited for SMEs, because not enough capital accumulation is focused on SME financing. The large accumulators, funds, pension funds avoid investments into SMEs because of lack of size and liquidity. In certain countries, accumulation of capital for capital market investment is below average, because pension financing is not capital-based but organised via a pay-as-you go financing system. This is an additional hurdle for IPO financing of SMEs. Due to the lack of domestic capital, SME IPOs are dependent on foreign capital. In order to overcome the existing structural deficits, public funds should be directed into specific SME IPO investments, organised via 'HOLDCO's. They could act as domestic anchor investors, incentivising other domestic and foreign funds to join in.

RECOMMENDATION 4: Channelling EU money into 'funds of funds' specifically set up to invest in listed SMEs (to increase DEMAND)

As a complement to supporting venture capital investment in SMEs and SME IPOs, there is also a need for public funding for a 'fund of publicly listed SMEs' structure. Thus FESE Members request that the European Commission consider funding publicly-listed SME companies (ie companies that have already become listed) by setting up a fund which takes a stake in publicly listed SMEs as illustrated in the diagram below.

As public money will be funding the early stage companies via venture capital funds, it would be important for the EU not to neglect those companies once they are listed on an exchange. Please also note that helping IPOs of SMEs and helping SMEs that are already listed are distinct and mutually re-enforcing acts, because IPOs generate the pipeline, while support for listed SMEs ensures that there is a vibrant secondary market and therefore exit possibilities for investors in the primary market.

What is a 'fund of fund'?
The size issue of SMEs can be solved via a SME Holding Company (Holdco) (SME-' (HOLDCO)') which would bundle a number of SMEs' shares into a single instrument which would be large enough to attract the attention of large/institutional investors. Such SME-'HOLDCO' should also be supported with Market Maker. That way, an SME equity instrument would be constructed that would have adequate size and liquidity. EU funds can support such SME-'HOLDCO's by investing up to a certain percentage of the portfolio value. The EU is already investing in private funds such as private-equity or venture-capital funds that invest in SMEs, but neither investment conduits nor their investments are publicly traded on capital markets, and are rather held privately. The proposed SME-'HOLDCO's would themselves also be traded on capital markets, and as such they would be available for larger investors such as private funds, institutional investors, UCITS etc.



How would it be used?
Proposals such as the extension of the "10% rule" for UCITS may not attract significant funds to SMEs, because an individual SME is too small to attract the attention of a standard institutional investor such as UCITS. Yet, if allowed, UCITS may invest 10% or more of their portfolios in the suggested dedicated SME-'HOLDCO's. SME investment would be a special interest in the market and some institutions (likely to be small) would prefer to focus on that segment as a MM or 'HOLDCO' manager.

The implementation of this proposal would have to take into account the differences between member states, in the sense that what is a small company in one country may be quite big in another. Therefore, the exclusion of certain smaller companies which are potentially large and important for their local economy should be avoided. The specific design will have to strike the right balance to ensure fairness and efficiency across the whole EU.

Therefore, SME-'HOLDCO's would probably need to specialise in local SME markets and may build country/region level portfolios. A special UCITS group can be created (by regulation) that would act like fund-of-funds and invest in those special SME funds. Such UCITS may be expected to have an EU-wide investment coverage as well. Those special UCITS may also be supported by EU funds. Such a value and focus hierarchy may facilitate channelling of massive institutional investments that operate at EU level or globally, in a waterfall format, to individual SMEs in countries or sub-regions.

Importantly, one would have to leave space for private asset management institutions to either participate in the fund (mix of public/private) or create own funds, thus leveraging off fiscal incentives under outlined in Recommendation 1.

Why would this be beneficial?
Under the proposed structure, EU funds would support public trading of SMEs at two levels: at individual SME level directly and at SME-'HOLDCO' level indirectly. Individual SME level is expected to attract smaller, individual, private investors, who are already SME investing group, but in larger

quantities with improved liquidity and price discovery. SME-'HOLDCO' level is expected to attract more large/institutional investors with increased asset class size.
Various questions on the exact nature of the fund (listed, closed or open, under active asset management, secured fund etc..) will have to be determined after discussions with appropriate stakeholders.

RECOMMENDATION 5: Setting up public-private partnerships to disseminate high-quality and credible research on SMEs to EU-wide investors (to increase DEMAND and SUPPLY)

For the SME segment of the capital market, there is a lack of research, even though adequate data exists. The relatively small size of SMEs makes research on them unprofitable within the current market structure. But such research is crucial for potential investors to make informed decisions. There are different ways of promoting research. For example, production of such research can be done by market makers if they are incentivised by financial support or by giving other forms of incentives. For instance, a certain fraction of trading revenues can be channelled to market makers to subsidise their SME research production. Alternatively, EU funding for market makers may come with a requirement to produce research.
Another, potentially more promising path is for the European Commission to create or provide funding for an EU-wide information/guideline website for SMEs interested in listing or interested in initiating research. Such a website could serve two distinct functionalities: one for the potential investors for those SMEs listed on the European markets and the other for those SMEs considering capital markets as an option. Please see the Annex to Recommendation 5 for more detail.

Functionality for the investors:

The first option would be a list detailing those companies listed on the stock markets (RM or MTF) which would include as much or as little information as the company would want to include, with participation being on a voluntary basis. This would allow companies to at least have the opportunity of 'spreading the word' about their company. The website could either include full information as detailed below including any research carried out or indicate where information can be found. Hence, it would be aimed at increasing the demand from investors.

- Companies can upload information such as:
  - Links/details of their profile
  - Links/Details of their directors
  - Links/Details of their share prices (eg delayed price feed)
  - Or information on where to buy their shares eg stock exchanges, what indices they are included in and whether any research on their company is available etc)

As an important element of the information to be provided on such a website, the EU could set up a public-private partnership to instigate high-quality research.

Functionality for the companies:

The second option would be there to help SMEs consider whether listing is the right option for them. It is often difficult to know where to start when seeking finance; to facilitate this, the website could provide basic guidelines on how and where to list. The website could include information such as:

- What does a company need to consider when trying to have access to finance through a capital market?
- What criteria does a company have to meet?
- What steps would they need to take?

- Who would they need to speak to?
- How successful is this option (include case studies)?
- Provide full contact details of all potential contacts to list
- The website could also include guidelines for companies interested in carrying out analysis and research
- Stock exchanges could provide information on their markets (to enable companies to compare regimes etc)
- EU legislators could provide information so that it is a source of knowledge such as information on corporate governance etc, relevant legislation e.g. PD, TD, MAD, MIFID relevant to companies
- Governments perhaps could provide information on financing options/taxation related info – relevant for investors and companies
- Search engines would facilitate investors in identifying companies in particular sectors, of particular size, from a particular country, index to invest in.

RECOMMENDATION 6: Ensuring that all new regulatory proposals help the demand for and supply of listed SMEs, in particular by retaining the choice SMEs have with regard to listing (main market versus junior market) (to increase DEMAND and SUPPLY)

Underpinning the above-outlined recommendations is a supportive regulatory framework that stimulated both supply and demand sides of the market. Many regulatory initiatives could have a complex and unforeseeable impact on the demand for and/or supply of listed SMEs. Hence, all initiatives should be assessed on the basis of their net expected effect before being proposed/concluded, and they should be monitored closely after being adopted. One key regulatory objective should be to maintain the choice SMEs have between RM and MTF listings.

For example, we should assess and monitor the following policy proposals for their effects:

- Extending the Market Abuse Directive to MTFs could reduce the supply of companies willing to list on MTFs, whereas it might increase the demand from investors by boosting their confidence. Which effect is stronger is difficult to assess at this point. As the representative of the operators of many MTFs for SMEs, we do not object to the extension of MAD, but believe that this should exclude any part MAD that is seen as particularly cumbersome by companies (e.g. insider lists, which should not be mandatory for MTFs and could for instance be requested upon demand). Hence we recommend a targeted extension although we do recognise that some MTFs are already covered by MAD.
- By contrast, reducing the reporting burden on SMEs listed on RMs could increase the supply of companies willing to list on RMs, but suppress the demand by discouraging potential investors from investing. Like the supervisors of Europe, FESE has also opposed the so-called ‘proportionate regime’ for SMEs.
- Finally, the conduct of business rules of MiFID could influence how widely available SMEs are to retail investors. Execution-Only rules and research rules have to be analysed in this context.

ANNEXES IN SUPPORT OF SELECTED RECOMMENDATIONS:

RECOMMENDATION 1:

Case studies of recent public initiatives clearly demonstrate that such incentives can increase investor demand

Fiscal incentives for investments in SME in France

SME definition (EC recommandation n°2003/361/CE)

- *< 250 FTE*
- *Max € 50m turnover*
- *Max € 43 total assets*
- *Potentially other criteria (ie not belonging to a large group, independence criteria…*

Who is concerned?

Entrepreneurs who underwrite the capital of their own SME

Physical persons domiciled in France who underwrite capital of a SME and do retain for 10Y the total quantity of shares.

Conditions

- *Shares to be held until 31/12 of the 10th anniversary*
- *May not be negotiated on a regulated market*
- *May not be held on a stock saving plan or a salary savings plan*
- *SME need to be located within the EU member states or the EEC (excl Lichtenstein) and be submitted to the withholding tax of their country*
- *Pure holding companies or REIT who opted for the withholding tax are excluded*
- *Minimum of 2 FTE's at the closing of its first year of incorporation since 01/2011*
- *Shares eligible are for a capital constitution or increase*

***In case of a cap increase**: Max revenues of €40m or max total assets of €27m before the operation (the case might be on a consolidated basis)*

Subscriptions within holding companies who invest in operational companies are eligible, conditional to the holding respecting itself eligible conditions (except its activity). This permits to business angels who invest through dedicated structure to benefit of the tax advantage.

Fiscal advantages

Reduction of withholding tax with 22% of the invested amount

Potential reduction of the fortune tax with 50% of the invested amount

Interest on loans to subscribe to the capital may be subtracted

Fiscal regime for SME shares not quoted on a stock exchange: reduction with 22% of the invested amount capped to €5000 per person in a couple.

Yearly Cap

- € 40000 for a couple for the 22% reduction
- Increased cap (€90000 for a couple) for subscriptions till 31/12/2011 to companies adhering to following conditions :
  - Existence of < 5Y
  - < 50 FTE
  - < €10m turnover
  - Certain sectors excluded

Cap also to be managed within the global tax advantage regimes existing in France.

An example is BSB, a company listed on Alternext Brussels who had an IPO on 18/07/2008 and specializes in publishing software programs intended for the finance sector. It raised €4.3mio, mainly through French subscribers benefiting of the regime.

ANNEX 2 - RECOMMENDATION 5:

FRANCE:
An initiative in France was launched in February 2011 by the 'Observatoire de Financement des Enterprises par le Marche' to set up access to financial analysts for SME listed companies.
This initiative was launched at the request of Christine Lagarde, Minister of Economy, Finance and Industry, as part of its work to increase access to SME financial markets, and will ensure those companies will have access to carrying out research by a financial analyst at a reduced cost and increase their stature in the financial community.
The following companies have agreed to be involved:
– L'Association Française de la Gestion financière (AFG),
– La Compagnie des Analystes Financiers Indépendants (CAFI),
– L'Association Française des Marchés Financiers (AMAFI),
– La Caisse des Dépôts et Consignations (CDC),
– MiddleNext,
– NYSE Euronext,
– La Société Française des Analystes Financiers (SFAF).

Eligibility:
Eligible companies must not have received financial analysis over the last 18 months. The market capitalisation of the company and the average volume of transactions recorded daily will also be considered.

Costs:
The financial analysis will amount to 4667 Euros (exc VAT) for the company, a third of the total cost -14 000 Euros. The other two thirds will be borne by investors represented by the AFG and NYSE Euronext.
The analyst selected by the Conseil de l'Analyse Financièrewill be required to forward its analysis to the company after three months.

SPAIN:
In September, BME and the Spanish Institute of Financial Analysts (IEAF) launched InResearch, an independent financial analysis service for companies listed on the markets managed by BME.

Those companies wishing to receive greater research coverage may apply for the service, through which the company's shares will be covered by the most appropriate analyst of all that make up InResearch. Listed companies may request this service which offers advantages such as the independence, quality and dissemination of the reports.

- Independence with respect to financial intermediaries, breaking the premise of share coverage according to the commissions generated.
- Quality analysis prepared by experienced analysts with extensive professional experience in each fields.
- The service also includes dissemination of reports drawn from different market information sources that will complement the coverage offered by the company itself and its own analysts.

To guarantee the quality of this service, InResearch has established a transparent, professional and disciplined selection process in accordance with the best market practices in financial analysis. Analysts interested in taking part will enrol on the InResearch Analysts' Register. In order to do this they need to have more than three years experience, be a member of IEAF (or undertake to join within twelve months) and to commit to follow the company for at least two years.

A Technical Analysis Committee (CTA) made up of five IEAF members, of high standing in the Spanish financial analysis sector and chaired by Ignacio Gómez Montejo, Director of International Capital Research (ICR), will oversee the selection of the most suitable analyst for each company and ensure the quality and independence of all analysis produced.