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EuropeanIssuers observations on the Revision of the Guidelines on State Aid to promote risk finance investments 16 July 2021

In the context of the European Commission's call for feedback on the revision of the guidelines on state aid to promote risk finance investments, EuropeanIssuers would like to emphasize some of the main points of interest.

EuropeanIssuers acknowledges the particular burdensome regulatory frameworks applied to SMEs, and fully supports and has advocated for recommendations which are based on key principles of simplification, proportionality and flexibility for SMEs, with the aim of creating a better environment for these companies. In this context, EuropeanIssuers supports measures which further simplify and clarify the application of rules to facilitate the deployment of state aid schemes in support of risk finance, in particular to address the market failure preventing SMEs in the EU from attracting the financing required for them to grown and succeed. Member States should be allowed and encouraged to create further tax incentives for SMEs, even beyond the Risk Finance Guidelines.

In particular, EuropeanIssuers contributed to and welcomed the final report of the Technical Expert Stakeholder Group (TESG) on SMEs of the European Commission, which, among others, provided concrete recommendations on ways to create tax incentives for SMEs. As such, the TESG on SMEs advised on the need to revise the Risk Finance Guidelines (RFG) in order broaden the definition of eligible undertakings which may benefit from tax incentives.[1] Such recommendation, if taken on board, would allow a higher number of smaller companies to benefit from tax incentives.

More concretely, EuropeanIssuers is in favour of the TESG for SME's recommendation to broaden the scope of the eligible undertakings definition under the Risk Finance Guidelines to all listed companies on MTFs having a market capitalisation below EUR 1 billion, and in addition, investigate the possibility of having SMCs listed on RM be considered under the eligible undertakings definition. In the alternative, as per Recommendation 11 of the final report of the TESG on SMEs, the Risk Finance Guidelines should take into account the possibility of having the definition of SMEs (SMCs) to all listed companies on an MTF having staff headcount up to 500 employees.[2]

[1] Final Report of the Technical Expert Stakeholder Group (TESG) on SMEs, *'Empowering EU Capital Markets for SMEs – Making Listing Cool Again'*, Annex I – Technical Recommendations, Recommendation 11 – Creating Tax Incentives, available at https://ec.europa.eu/info/sites/default/files/business_economy_euro/growth_and_investment/documents/210525-report-tesg-cmu-smes_en.pdf, last accessed 1 July 2021.
[2] *Ibid.*

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In addition, Member States should be allowed to consider the tax schemes aimed to support SME investment research in unlisted SMEs and SMES listed on alternative market as 'aid for scouting costs' under Article 24 of the General Block Exemption Regulation.[3] In this context, an amendment of the General Block Exemption Regulation is deemed necessary.

While EuropeanIssuers encourages and welcomes the revision of the Risk Finance Guidelines as proposed by the European Commission with its envisioned measures, we suggest that the full recommendations of the final report of the TESG on SMEs are taken into account and considered for the final proposal of the guidelines with the aim of allowing Member States to create further tax incentives for SMEs and ultimately improve the environment for SMEs as a whole.

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EuropeanIssuers is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. There are approximately 13,225 such companies on both the main regulated markets and the alternative exchange-regulated markets. Our members include both national associations and companies from all sectors in 14 European countries, covering markets worth €7.6 trillion market capitalisation with approximately 8,000 companies.

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer term. We seek capital markets that serve the interests of their end users, including issuers.

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[3] *Ibid.*