

Date July 2021

**Subject Euronext's Answer to the Commission's consultation on its revision of the Guidelines on State aid to promote risk finance investments**

---

1. Euronext welcomes the Commission's targeted revision of the Guidelines on State aid to promote risk finance investments (the "Risk Finance Guidelines"), with the aim at facilitating access to finance by SMEs and medium capitalisation companies.
2. We share the Commission's assessment that SMEs play a crucial role in Member States' economies and that, in order for them to be able to grow, there is a need to tackle the existing financing gaps that affect SMEs and small mid-caps.
3. We understand that the Commission provided a strong focus on SMEs' access to credit, in its 2014 Risk Finance Guidelines, with a view to tackling the issue of asymmetric information. Now, we believe that the Commission should now consider alleviating other identified market failures or other relevant obstacles preventing SMEs' access to finance, most notably in respect to SMEs' difficulty in accessing to equity and debt public capital markets.
4. We fully support the assessment of the Technical Expert Stakeholder Group (TESG) on SMEs that action is needed to reduce the barriers for SMEs to list in Europe and strengthen their access to public equity markets<sup>1</sup>. Listing on public capital markets allows SMEs to accelerate their business growth<sup>2</sup>, and enables them to become a key driver of new investment and job creation in the EU.
5. As they currently stand, EU risk finance policies are based on the assumption that "companies listed on the official list of a stock exchange or a regulated market cannot be supported through risk finance aid, since the fact that they are listed demonstrates their ability to attract private financing."<sup>3</sup>
6. This assumption should be challenged in order to allow new policies to support SME listings on public markets at national level, notably in the context of the new CMU Action Plan which aims to alleviate listing constraints and encourage investor participation in SMEs, admitted to trading on Multilateral Trading Facilities (MTFs, such as the EU SME Growth Markets) or Regulated Markets (RMs).
7. We believe that the Commission should implement the TESG's recommendations. In the framework of the Risk Finance Guidelines review, Euronext supports the TESG's recommendation 11 that **the Commission should consider enabling Member States to support SMEs facing difficulties in gaining access to capital markets** by:
  - a. **including a definition of a Small Medium Capitalisation Company (SMC)**, which are SMEs listed on alternative venues (MTFs or SME Growth Markets)

---

<sup>1</sup> Empowering EU Capital Markets for SMEs – Making listing cool again – final report of the Technical Expert Stakeholder Group on SMEs

<sup>2</sup> Commission Staff Working Document, *Impact assessment accompanying the document proposal for a Regulation of the European Parliament and of the Council amending regulations (EU) no 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets*, 24 may 2018

<sup>3</sup> Communication from the Commission: Guidelines on State Aid to promote risk finance investments (2014/C 19/04)

with a market capitalisation of €1 billion in the Risk Finance Guidelines, to allow a higher number of smaller companies to benefit from tax incentives which would be compatible with State Aid rules.

- b. **amending Article 24(2) of the General Block Exemption Regulation (GBER)** in order to clarify that aid for scouting costs can be extended to support SME investment research in unlisted SMEs.
- c. **clarifying that studies** (commissioned and funded by the Commission) **proving the existing public equity capital market failure in the EU may be used by Member States** to prove such failure in the clearance procedure.

8. In addition, Euronext believes that the Commission:

- a. consider encouraging Member States to introduce tax benefits to stimulate investors' participation in SMEs listed in their jurisdictions. For example, we believe that SME market segments could be **relieved of dividend tax for investors investing in listed SMEs**.
- b. encourage SMEs to create and promote **SME dedicated investment vehicles**, encouraging individual investors to pursue either an active or passive investment strategy on capital markets. This can be done by introducing tax incentives that have proven to be effective in the past, as is the case in France with the creation of the [PEA-PME](#) investment vehicle.
- c. consider encouraging Member States to stimulate the SME market segment by using **government-funded repayable loans to cover SMEs' IPO expenses**, repayable by the SME after it has raised funding on the public markets. This would help SMEs cover pre-IPO costs for roadshows and advisory services (audit, equity, communication, etc..).
- d. **consider extending the scope of the GBER including also debt instruments**, allowing SMEs issuers of debt instruments listed on multilateral trade facilities to benefit of the measures provided by the Guidelines.

