Capital Markets Union Mid-Term Review

Roundtable on SME Access to Finance

Brussels, 20 March 2017

To frame discussions of the roundtable, **Allen Simpson**, **Chair of SME Working Group, Association for Financial Markets in Europe and Head of Public Policy, Corporate Banking, Barclays** delivered keynote presentation. Member States exhibit more similarities than differences as new companies face similar risks and probability of failure across the EU. It is important to distinguish SMEs by age, size and growth performance. High-growth companies (''gazelles'') are very few, but create disproportionately more new jobs than established ones. Therefore, we need to clearly separate high-growth companies from SMEs when discussing working capital needs.

Mr Simpson commented that there is a general gap for all forms of risk finance in the EU. Venture capital (VC) is fragmented and this affects the cost of pricing. In comparison, the U.S. has only three VC centres (i.e., Silicon Valley, San Francisco and the Boston-New York corridor) which account for 75% of venture capital investment in the country. Business angels' activity lacks scale and cross-border dimension in the EU. The crowdfunding market is small, but growing. Venture debt investments are mostly made by banks in high-tech companies. Venture debt represents a small percentage of total VC investment today, but it can smooth the transition between stages on the funding escalator and protect the value of shareholders' investment.

With respect to going public, data over the 2012-2015 period shows that the number of IPOs in the European main markets and multilateral trading facilities (MTFs) was higher than U.S. emerging growth companies (EGCs) for IPOs with market capitalisation below EUR 200 million and almost the same for IPOs with market capitalisation above EUR 1 billion. The big gap is the range in between where the U.S. saw 271 IPOs while only 103 companies went public in the EU.

Session I: How to increase equity investment into SMEs and diversify its sources?

- Equity crowdfunding
- Venture capital industry
- Initial public offerings and public equity markets
- Insurance investments in private equity and venture capital
- Investments in private equity and venture capital by the EIF

Oliver Gajda, Executive Director, European Crowdfunding Network stated that crowdfunding is well developed in some Member States; however, it is still below EUR 1 billion at EU level and not a fully developed market despite its significant growth over the last five years.

Crowdfunding platforms act as brokers / dealers. Unlike venture capitalists and business angels, equity crowdfunders do not have a say on the future of a company they invest in and cannot drive the company to an IPO. The default rate of crowdfunding investments is as high as for venture capitalists and business angels.

In the area of peer-to-peer lending, leading platforms have teamed up with financial institutions. So far this has not been the case in equity crowdfunding. However, there have been some contacts

between crowdfunders and venture capitalists and business angels due to (i) venture capitalists being interested in using crowdfunding as a feeder for their own platforms, and (ii) business angels being interested in using crowdfunding to get to know companies.

Mr Gajda concluded his intervention by calling for the introduction of public policies to improve the transparency of pre-IPO financing provided by crowdfunders, venture capitalists and business angels, for example by introducing standardised key performance indicators.

Anna Lekston, Head of Public Affairs, Invest Europe explained why the VC industry in the EU is small compared to the one in the U.S. Investors invest less because the funds are small which leads to a funding gap. Moreover, some VC funds operate within national borders and rely primarily on local investors. Very often, these funds have no proper passport to market their services across borders. The reason is that they are too small to comply with the AIFM Directive and at the same time cannot meet some criteria of the EuVECA Regulation. The only possibility to operate cross-border is through the national private placement regime which is not available in all Member States. Hence, Ms Lekston also called for the creation of an EU voluntary passporting framework for smaller managers below the AIFMD threshold.

The VC industry lacks large institutional investors (they form only one-sixth of the investor base in the EU). But VC offers good investment opportunities for institutional investors. One main barrier to investment is the small ticket size of the funds. Institutional investors are also disincentivised by prudential regulations. The latter are not fit for purpose as private equity and venture capital do not fit in a standardised model with daily market prices. Ms Lekston urged the Commission to remove barriers preventing institutional investors from investing in VC, for example by reviewing Solvency II risk calibrations.

The size of the VC funds should be increased. The CMU initiatives on pan-European VC Funds-of-Funds and revision of the EuVECA Regulation are good measures, but their success will depend on their implementation. The final text of the EuVECA Regulation should not impose too high capital requirements for VC fund managers. Ms Lekston also insisted that national private placement regimes be maintained. She repeated her call for creating a workable voluntary passport for funds that for various reasons are not able to apply for AIFMD / EuVECA recognition. This could help VC fund managers to get funding from investors across the EU.

Aleksandra Palinska, Senior Policy Adviser, EuropeanIssuers stressed that the IPO market is subdued since the 2007 financial crisis. There have been around one thousand de-listings in the period 2009-2016. This shows that the capital markets do not satisfy the needs of many companies.

In order to have healthy pre-IPO markets, we need healthy public equity markets and good exit opportunities to enable companies to move along the funding escalator. The main challenges for transitioning from private to public markets are regulatory and governance ones. Increased regulatory costs deter listings and encourage exit from stock exchanges, so there is a need to change the business model of these exchanges. In addition, listing entails a change in management role and corporate culture. Companies need to meet their corporate governance duties.

There is also a need for an efficient and cost-effective shareholder identification system in the EU. The Shareholder Rights Directive was agreed last December and may contribute to establishing such a system. This will depend on its implementation, notably as regards the threshold of application (there is some flexibility left at national level).

The Market Abuse Regulation in force since July 2016 would negatively affect small companies listed on multilateral trading facilities. As the Level 2 measures were delayed and MiFID II is not yet in

force, this creates problems for the exemption of SMEs quoted on growth markets. These SMEs will have to comply with full requirements for a temporary period before being able to benefit from alleviated requirements in a second phase, leading to investment in onerous compliance for a limited period. This is counterintuitive and disproportionate.

The new prospectus rules may not bring the major change expected. The extent of regulatory alleviation will depend crucially on the upcoming Level 2 measures. Provisions for secondary issuance are attractive for SMEs, but there are still no alleviated disclosure requirements for SMEs. EuropeanIssuers called for supervisory convergence in this area.

In her closing remarks, Ms Palinska insisted on the following: i) exit opportunities offered by public markets; ii) the need to properly check all the regulations applicable to listed companies; and iii) the need to improve financial literacy.

Olav Jones, Deputy Director-General, Insurance Europe explained that insurers invest only a limited amount in small companies. Based on a survey representing 40% of the market conducted in 2013, investments by insurers in private equity and venture capital were estimated at EUR 22 billion out of EUR 10 trillion assets under management. The big barrier to such investment is the lack of scale: insurers cannot invest on a company-by-company basis and prefer to invest in funds.

Insurance Europe is supportive of the STS securitisation proposals, the revision of the EuVECA Regulation and the ELTIF framework as they would lead to more investment in SMEs. There should be enough investment opportunities and a supportive capital treatment in order for SMEs to receive investment attention from insurers. Imposing too strict criteria for eligible investments in these funds should be avoided. It is also important to encourage local initiatives (e.g., euro croissance funds in France[1]) and to avoid crowding out private initiatives.

He welcomed recent revisions of the Solvency II Directive, but the change they brought is marginal. Investments by insurers are treated as trading investments while they should be treated in the same way as EU funds. In its risk modelling, Solvency II assumes a forced sale of the whole portfolio at the worst moment while investment in private equity (PE) / venture capital only represents 1-2% of the insurance industry's balance sheet. Moreover, there is no PE / VC market in the EU. Hence, a solution should be found to have a truly risk-based calibration of insurers' investments in private equity / venture capital.

Jacques Darcy, Associate Director, Equity Investments, European Investment Fund briefly described the way in which the EIF acts in the area of private equity / venture capital. The Fund invests directly in PE / VC by supporting technology transfers from universities to the market and by providing guarantees.

He highlighted two main challenges to the development of this funding market: i) the intellectual property regime which is crucial as its non-application may lead to possible severe losses for SMEs, and ii) improving the growth stage / pre-IPO financing.

He then wondered whether Europe is not becoming an incubator for the U.S. Companies leaving the EU usually do so due to lack of funding during their growth stage. While the fact that they are leaving is not a problem per se, they should be sold at the right price. This also has an impact on the location of their headquarters and manufacturing centres (such de-localisation is often a result of having too many third-country investors). This is ultimately an issue of economic sovereignty.

[1] http://www.eurocroissance.net/

Mr Darcy supported the need for an efficient passporting system for VC funds as currently we have mainly national markets.

Exchange of views with the audience: a business association representative stressed the lack of eligibility for tax incentives when VC funds invest cross-border and also called for addressing other barriers that discourage EU entrepreneurs.

A representative of a Member State government stated that the publicly supported financial instruments for SMEs are not overloaded with demands and wondered whether there is a real shortage of funds. He called for more focus on the investment readiness of entrepreneurs.

Final remarks by panellists: Olav Jones focused on the importance of creating a link between the demand and supply sides. He considered tax incentives as important to kick-start the financing process. Accessibility to SME markets for insurers should be improved. The 2018 and 2020 reviews of the Solvency II Directive are very important in this respect.

Jacques Darcy underlined that investment readiness is essential. It is important to regularly re-assess priorities and re-direct funds, if needed. The impact of digitalisation should also be taken into account.

Oliver Gajda commented that the cost of scaling up is too high for venture capitalists and crowdfunding platforms in the EU. This means that they should change their business model if they want to expand and do cross-border business.

Anna Lekston said that there is enough public money in VC funds. What these funds also need is “smart money” or assistance to scale up to fund growth companies and not only start-ups.

Alexandra Palinska recalled the importance of tax incentives to increase equity investment into SMEs. She advocated for more entrepreneurial focus and for removing regulatory barriers that discourage investors / companies from providing / using this type of funding.

Session II: How to increase debt provision to SMEs and diversify its sources?

- Funding Circle SME Income Fund
- BNP Paribas European SME Debt Fund (ELTIF)
- Non-bank lending and loan-originating funds
- Investment in debt funds by the EIF
- Private placement

At the start of this session, **DG FISMA** delivered a short presentation on the European Long Term Investment Funds (ELTIF) framework.

Richard Boleat, Chairman, Funding Circle SME Income Fund delivered a presentation. He explained that SME debt financing is difficult in the EU as Member States, languages and regulatory systems differ. This creates frictions and leads to additional costs. Currently, Funding Circle does not operate cross-border. It recently closed its Spanish business as there is a lack of awareness of peer-to-peer lending opportunities in Spain. Managing a Spanish business from the UK turned out to be too difficult. In fact, it is hard to deal with potential lenders from different jurisdictions.

Mr Boleat closed his presentation by advocating for harmonisation of laws and regulations (notably in terms of documentation required), and insisting on the need to further integrate peer-to-peer lending with securitisation.

David Bouchoucha, Head of Private Debt and Real Assets Group, BNP Paribas Investment Partners informed the roundtable that his group manages a portfolio encompassing private debt funds (ELTIF and non-ELTIF ones), securitisation and collateralised loan obligations (CLOs). He underlined that it is important to develop all these channels to serve different SME needs. BNP Paribas started with venture debt funds focused on large caps and then enlarged its scope of activity to mid-caps through private placement. Since last year it also funds SMEs through an ELTIF named BNP Paribas European SME Debt Fund.

This ELTIF gives SMEs the possibility to access a package composed of traditional bank loans (5-year maturity) and longer term credit lines (7-year maturity) to fund organic growth and acquisitions.
BNP Paribas launched the Fund with the support of the EIF. Mr Bouchoucha drew on BNP Paribas' experience with its European SME Debt Fund to make the following points:

- There is a strong appetite from investors for this product as they see it as a way of diversifying their credit exposure.
- The ELTIF's format is useful for the following reasons: i) it is a label well known by investors and internal governance bodies; ii) it creates a framework to lend directly to SMEs and therefore alleviates their bank dependency; and iii) it is based on harmonised rules.
- A few hurdles to operate cross-border remain. For example, exemption rules for withholding tax differ across the EU as do rules governing the ability of non-banks to give loans. There are also different documentation requirements. As a result, lawyers need to be consulted. This leads to higher funding costs for SMEs. It would have been easier for BNP Paribas to work only with French investors and SMEs, but the bank decided to make its ELTIF European from the start and invested in Belgium and Italy.

There is a need for better access to SME information. Some Member States have developed good practices in this area; for example, France has the FIBEN companies' database[2]. We need to generalise these best practices as this would allow ELTIFs to function more efficiently across borders.

[2] http://www.fiben.fr/

Jiří Król, Deputy CEO and Global Head of Government Affairs, Alternative Credit Council stated that assets raised by loan-originating funds in Europe in 2015 were higher than assets raised in the U.S., with the UK having a dominant position. However, continental Europe is catching up and for the first time assets raised there grew faster than in the UK.

Asset managers are focused on deals of significant size due to the scale effect. This means deals between EUR 10 and 100 million, but 15-20% of the deals on the market are for less than EUR 1 million. A lot of activity by the asset management industry is linked to the "sponsor-based" private equity deals which ease the due diligence process. The biggest issue for supply of capital is origination and finding the right deal. Technology plays an important role in this respect and funds specialising in deal origination through peer-to-peer platforms are growing.

On the demand side, non-bank lending is new. Hence, there is a strong need to raise awareness and improve education. As for regulation, it is important to look at non-bank lending restrictions. Tax barriers are linked to different categories of constraints; hence, a diversity of legal structures (not only funds) is needed to address such barriers.

Mr Król concluded his intervention by pointing out that ELTIF is a very useful vehicle; it could however be split between retail and professional investors as the needs of these investors are very different. He insisted on the importance of harmonising lending documentation and expressed his strong support for securitisation.

Francesco Battazzi, Head of Analytics and New Products, European Investment Fund gave a short overview of the EIF's support to debt funds. The EIF has invested in 17 such funds over the last two years to secure additional funding for SMEs. The focus is on debt funds providing senior and hybrid debt or only senior debt. Thus, the EIF channels institutional investors' money into the real economy.

The EIF stressed the importance of having efficient cross-border structures and welcomed work on withholding tax and cross-border distribution of funds. As for direct lending, it is important to have a harmonised framework in order to make it easier to operate on a pan-European basis. So far a lot of work has been done at national level and regulations with different requirements on loan origination by funds have been adopted in some countries. Loan-originating funds offer diversification to investors (possibility to fund long term needs) and SMEs (funding at longer terms).

Mr Battazzi insisted on the role of SME advisors (e.g. accountants). Currently, these advisors are mainly focused on tax aspects, but they could enlarge their role to improve SME access to finance by introducing SMEs to different types of financing.

At the end of his intervention, Mr Battazzi drew the audience's attention to the need for increasing transparency of SME information. There are no specific credit rating agencies for SMEs. Nor is there a single tool that gives information on SMEs. Instead different tools exist in different countries – e.g., Centrale dei Rischi in Italy, FIBEN in France, etc. Therefore, there is a need to create a single data warehouse with historical performance data on SMEs. The European Central Bank's European DataWarehouse project[3] is a good example of what can be done; it gathers data on the historical performance of securitisation transactions.

Patrik Karlsson, Director for Market Practice and Regulatory Policy, International Capital Market Association expressed his satisfaction with the attention that the European Commission is giving to private placement of debt instruments (successful regimes in France and Germany). 2015 was a very

[3] https://eurodw.eu/

good year for private placement with the raised amount reaching EUR 12.8 billion (excluding Schuldschein)[4]. 2016 will be less good, but overall the market is going in the right direction.

He referred to an Allen & Overy survey on alternative finance[5], which is becoming a more important part of the SME funding mix. Awareness among SMEs of this type of finance is increasing as is their willingness to use it. Alternative investors are also more willing to consider SMEs. This is partially due to the low interest-rate environment.

Mr Karlsson stressed that banks will still play a vital role as intermediaries in alternative finance due to their SME client network. This network is valuable for alternative finance providers as it facilitates contact with SMEs. He added that ICMA supports the SME bond market as this could become an important step on the funding ladder and on the way to entering the full public market. He also underlined the importance of SME information for investors.

Mr Karlsson concluded his intervention by referring to the STS securitisation proposals as the most important part of CMU for ICMA. He stated that the review of Solvency II should be a priority. He also pleaded for access to prospectuses at an earlier stage of the IPO process and explained that infrastructure investments saw bottlenecks that could be addressed.

In the ensuing discussion, a representative of a European banking association made supportive remarks about private placement and the German Schuldschein regime. A participant from an international organisation referred to a study on productivity performance which illustrates the misallocation of bank financing to companies operating in bank-centred economies[6].

4 Source: S&P's European Private-Placement League Table
5 Funding European business: Strengthening alternatives, Allen & Overy, November 2016
6 https://www.oecd.org/eco/The-Walking-Dead-Zombie-Firms-and-Productivity-Performance-in-OECD-Countries.pdf

Session III: How to facilitate SME access to finance by overcoming information barriers that stand between SMEs and prospective investors and lenders, including through FinTech solutions?

- Invesdor – crowdfunder and digital financial services provider
- Workinvoice – invoice trading platform
- SME information sharing
- SME access to alternative finance – signposting and information sharing
- SME financial literacy
- Investment in SMEs by the EIF and the EIF-NPI Equity Platform

Tero Weckroth, Chairman of the Board, Invesdor informed the roundtable that his company has a MiFID license and can be seen both as a crowdfunder and a provider of digital financial services. He gave an example of a Finnish company that did a EUR 1 million crowdfunding campaign attracting investors from 15 countries. One of the investors came from Belgium. As long as the Finnish company did not go public, that investor did fine. Once the company announced its IPO, the Belgian investor had to sell their stake as there was no custody service in Belgium. This example shows that the ecosystem did not work as the transfer of the Belgian investor's stake from Invesdor to Euroclear could not be done.

Mr Weckroth had three additional points: (i) equity crowdfunding is comparable to the equity rounds on capital markets; (ii) there is no smooth transfer from a late private stage to an early public one; and (iii) there is a lack of information regarding corporate governance. He called for the creation of a new pan-European framework for SMEs and added that the lack of information and insufficient knowledge of laws (e.g., insolvency and corporate laws) are the major obstacles to cross-border investments.

Matteo Tarroni, Chief Executive Officer, Workinvoice presented invoice trading platforms as one solution to SME funding challenges. These platforms give private and institutional investors the opportunity to invest in trade receivables. SMEs can get better funding conditions because they are trading against the credit quality of their counterparts. The invoice trading market has proven to be very efficient. To stimulate its growth, it is important that trade receivables are understood and that some level of standardisation is introduced.

The main risk to be assessed is the relationship between a company and its suppliers. Workinvoice gives a value to this risk using a model with four parameters: (i) a credit scoring done by a third party; (ii) SME financial figures; (iii) proprietary information from the SME; and (iv) historical data from the platform. The scoring can be automatic or require the judgment of a risk specialist. The model has proven to be very useful in Italy where SMEs have experienced a credit crunch and are coping with very long payment terms (more than 90 days in Italy versus around 20 days in Germany), which results in the need for more working capital.

Peter van den Bosch, Vice President, ACCIS and Chief Executive Officer, BKR noted that SME information plays a very important role. Less credit information sharing means higher demand for third-party verification. He stressed the need to look not only at start-up and scale-up issues, but also to take into account tickets of EUR 10,000. ACCIS plays a role in raising the availability of information and thus filling the information gap. A recent survey among ACCIS members showed that there are several barriers to information sharing: (i) national legislation on what type of investors can access the information (e.g., banks and traditional lenders can access it while crowdfunding platforms, private equity providers and venture capitalists cannot); (ii) data protection frameworks which are

developed for consumers, but not for SMEs - this leads to situations where the information cannot be shared even among banks; and (iii) lack of any legal framework for SME information sharing.

The World Bank stated that consumer information sharing is a vital part of the economy; this would certainly be the case for SME information sharing. To improve the breadth and depth of SME information, there should be also more use of alternative data such as invoices from other suppliers, and utility and telecom bills. A minimum level playing field of data availability would facilitate cross-border activity.

Concerns that need to be addressed include administrative burden, publishing of sensitive information that can be used by competitors and free-riding. Therefore, a discussion is needed with all shareholders to decide which information is crucial and which risks would justify the current barriers to SME information sharing. This should be coordinated at EU level as Member States have taken so far very little action in this area.

Gerhard Huemer, Director of Economic Policy, UEAPME recalled that 92% of SMEs are microenterprises. Start-ups and scale- ups are important, but there is also a problem of funding for riskier projects where financiers need more information. Investment in buildings/cars/machinery is feasible by, for instance, leasing. R&D and other intangible investments are much more difficult. He stated that most funding tickets are less than EUR 100,000 (the average is around EUR 65,000), so we also need to look at this SME financing segment.

According to the latest SAFE survey of the ECB[7], around 20% of SMEs are interested in using alternative finance. In order to make them more aware of this type of finance, Mr Huemer mentioned the UK initiative where banks have to signpost SMEs rejected for funding to designated platforms. However, those banks are reluctant to do it because this suggests some responsibility. A solution might be a reference to a neutral platform at Member State level (Germany and the Netherlands are already working towards such a solution).

The UK also requires banks to provide information to a register so that alternative finance providers can obtain information about SMEs. This leaves the big banks (large contributors to the register) unhappy and the small contributors happy, suggesting a problem of free-riding. In Spain, banks that decrease a credit line of an SME have to inform this SME in advance. He noted the importance of an SME having the right to see the data it provides to a platform/portal and decide who else is allowed to see this data. If the data is accessible by its competitors and / or sub-contractors, this can seriously harm competition or price negotiations, respectively. He suggested improving first the national situation and then, if necessary, opting for a European approach. For the majority of SMEs, cross-border funding is not their main problem.

Arnaldo Abruzzini, Chief Executive Officer, EUROCHAMBRES saw the low financial literacy of SMEs as their main problem. They enter a local bank and get confused by the large list of acronyms. An environment needs to be created where SMEs get to know much better the financial possibilities. He added that currently schools and universities do not provide the right education for this. He used the example of a smart phone to make the point that SMEs do not need to know how alternative finance works, but understand what it can do for them.

Jacques Darcy, Associate Director, Equity Investments, European Investment Fund said that the EIF invests mostly through intermediaries (funds) in SMEs; currently, there are more than 1,000 funds supported by the EIF. When the EIF's Chief Risk Officer (CRO) looks at the Fund's exposure to SMEs, he has a hard time to assess it as the information is not homogenised and very mosaic. Hence, the

[7] https://www.ecb.europa.eu/press/pr/date/2016/html/pr161130.en.html

CRO has to use many different tools to perform this assessment. There are several ongoing initiatives at national and cross-border level in this area. Mr Darcy proposed that a single repository of initiatives be created to help transparency and competition.

When fund managers want to get money from Germany, France and the Netherlands, they have to satisfy different documentation requirements and deadlines. In the context of the recently established EIF-NPI Equity Platform[8], the EIF is setting up a single data room which will include basic questionnaires with minimum information needed to invest, for example, in a venture capital fund.

Exchange with the audience: one academic noted the mandatory information sharing on payment accounts under the second payment services directive. He added that natural persons are in a better position than legal persons when it comes to data portability under the General Data Protection Regulation.

According to a representative of a European banking federation, bank funding for SMEs has recently improved; currently, around 80% of SME loan applications are successful. He agreed that education is key and mentioned the upcoming European Money Week as an opportunity to raise awareness about different financial products.

A participant from a credit services provider expressed her concern that most solutions will not give access to SME information any time soon. More SME information needs to be made public. Currently, many SMEs do not have to publish their annual accounts in a business register or, if they do, can select to make these accounts non-public. This opinion was seconded by an alternative funding provider who stated that SMEs should make a part of their information public if they want to be considered for core investment. More transparency is also needed on investors to judge their trustworthiness.

A business association representative advocated for the creation of a common data platform at European level as a way of modernising national SME credit information infrastructures. He insisted that SMEs should share their information on a voluntary basis and warned against too much standardisation as this may deprive SMEs of freedom of choice.

The last comment came from a representative of the credit service industry who referred to the blurred line between natural and legal persons as regards individual entrepreneurs. Carve-out is needed to access information on these entrepreneurs instead of relying on the General Data Protection Regulation.

Final remarks by panellists: **Matteo Tarroni** said that one has to make the right use of available data and transform it into something useful for investors; that is why he believes in the market approach. This approach will let SMEs with better quality information have better funding terms.

Tero Weckroth insisted that standardisation does not impede investment. Cross-border investments should not be actively blocked as is the case now.

Peter van den Bosch restated that it is important for investors to have good information on how an SME has behaved. There is no problem with SMEs having to give consent for the use of their information. He also insisted to look at small tickets.

Gerhard Huemer recognised that there is a market failure when it comes to providing SME information. He noted that banks look not only at the information in business accounts, but also at

[8] http://www.eif.org/what_we_do/equity/NPI/index.htm

the people applying for credit. He added that Member States differ in terms of SME information that can be collected and repeated his statement that we need to control the use of data.

Arnaldo Abruzzini said that the rationale for asking companies that go public to disclose more information is to enable investors to know in what they invest. Some argue that this should be different for SMEs and that SME information is more sensitive, but this is a problem of mindset. The more finance exposure to a provider an SME has, the more information it should share with this provider.

Jacques Darcy reiterated that we have moved into a big data world and are faced with a free-rider problem when not all funding providers have to share the same amount of data. Regarding the sensitivity of SME data, he noted that SMEs do not file for patents because it takes five years to get one. Moreover, a lot of data has to be disclosed which could be used by competitors. This could make a patent unenforceable. The disclosure then becomes a matter of size and legal form. For example, as most venture capital funds are limited partnerships, the amount of information they can share is very limited.

DG FISMA concluded the roundtable by remarking that there is a clear momentum in risk finance. There is an increased appetite for it and new business models are appearing. FinTech is leading to digitisation of trade finance, P2P lending, loan-originating funds, business angels' investment and crowdfunding. DG FISMA thanked the keynote speaker and all panellists and participants for their insightful and enriching contributions.