

FFI's response to European Commission's Targeted consultation on the listing act: making public capital markets more attractive for EU companies and facilitating access to capital for SMEs

SMEs are at the focus of the Listing Act. For bigger and more established companies, the process is not as heavy and expensive as it is for the SME issuers.

For big public rated companies, the EMTN program is a relatively big process, but in relation to the overall costs, EMTN costs are moderate. Stand-alone prospectus is not considered a particularly heavy process: it usually only lasts a few weeks, and the costs for the prospectus are only a small part of the overall costs. Hence, our members do not recognize special needs for change for either of these situations.

On the other hand, SME companies with listed bonds perceive the prospectus process as quite heavy, especially for non-listed companies. It is considered so difficult because most of the SME companies do not have the experience, know-how and/or the resources needed for the project. The information for the prospectus is not easily available, and some reporting experience and PR expertise are also needed. Listed companies do not perceive the prospectus process as burdensome. Although the process requires quite a lot of internal resources, the external costs are viewed as acceptable.

SME companies with non-listed bonds or hybrid bonds usually use investment memorandums instead of prospectuses. However, the costs and resources needed are in practice the same as with the prospectus, but the information requirements (no need to follow the rules of stock exchanges) and related costs are relatively lower, which generates savings.

With regard to the market sounding process, our members consider that the changes made to the process have not eased it as much as hoped, because it can only be applied in the rare cases where securities are offered solely to qualified investors. Regarding the MAR, our members support regulation where the issuers who only issue debt securities should not be subject to the same reporting obligations as the issuers of listed shares.

Our members can see that the general trend in the EU is to make listing easier for SME companies, but the end result is not successful. In fact, the proposed changes would make the listing more difficult because of increased regulation.

Furthermore, Finance Finland highlights that the Nordic listing markets have been exceptional in recent years. In 2021, for example, a total of 31 companies were listed on Nasdaq Helsinki (including moves from the First North Growth Market), making it an all time high in the listing market. This proves that the Finnish market works well, and this has to be kept in mind in the review of the SME Listing Act.

All things considered, it is important that SME companies also publish enough information for investors to estimate the risk of the investment. Easing the SME listing process to significantly reduce the information published is not the correct way to approach the problem. Our members support the TESG's proposal of allowing to

publish a prospectus only in English. This would reduce the costs of the process but would not reduce the amount of information shared.