



Brussels, 9th December 2015

Associations support 'Increased Equity Market Financing'

FESE, EuropeanIssuers, Invest Europe, Better Finance, AFME, EBF, EFAMA and the ECN welcome the European Commission's 'Action Plan on Building a Capital Markets Union' which is a thoughtful, well-structured package, giving priority to strengthening the European economy and stimulating investment to create jobs and growth. Market-based financing that serves smaller companies well is especially effective in generating jobs: For every five jobs lost by large companies during the crisis in the four largest EU members, small and mid-sized firms created one new job¹. 92% of new jobs are typically created by companies after they list².

Increased Equity Market Financing

We welcome the renewed focus on ways to provide the finance that is necessary for growth and jobs, and in particular the emphasis on encouraging equity finance.

There is a need for action (both legislative and non-legislative) at European level to facilitate more enterprise financing through capital markets by addressing the issues faced by issuers, investors and intermediaries

The Commission must further consider proposals to:

- Reduce the regulatory barriers and burden companies face when seeking capital;
- Improve the market ecosystem to better serve companies at different stage of growth through a funding escalator offering financing options from different types of investors;
- Ease constraints that restrict investors' access to broad public equity markets³ and encourage investments in equity funds, venture capital and private equity;
- Create an equity culture in Europe, including through education and other initiatives to raise awareness amongst small and medium size businesses and of investors of the benefits of equity.

European Small and Mid-Cap Awards 2015⁴

Many European small and medium sized companies and investors *do* already recognise the value of equity investing and the 2015 European Small and Mid-Cap Awards – being held today – honour the best IPOs by such companies over the last year. Events such as the Awards (now in their third year) help to highlight the benefits of equity financing and encourage smaller companies to consider this option.

¹ <http://files.gereports.com/wp-content/uploads/2012/06/TheMightyMiddle-GECapital.pdf>
<http://www.essec.edu/faculty/showRef.do?bibID=10477>

² Job Market Back on the Road to Growth, http://www.sec.gov/info/smallbus/acsec/rebuilding_the_ipo_on-ramp.pdf Original data quoted comes from the Venture Impact 2007, 2008, 2009, & 2010 by IHS Global Insight; IPO Task Force August 2011 CEO Survey

³ Broad equity markets have performed much better than "narrow" (big caps only) markets over the last 15 years at least: For example the Stoxx Europe GR (50 large cap stocks) returned +8% from 2001 to 2014 while the Stoxx Europe Total Market GR (about 1400 stocks) returned + 50% over the same period (Better Finance research:

http://betterfinance.eu/fileadmin/user_upload/documents/Research_Reports/en/Pension_Report_2015_Edition_For_Web_01.pdf.

⁴ <http://www.fese.eu/european-small-and-mid-cap-awards-2015>