SME in Brazil

Luciana Dias
Comissioner

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Comissão de Valores Mobiliários
Protegendo quem investe no futuro do Brasil

| **Brazil**	▪ **25 IPOs**, raised USD12 billion, for an average ticket of USD490 million, totalizing **452 listed companies** in Dec/12.
Australia	▪ **268 IPOs**, raised USD48 billion, for an average ticket of USD179 million, totalizing **2,056 listed companies** in 2012.
Canada	▪ **766 IPOs**, raised USD163 billion, for an average ticket of USD210 million, totalizing **4,060 listed companies** in 2012
UK	▪ **231 IPOs**, raised USD47 billion, for an average ticket of USD203 million, totalizing **2,414 listed companies**

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IPO of Companies Invested by Private Equity (BRL million)
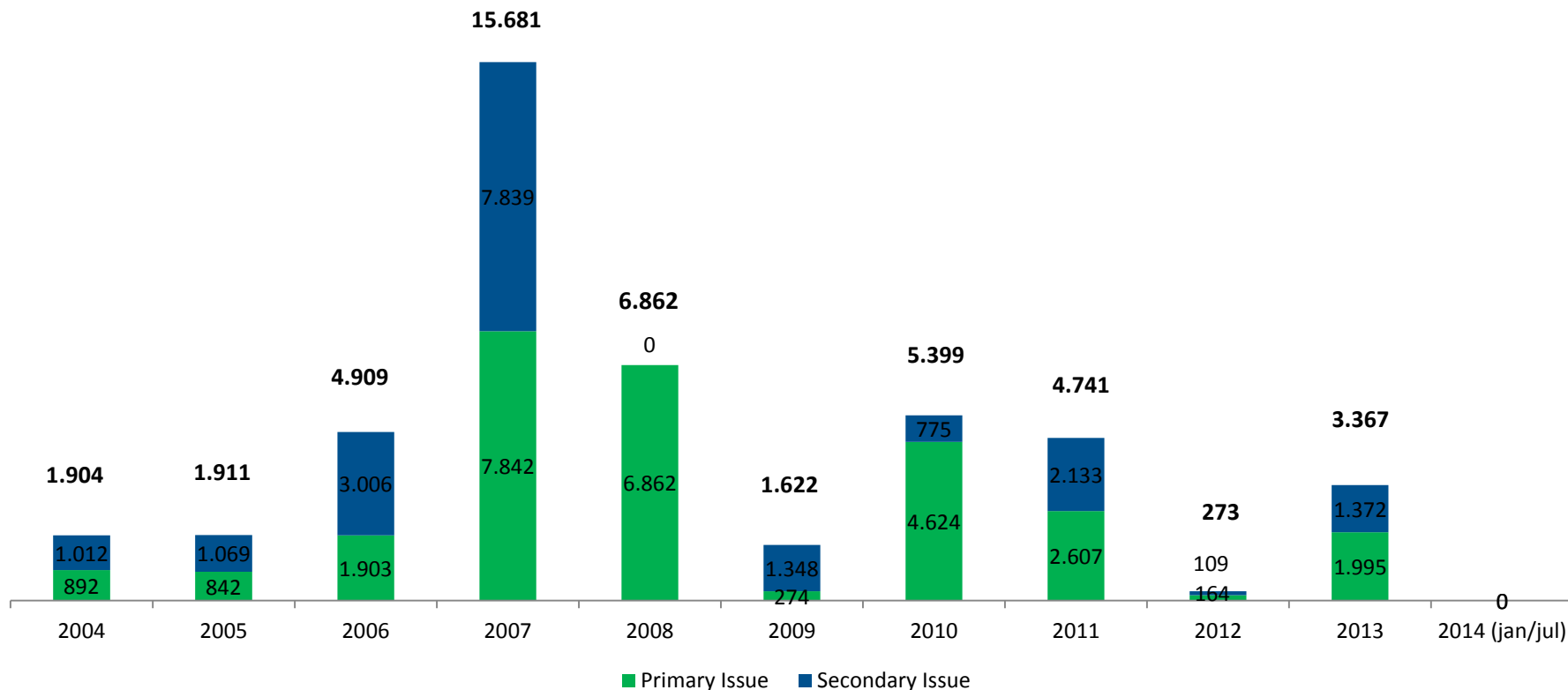
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 (jan/jul)
IPOs Total	7	8	24	58	4	5	11	11	3	10	0
Invested companies	3	4	9	17	2	3	5	8	1	6	0

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Changes	▪ Sustainable growth ahead ▪ Traditional funding sources are not enough ▪ Lower interest rates are driving investors to riskier asset classes
Public and Private Sector joint initiative	▪ Fostering the development of SMEs access to the capital markets ▪ Working Group to understand international experiences (Canada, United Kingdom, Poland, Australia, Spain, South Korea and China)

Equity Financing SME´s through Capital Market

WORKING GROUP REPORT

INTERNATIONAL EXPERIENCE

ABDi   BNDES   BM&F BOVESPA
                  A Nova Bolsa

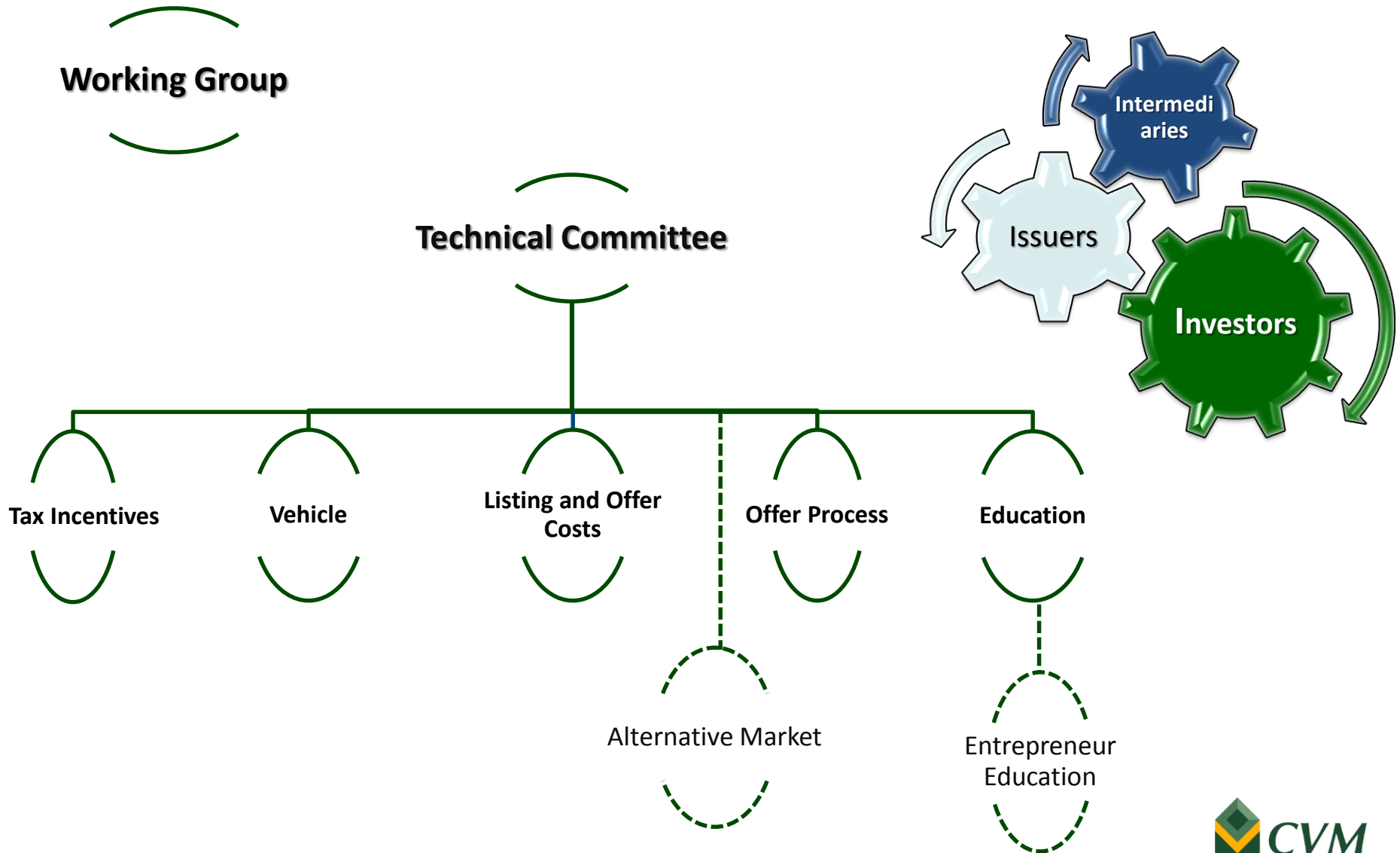CVM   FINEP   Ministério da Ciência, Tecnologia e Inovação   BRASIL

▪**Action details:**

✓**International Assessment:** visit to UK, Poland, Spain, Australia, Canada, China and South Korea in 2012.

✓**Creation of a Technical Committee** in November 2012.

✓**Technical Committee Proposed** an Action Plan to develop a market environment favorable for IPOs below USD 300 MM, in March 2013.

✓**Presentation of Action Plan** to the various entities that were supposed to take action in June 2012 and on.

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- **Local investors** are main buyers of IPOs

- In some markets **tax incentives** for investors were relevant

- Regulatory discounts **are not significant** for medium enterprises

- Fixed costs of IPOs **are not a barrier** and in Brazil these costs are lower

- Small IPOs have **simplified prospectus** and need not be registered with regulator

- **Intermediaries specialize** by size of IPO

- In most countries there is a **simpler offer procedure** with reduced costs

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Working Group

Technical Committee

Intermedi aries

Issuers

Investors

Tax Incentives

Vehicle

Listing and Offer Costs

Offer Process

Education

Alternative Market

Entrepreneur Education

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Technical Committee's proposal for eligible companies

- Eligible small caps defined by following criteria:
  - **Size**:
    — Market cap of **less than R$700 million** (based on IPO price) + net sales of **less than R$500 million** prior to IPO

  - At least 67% of free float issued for IPO

  - **Stock admitted for trading in special segment** of exchange or organized OTC market contractually assuring **best practices in corporate governance,** including at least:
    — Mandatory public offering of shares tendered at economic value if company exits special listing segment
    — Arbitration to resolve corporate disputes
    — 100% tag along
    — Explicit pledge in bylaws to give all shares voting rights at least in certain specified matters

- Benefit **extensive to already listed companies** that meet these eligibility criteria

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- Investors Front:

  - Exemption from capital gain tax for investors who buy shares of eligible companies directly or through Investment Funds with 2/3 of NAV invested in eligible companies (MF)

  - New rule for **private equity fund** (FIP) allowing for funds to invest up to 35% of its net asset in SME (CVM)

  - Creation of a **Investment Funds** with mechanisms to deal with lack of liquidity (CVM)

  - **Special allocation to co-invest** in funds dedicated to invest in **eligible companies** (BNDES)

- Issuers Front:

    - Exemption from the obligation to publish annual financial statements, and minutes of AGMs and EGMs, in an official journal (MF)

    - **Public Offerings with Restricted Efforts --** a cheaper and faster way to offer (CVM)

    - Simpler rule to release **Material Information** (CVM)

    - Special allocation to **anchor up to 20%** of IPOs on BOVESPA MAIS (BNDES)

    - Companies listed on BOVESPA MAIS are **exempt from payment of annual fees and IPO settlement fees** to the stock exchange and have **exchange sponsored analyst coverage** for two years (BM&FBOVESPA)

    - **Training program** for owners of unlisted companies (ABDI and BM&FBOVESPA)

Thank you

www.cvm.gov.br

dld@cvm.gov.br