

SME Financing Workshop

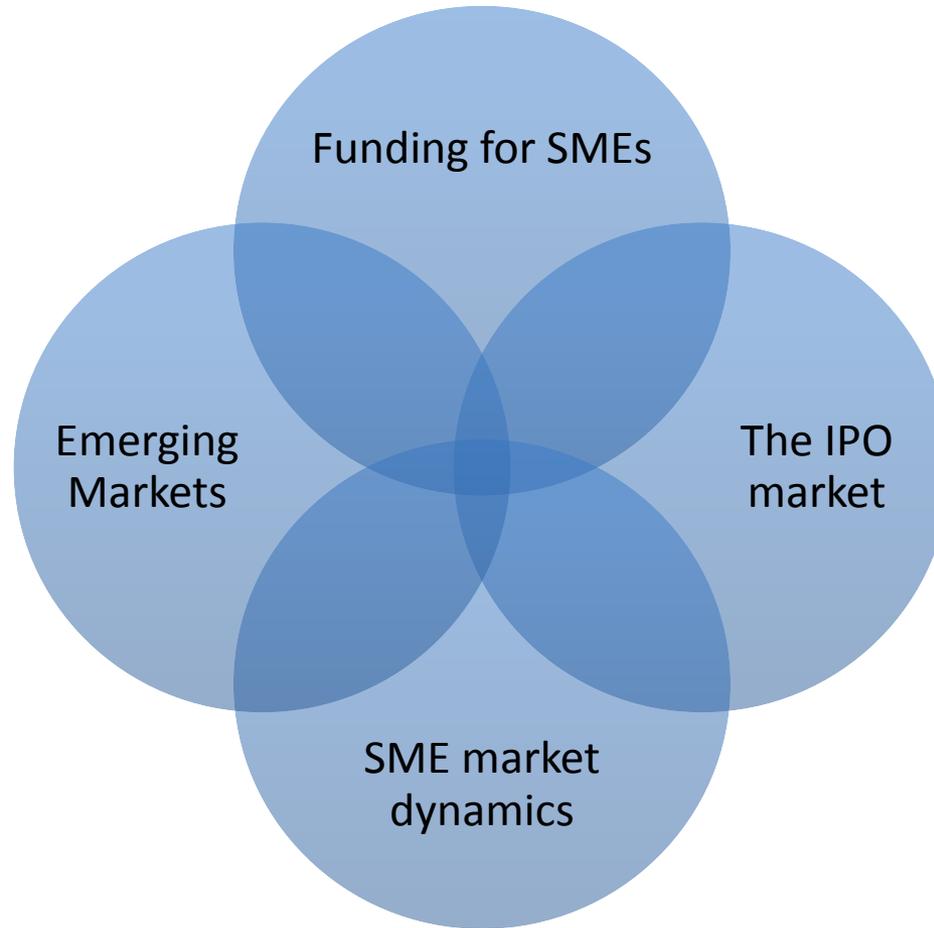
30 September 2014

IOSCO Workshop II

Rio de Janeiro

Peter Clifford

Overlapping issues



Overlapping issues

- Access to funding for companies
- IPO market
- SME dynamics in capital markets
- Emerging Markets & SMEs
- Alternative funding sources
- Topics for discussion

From a regulatory/ policy perspective

Access to funding

- Regulatory repercussions from Financial Crisis

“the implementation of the **Solvency II Directive** and **Capital Requirement (CRD IV)** will **reduce the availability of investible capital for private equity and venture capital funds**”

“It seems **unlikely that bank financing will ever reach the same levels... as existed prior to the financial crisis**, as banks will be facing restrictions in the credit and liquidity they can provide (in light of **Basel III**, the **Volker Rule** etc.)”

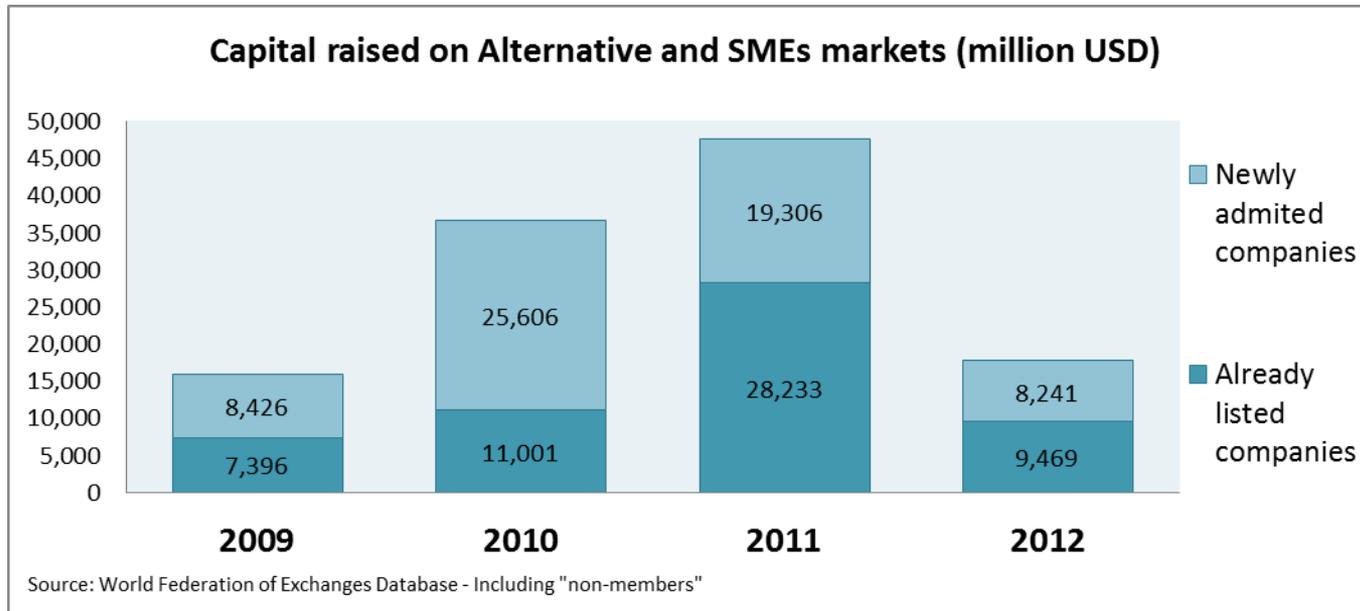
Report to ESMA – October 2012

Securities and markets Stakeholder Group

The benefits of the eco-system

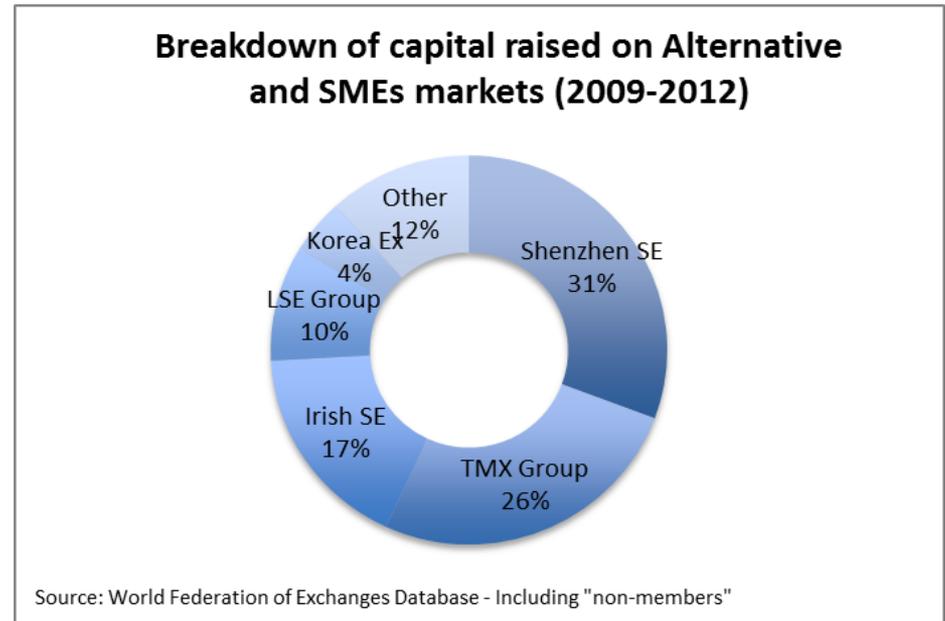
- A financial center provides the following services to the economy:
 - It is a platform to concentrate capabilities and developing a culture
 - Produces trust, reliability and standards
 - Liquefies forms of wealth that are illiquid
 - Allows global access to opportunities

Dedicated SME markets



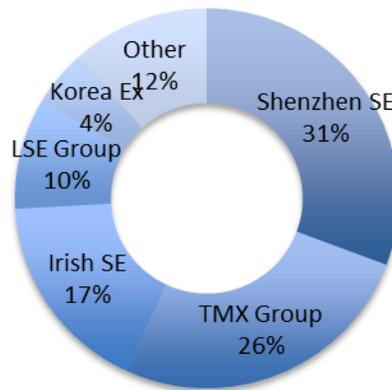
Examples of successful markets

- Successful markets are concentrated on a few exchanges (five exchanges account for 72% of capital raised)



5 markets raised 88% of global funds

**Breakdown of capital raised on Alternative
and SMEs markets (2009-2012)**



Source: World Federation of Exchanges Database - Including "non-members"

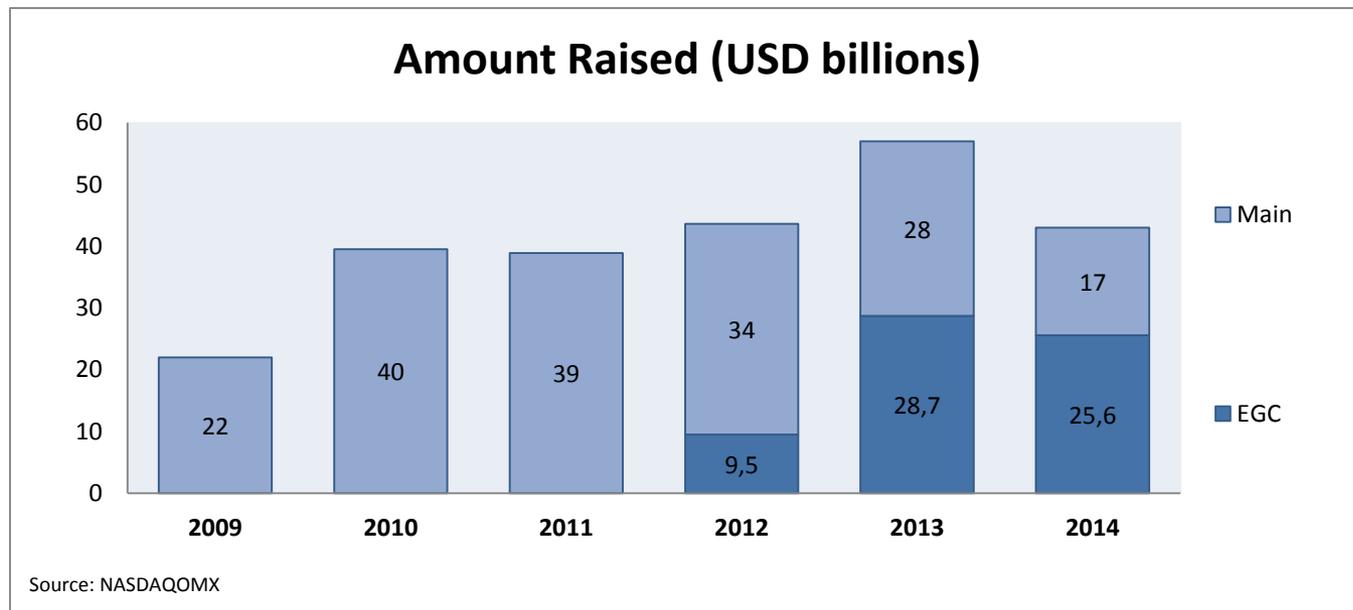
New regulation can revitalize markets

- The JOBS Act of April 2012, impacted new listings in the US market

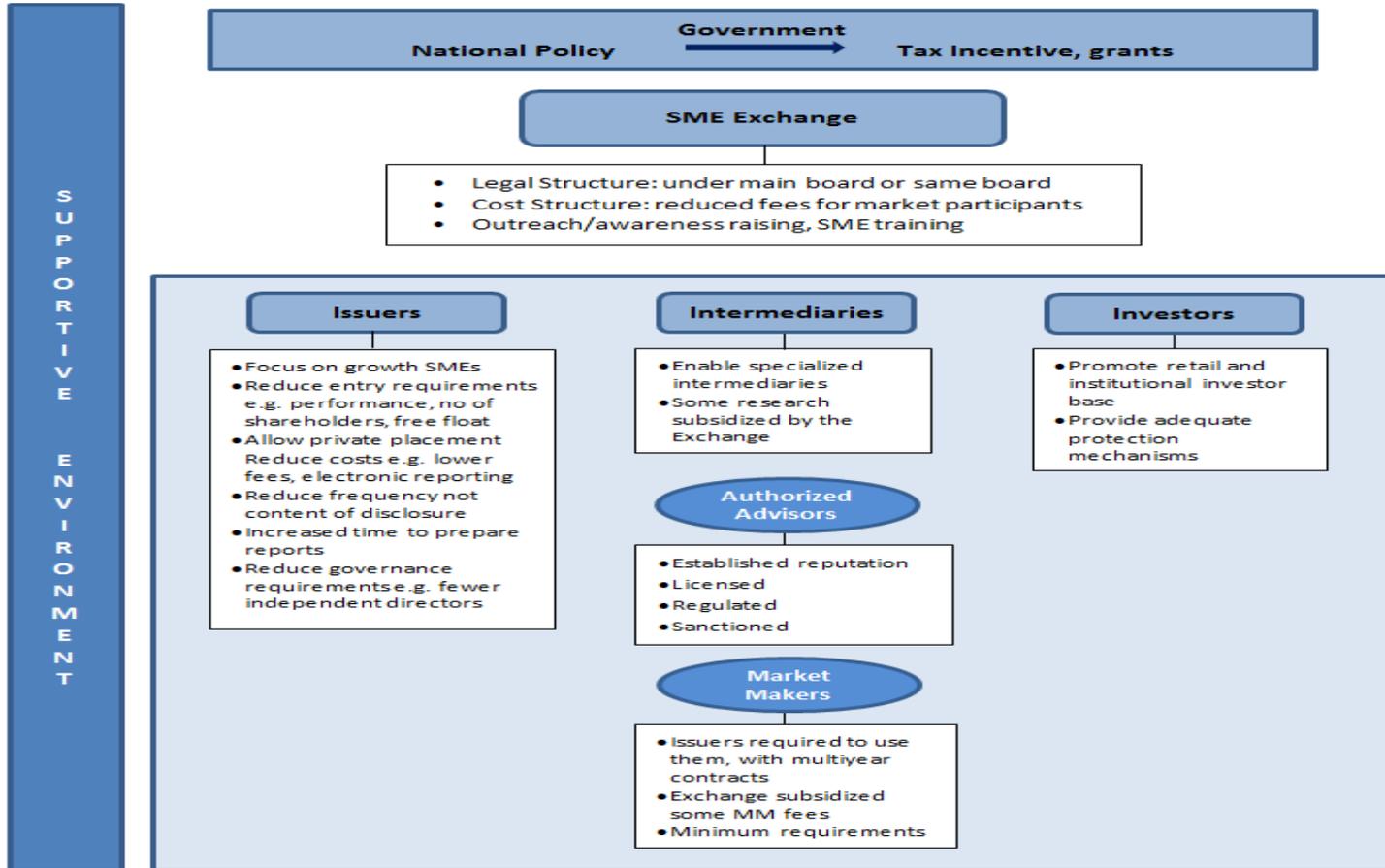


Capital raised

- EGCs now account for over 50% of capital raised



The regulatory DNA of a successful market?



Source: World Bank Group

Areas for further research

- Preconditions for developing SME exchanges
- Can SME markets be sustainable in small market countries?
- What is the best corporate governance approach for small companies?
- Policy choices for government / regulatory support in SME funding

SME Financing Workshop

- Today's speakers:

- **Nehal Vora** – Chief Regulatory Officer, Bombay Stock Exchange
- **Jonathan Medved** – CEO, OurCrowd
- **Liu Fuzhong** - Vice Director of Strategy & International Relations, Shenzhen Stock Exchange
- **Luiciana Dias** – Commissioner, Brazilian Securities and Exchange Commission

moderator

- **Peter Clifford** - Consultant, World Bank Group
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