SME in Brazil

Luciana Dias
Comissioner

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### IPO Market 2010 - 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Total IPOs</th>
<th>Total Raised</th>
<th>Average Ticket</th>
<th>Total Listed Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>25</td>
<td>USD12 billion</td>
<td>USD490 million</td>
<td>452</td>
</tr>
<tr>
<td>Australia</td>
<td>268</td>
<td>USD48 billion</td>
<td>USD179 million</td>
<td>2,056</td>
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<tr>
<td>Canada</td>
<td>766</td>
<td>USD163 billion</td>
<td>USD210 million</td>
<td>4,060</td>
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<td>UK</td>
<td>231</td>
<td>USD47 billion</td>
<td>USD203 million</td>
<td>2,414</td>
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IPO of Companies Invested by Private Equity (BRL million)

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</thead>
<tbody>
<tr>
<td>IPOs Total</td>
<td>7</td>
<td>8</td>
<td>24</td>
<td>58</td>
<td>4</td>
<td>5</td>
<td>11</td>
<td>11</td>
<td>3</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Invested companies</td>
<td>3</td>
<td>4</td>
<td>9</td>
<td>17</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>
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)
Assessment and creation of Technical Committee

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.
International Assessment - Main Conclusions

• 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
Discussion Groups

Working Group

Technical Committee

Tax Incentives
Vehicle
Listing and Offer Costs
Offer Process
Education

Alternative Market
Entrepreneur Education

Intermediaries
Issuers
Investors
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
Main Actions

- 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)
Main Actions

- 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

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dld@cvm.gov.br