SME Financing Workshop
30 September 2014

IOSCO Workshop II
Rio de Janeiro
Peter Clifford
Overlapping issues

- Funding for SMEs
- Emerging Markets
- The IPO market
- SME market dynamics
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 percussions 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

Capital raised on Alternative and SMEs markets (million USD)

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

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

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

![Listed Companies in US market](image)

**Source:** NASDAQOMX
Capital raised

• EGCs now account for over 50% of capital raised

![Amount Raised (USD billions)](source: NASDAQOMX)
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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