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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
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IOSCO publishes report on SME financing through capital markets

The International Organization of Securities Commissions (IOSCO) today published the report on [*SME Financing through Capital Markets*](#), which provides recommendations for regulators to facilitate capital raising by small and medium sized enterprises (SMEs) in emerging markets.

The report identifies the challenges facing SMEs in accessing market-based financing, and examines some of the successful measures implemented by regulators and other policymakers to assist SMEs in tapping capital markets. The findings are based on survey responses and best practice by member jurisdictions. The Financial Services Board of South Africa was the penholder for the report.

SMEs are a major contributor to long-term economic growth and employment. However, they often struggle to find financing due, in part, to the relatively high investment risk they represent. The SME financing challenge has increased in the aftermath of the global financial crisis as banks face tougher liquidity requirements and leverage constraints. Capital markets therefore have a role in bridging this financing gap for SMEs by providing alternative funding sources.

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In May 2012, IOSCO's then Emerging Markets Committee --now known as the Growth and Emerging Markets Committee-- set up a Task Force on Financing of SMEs through the Capital Markets. The Task Force conducted a fact-finding survey among IOSCO members to gain insight into the challenges and best practices of SME financing. Forty-five jurisdictions responded to the survey, of which 31 respondents were emerging market members.

The results of the survey indicated that bank loans are the primary source of financing for both publicly and privately held SMEs in most jurisdictions, followed by equity finance, venture capital and other related governmental and international funds. Capital markets also offered other funding alternatives, including equity financing via listing on alternative exchange boards, issuance of debt securities, crowd funding, Sukuk funds, securitisation and government initiatives that encourage private investment.

In many jurisdictions, SMEs continue to face impediments that discourage them from raising financing on capital markets, such as fear of losing ownership and relatively high regulatory costs. In response, most of the jurisdictions surveyed have been reviewing their respective regulatory frameworks and taking specific initiatives to facilitate SME access to capital markets.

Successful measures include establishing separate equity and fixed income markets with regulatory requirements tailored to SMEs, establishing market advisor and market-making systems, and introducing alternative methods of financing such as private equity, venture capital and securitisation.

In recognition of the importance of this issue, the IOSCO Board will have a roundtable on the issue of SME access to market based finance at its next meeting in Toronto in October 2015.

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NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.
4. IOSCO aims through its permanent structures:

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- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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