

The European Securities and Markets Authority (ESMA)
CS 60747
103 rue de Grenelle
75345 Paris Cedex 07,
France

Brussels, 1 August 2014

RE: ESMA Consultation Paper on MiFID II /MiFIR : SME Growth Markets

Dear Sirs,

We are responding to the ESMA Consultation Paper on MiFID II/ MiFIR, and have focussed on the questions regarding the SME Growth Markets.

We do not consider that MIFID has been a success in facilitating access to finance for SMEs, but in principle we welcome the concept and introduction of SME Growth Markets. The current classification of existing growth markets for smaller companies (exchange regulated markets, such as AIM and ISDX in the UK, Alternext in France, FirstNorth in Scandinavia, NewConnect in Warsaw, etc) as multilateral trading facilities ('MTFs') resulting from MiFID, does not distinguish the primary market function that these markets serve, from the purely secondary market functions played by almost all other MTFs.

We believe that, in order to facilitate access to capital by SMEs across Europe, it is important that the primary market function is recognised and treated differently. This would, in turn, allow a holistic approach to be taken to the many regulatory issues currently impeding access to non-bank finance by SMEs across the EU.

In general, we would prefer to leave the maximum possible flexibility to the individual exchanges to set the appropriate local or regional rules, rather than to harmonise details at EU level. We believe that ESMA should grant the approval for the exchange to operate as an SME Growth Market, but should not then be involved in the detailed regulation of such markets. Instead, we would prefer to see ESMA members overseeing the exchanges responsible for the rules.

We believe that the flexibility of growth markets to adapt to local conditions is essential in maintaining access to finance for smaller companies. We note that there is no requirement in place for pre-vetting in place in e.g. AIM, which we believe to be one of the factors affecting the success of such markets in attracting smaller companies and keeping costs manageable.

We agree with ESMA that issues like corporate governance are essentially local rather than European due to national specificities, such as supervisory and management boards in Germany, nomination committees in Scandinavia, etc, and that there should be no prescription in these areas at EU level.

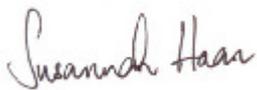
We believe that some more thought may need to be given to any deregistration process, if an exchange were to change its status, given the need for companies to be able to plan their finances some years ahead.

Unfortunately, due to the summer period, we have not been able to respond in depth on the consultation paper ourselves, but for a more detailed response to the individual questions, we would like to refer you to the attached submission of our UK member association, the Quoted Companies Alliance, which is generally supported by our other members.

We would also refer you to our earlier [comments](#)¹ to the 2011 MIFID Review, to our recent comments to your colleagues on [Market Abuse](#)² and to our earlier [comments on the Prospectus Directive](#)³. As regards the latter, we consider the changes proposed to make the time and costs of publication of such documents more proportionate for smaller companies during the last review were insufficient to achieve this purpose, and that further changes are required.

If you have any questions, we would of course be happy to respond.

Yours sincerely,



Susannah Haan
Secretary General

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¹ See http://www.europeanissuers.eu/_mdb/position/224_MiFID_EI_FINAL_20110208.pdf

² See http://www.europeanissuers.eu/_mdb/position/270_20140127_EI_ESMA_MAR_final_response.pdf

³ See http://www.europeanissuers.eu/_mdb/position/229_EuropeanIssuers_Final_Letter_ESMA_PD_110715.pdf