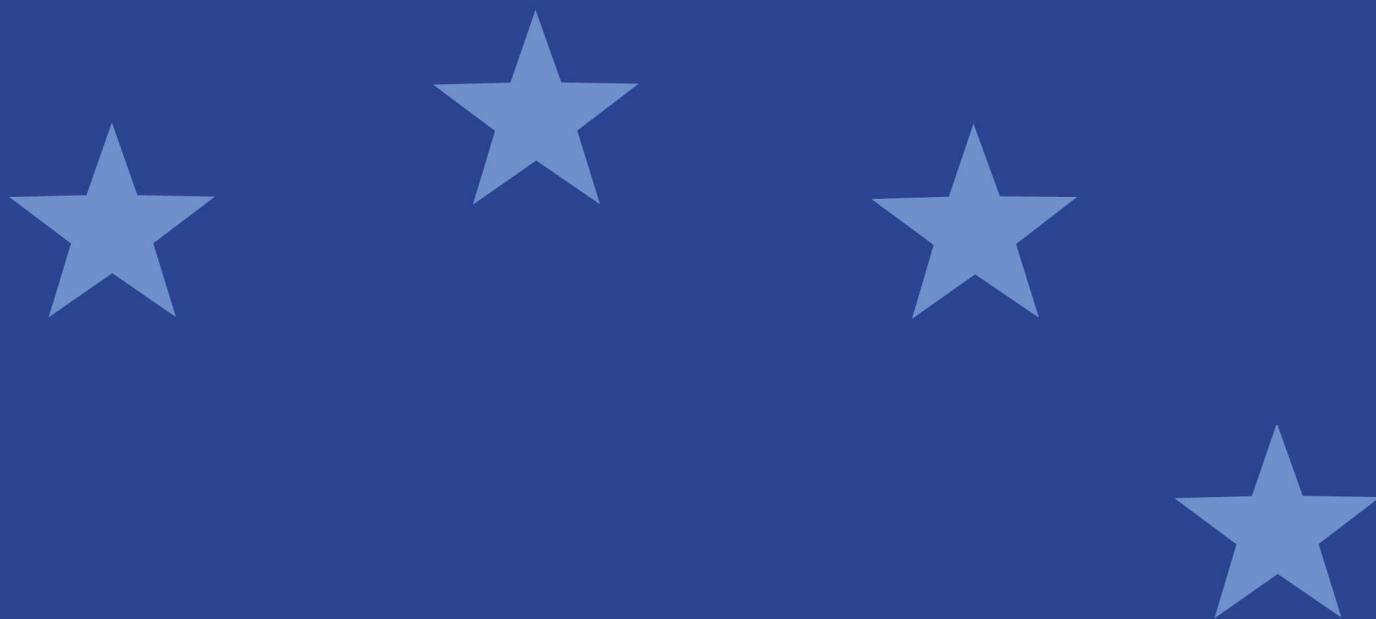


**Reply form for the Consultation Paper on the functioning of the regime for SME Growth Markets under the Markets in Financial Instruments Directive and on the amendments to the Market Abuse Regulation for the promotion of the use of SME Growth Markets.**





## Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the Consultation Paper on the functioning of the regime for SME Growth Markets under the Markets in Financial Instruments Directive and on the amendments to the Market Abuse Regulation for the promotion of the use of SME Growth Markets.

### **Instructions**

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA\_QUESTION\_CP\_SME\_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

- if they respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

### **Naming protocol**

In order to facilitate the handling of stakeholders' responses please save your document using the following format:

ESMA\_CP\_MiFID\_EQT\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

e.g. if the respondent were ESMA, the name of the reply form would be:

ESMA\_CP\_SME\_ESMA\_REPLYFORM or

ESMA\_CP\_SME\_ANNEX1

### **Deadline**

Responses must reach us by **15 July 2020**.



All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input - Consultations'.

### ***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

### ***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings 'Legal notice' and 'Data protection'.



## General information about respondent

Name of the company / organisation	Associazione Intermediari Mercati Finanziari - ASSOSIM
Activity	Investment Services
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Italy

## Introduction

*Please make your introductory comments below, if any:*

<ESMA\_COMMENT\_CP\_SME\_1>  
TYPE YOUR TEXT HERE  
<ESMA\_COMMENT\_CP\_SME\_1>

**Q1. Do you have any views on why the SME activity in bonds is limited? If so, do you see any potential improvements in the regime which could create an incentive to develop those markets?**

<ESMA\_QUESTION\_CP\_SME\_1>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_CP\_SME\_1>

**Q2. In your view, how could the visibility of SME GMs be further developed, e.g. to attract the issuers from other members states than the country of the trading venue?**

<ESMA\_QUESTION\_CP\_SME\_2>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_CP\_SME\_2>

**Q3. In your view does the 50% threshold set in Article 33(3)(a) of MIFID II remain appropriate for the time being as a criterion for an MTF to qualify as an SME GM? Do you think that a medium-term increase of the threshold and the creation of a more specialised SME GMs regime would be appropriate?**

<ESMA\_QUESTION\_CP\_SME\_3>  
We would be in favour of increasing the threshold in the medium-term up to a percentage of 70% of SME issuers listing. We believe that the setting of such higher percentage could strengthen the role of SME growth markets and it could also reward their nature and specific focus on SMEs.  
<ESMA\_QUESTION\_CP\_SME\_3>

**Q4. Do you consider that a further alignment of the definitions of an SME in different pieces of regulation with the MiFID II definition of SME would be helpful? Can you provide specifics of where alignment would be needed?**

<ESMA\_QUESTION\_CP\_SME\_4>  
Although we think that the current market capitalisation equal to EUR 200 Million is adequate for the Italian industrial system, we would suggest to carry out an alignment with the relevant provisions set out in other EU regulations (e.g. ELTIF) which would lead to an increase of the threshold up to EUR 500 Million.  
<ESMA\_QUESTION\_CP\_SME\_4>

**Q5. Which are your views on the regime applicable to SME GMs regarding the initial and ongoing admission to trading of financial instruments? Are there requirements which should be specified?**

<ESMA\_QUESTION\_CP\_SME\_5>  
The harmonisation of requirements risks undermining SME GMs, which are currently characterised by a flexible structure and rules given by the market operator within a framework of minimum requirements provided by the EU legislator. In our opinion, such flexibility allows to take into account the specific characteristics of the industrial systems which may vary among EU countries.  
<ESMA\_QUESTION\_CP\_SME\_5>

**Q6. Do you think it could be beneficial to harmonise accounting standards used by issuers listed on SME GMs with the aim of increasing cross-border investment?**

<ESMA\_QUESTION\_CP\_SME\_6>

According to the flexibility approach mentioned in the answer to Q5 above, we think that no strict harmonized accounting standards should be provided in order to avoid further burdens for issuers and, therefore, a deterrent for the development of SME GMs.

<ESMA\_QUESTION\_CP\_SME\_6>

**Q7. Should ESMA propose to create homogeneous admission requirements for issuers admitted to trading on SME GMs? Should such requirements be tailored depending on the size of the issuer (e.g. providing less burdensome requirements for Micro-SMEs)?**

<ESMA\_QUESTION\_CP\_SME\_7>

As stated above, we believe that the system should be flexible. Therefore, we do not see the need for creating homogeneous admission requirements. However, should ESMA adopt a harmonised approach, then it should lighten requirements for Micro-SMEs to the maximum extent. Alternatively, we would suggest an approach based on the characteristics of investors accessing the SME GM, with less burdensome requirements for SMEs in case such access is granted to professional investors only.

<ESMA\_QUESTION\_CP\_SME\_7>

**Q8. Should ESMA suggest an amendment requiring an MTF registering as SME GM to make publicly available financial reports concerning the issuers admitted to trading on the SME GM up to one year before registration?**

<ESMA\_QUESTION\_CP\_SME\_8>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_SME\_8>

**Q9. Is there any other aspect of the SME GMs regime as envisaged under MiFID II that you think should be revisited? Would you consider it useful to make the periodic financial information under Article 33(3)(d) available in a more standardised format?**

<ESMA\_QUESTION\_CP\_SME\_9>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_SME\_9>

**Q10. Do you think that in the medium term a two-tier SME regime with additional alleviations for micro-SMEs could incentivise such issuers to seek funding from capital markets? If so, which type of alleviations could be envisaged for micro-SMEs?**

<ESMA\_QUESTION\_CP\_SME\_10>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_SME\_10>

**Q11. Do you think that requiring SME GMs to have in place mandatory liquidity provision schemes, designed in the spirit of what is envisaged in Article 48(2) and (3) of MiFID II, could alleviate costs for SMEs issuers and provide them an incentive to go public? Do you think that on balance such provision would increase costs for MTFs in a way which encompasses potential benefits, resulting in reducing the incentive to register as an SME GM?**

<ESMA\_QUESTION\_CP\_SME\_11>

We do not agree with the proposal to have mandatory liquidity provision schemes in place in the context of SME GMs because we believe that it would be too burdensome and risky for investment firms given the characteristics of these markets (e.g. low trading volumes).

<ESMA\_QUESTION\_CP\_SME\_11>

**Q12. Do you think the requirement in Article 33(7) of MiFID II regarding the issuer non objection in case of instruments already admitted to trading on SME Growth Markets to be admitted to trading on another SME growth market should be extended to any trading venue? Should a specific time frame for non-objection be specified? If so which one?**

<ESMA\_QUESTION\_CP\_SME\_12>

We believe that the requirement should be extended to any trading venue in order to avoid the risk that the issuer is not in the position to evaluate and object such trading extension in light of market fragmentation effects.

<ESMA\_QUESTION\_CP\_SME\_12>

**Q13. Do you think that it should be specified that obligations relating to corporate governance or initial, ongoing or ad hoc disclosure should still hold in case of admission to trading in multiple jurisdiction?**

<ESMA\_QUESTION\_CP\_SME\_13>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_SME\_13>

**Q14. How do you think the availability of research on SMEs could be increased?**

<ESMA\_QUESTION\_CP\_SME\_14>

To foster SME research, every listed issuer capitalising less than EUR 500 Million should be required to enrol at least 2 corporate brokers producing sponsored research on their shares, i.e. research paid for by the issuer itself. At the same time, the production of non-sponsored research (not paid by the issuer) should be incentivized so as to allow investors to develop an independent opinion on those small issuers. In addition to the fiscal incentives that national legislators should consider from their side, the unbundling requirement set forth by MiFID should be repealed, and equity research be regulated as a financial service. More to the point, the production of financial research should be restricted to authorized and supervised entities. Investment banks and investment firms providing research to institutional investors and portfolio managers should be remunerated in terms of the overall service they provide to the investors. This would include among other things, their written analyses on a bunch of listed issuers (irrespective of the fact that they are included or not among in the portfolio of the investor), the daily assistance they provide through their salespersons to the person in charge of taking investment decisions. As a matter of fact,

financial research is a high value-added service which accounts for a long-term relationship, whereby financial analysts (and salespersons) provide broad coverage on a national market (or on one or more segments thereof) and develop a constant dialogue with asset managers and institutional investors to guide them in their investment decisions. Such a service should not be restricted to the provisions of a target price built on publicly available financial metrics, but would rather expand on a quite large number of issues, such as regulatory developments in the issuer's home country, political decisions about to be taken by national governments, as well as information relating to the management of specific local problems (health emergencies, climate, cataclysms, etc.). Accordingly, financial research should also be remunerated on a service basis (all-in-one service package), to enhance its broad contribution to any investment decision taken by asset managers and institutional investors, including decisions not to invest in a specific issuer or a specific market segment.

Finally, the new legal framework should provide for specific criteria to set a fair price for research, so as to cope with the specific concerns raised by the working group established by French AMF with regard to equity research sold at paltry price. As a matter of fact, the dumping practices alleged in the French paper are currently threatening research activities by local brokers which account for approximately the entire production of research on SMEs listed on peripheral markets.

<ESMA\_QUESTION\_CP\_SME\_14>

**Q15. Do you agree with the proposed limits on resources or would you propose different ones? If so, please provide a justification.**

<ESMA\_QUESTION\_CP\_SME\_15>

In general terms, it should be bear in mind that very often an intermediary may have a liquidity contract with a single issuer and in such cases the organisational structure required to carry out the activity may be excessively burdensome.

With a view to proportionality, the intermediary could provide for the presence of dedicated desks within other units without the need to create units dedicated to liquidity providing activities: the independence of desks dedicated to liquidity providing activities within a trading unit could in any case be facilitated by providing a wall crossing system that ties the operators involved to the confidentiality of inside information of which they may become aware and refrains from investing on the basis of such information. Regular monitoring by the control functions (see below) would further guarantee the correct fulfilment of this requirement.

We agree instead with the need for compliance and audit functions to monitor liquidity providing activities, planning specific controls on this operation in its annual plans.

<ESMA\_QUESTION\_CP\_SME\_15>

**Q16. Do you agree with the proposed limits on volumes or would you propose different ones? If so, please provide a justification of the alternative proposed parameters.**

<ESMA\_QUESTION\_CP\_SME\_16>

There appear to be no specific concern as regards the proposed limits on liquid and illiquid shares. Still, there might be a need for further considerations as to very illiquid shares as well as large orders/trades on illiquid shares. As a matter of fact, the hard threshold set forth in the proposal (€20,000) has proved to be of limited use in the event of a large order from an investor who is merely looking to take benefit from a good investment or is in need for liquidity. If it had to be executed on the market at the proposed conditions, such an order would heavily impact the price, even though the price movement would not be justified in terms of the economics of the issuer. A possible option could be to allow for the hard threshold to be calculated on a weekly basis (namely 20k by 5 equal to 100k) or as an alternative, to execute the transaction outside the trading venue (as per Article 10(a)(iv) of the proposed draft RTS) at a price not higher than the price of the last independent transaction.

<ESMA\_QUESTION\_CP\_SME\_16>

**Q17. Do you think that specific conditions should be added as regards trading during periodic auctions? For SME GMs following different trading protocols, are there criteria or safeguards which should be considered in order to make sure that the liquidity contract does not result in a manipulative impact on the shares' price?**

<ESMA\_QUESTION\_CP\_SME\_17>

We believe it is appropriate to extend to liquidity contracts specific trading conditions and restrictions already set out during auction periods by Consob in its AMP on liquidity contracts and approved by ESMA in its Opinion of 22 January 2020 ([https://www.esma.europa.eu/sites/default/files/library/esma70-155-7850\\_consob\\_amp.pdf](https://www.esma.europa.eu/sites/default/files/library/esma70-155-7850_consob_amp.pdf)) - Please see Annex to Opinion, paragraphs 17-bis and 18-bis).

<ESMA\_QUESTION\_CP\_SME\_17>

**Q18. Do you agree with ESMA's view that the liquidity contract may cover large orders only in limited circumstances as described in paragraph 118?**

<ESMA\_QUESTION\_CP\_SME\_18>

Please see our answer to Q16 above.

<ESMA\_QUESTION\_CP\_SME\_18>

**Q19. Do you agree with the proposal described above regarding the template for the insider list to be submitted by issuers on SME GMs? If not, please elaborate.**

<ESMA\_QUESTION\_CP\_SME\_19>

With regard to the insider list on regular access we favour a reduction of the information required in the template in Annex II to the Consultation, removing for example fields such as birth name if different, full personal address and personal telephone number.

At the same time, we would favour the removal of the optional regime for Member States to provide for the obligation to adopt a full list, since such an adoption would frustrate the simplification provided for by Article 18(6), first sub-paragraph, MAR.

As regards issuers of debt instruments listed on SME markets, we ask for the exemption from the obligation to maintain an insider list: the presence of such an obligation for such poorly structured entities has led many of them to request delisting. This obligation could reasonably be replaced by the signing of a non-disclosure agreement.

<ESMA\_QUESTION\_CP\_SME\_19>

**Q20. CBA: Can you identify any other costs and benefits? Please elaborate.**

<ESMA\_QUESTION\_CP\_SME\_20>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_SME\_20>