
Press release

AFME welcomes Commission proposals on sustainable finance and SME growth markets

24 May 2018

Welcoming the European Commission's plans for legislative actions to promote sustainable finance and SME growth markets as part of the Capital Markets Union (CMU) package, **Simon Lewis, Chief Executive of AFME**, said:

*"Facilitating access to finance for SMEs is a key element of the Capital Markets Union. And we are already seeing that the CMU initiatives are having a positive impact on SMEs' ability to access a broader range of financial products. For example, **total annual funding from venture capital, business angels and equity crowdfunding has increased 65% in the last 5 years from €7bn in 2013 to almost €12bn in 2017.** Therefore, the completion of the CMU remains vital in order to create the right foundation for long-term economic growth across Europe and to help reorient long-term capital flows towards SMEs.*

"Capital markets also have a key role to play in the transition towards a greener economy. For example, developing the green securitisation market could encourage more diversified European issuance and has the potential to encourage the development of energy efficient housing. We therefore welcome the further sustainable finance proposals from the Commission today demonstrating its leadership role in this essential area."

On SME growth markets:

AFME is fully supportive of the Commission's focus to help improve access to long-term sources of financing for European SMEs, which are net job creators. However, it is well-known that many small businesses struggle to reach the size required in order to attract larger institutional investors on the public markets. This is why policymakers must continue their ongoing efforts to build the CMU, which can help build up Europe's capital markets' capacity so that promising small firms can raise risk capital at all development stages.

To enhance the number of SMEs going public, it is important to make sure that those companies can:

1. Access a true single market with standard rules across the EU Member States to enable businesses to scale-up cross-border;
2. Access additional funding from European venture capital and private equity funds. The average European VC-backed company receives only €1.3 million compared to €6.4 million in the US. Filling this gap would build companies with enough scale to access public institutional investors in the public markets.

On sustainable finance:

AFME:

- Supports the progressive development of a sustainability taxonomy – with strong involvement from sustainability and financial market experts – as well as the promotion of green standards and labels, which will help position Europe as a global leader in sustainable finance;
- Very much supports better voluntary disclosures through the existing industry-led FSB TCFD work. Sufficient disclosure of material information must play a key role in making sustainable investment decisions and promoting socially responsible investment analysis;

- Recommends even further measures, such as steps to encourage development of the green securitisation market, which could play a future role in encouraging energy efficient housing, for example;
- Reiterates the importance of further work in the EU prior to any recalibration of prudential measures to ensure that capital frameworks can still achieve financial stability aims. A green supporting factor provides a clear incentive for institutions to transition to a green economy, but it should be recognised that capital requirements are there to mitigate risk, and green investments could also contain risks that may then not be fully represented in capital requirements.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu.

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