

## Consultation Response

# *European Commission Targeted Consultation on Private Equity Exits*

11 May 2026

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The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on the **European Commission Targeted Consultation on Private Equity Exits**. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

AFME is registered on the EU Transparency Register, registration number 65110063986-76. We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

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#### **Association for Financial Markets in Europe**

**London Office:** Level 10, 20 Churchill Place, London E14 5HJ, United Kingdom T: +44 (0)20 3828 2700

**Brussels Office:** Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 883 5540

**Frankfurt Office:** c/o SPACES – Regus, First Floor Reception, Große Gallusstraße 16-18, 60312, Frankfurt am Main, Germany T: +49 (0)69 710 456 660

[www.afme.eu](http://www.afme.eu)

## *Executive Summary*

AFME supports innovations that give private companies more flexibility to access investment and transition to public markets. AFME sees value in allowing private company shares to be traded on multilateral platforms as a "stepping stone" toward IPOs, helping companies manage a broader investor base and adapt to public market scrutiny without the full disclosure and governance burdens of a listed entity. This would also provide an additional route for investors, founders and employees to access liquidity in respect of their shares in private companies.

AFME believes that a proportionate regulatory framework characterised by a lower disclosure burden, the use of intermittent trading windows tailored to platform rules, and a controlled information environment accessible only to eligible investors, should complement public markets, rather than encroach on or replace them. Flexibility for operators and participants in the platform will be essential to ensure effectiveness and adoption which, we believe, would be appropriately tested through a time-limited sandbox regime.

AFME has not responded to Part 1 of the Consultation as this section is focused on private equity investor issues. AFME has not responded to Part 3 of the Consultation in its entirety as AFME does not see merit in allowing for the raising of fresh capital through a private intermittent trading platform at this time.



## CONSULTATION QUESTIONS

### PART I: CHALLENGES FOR PRIVATE EQUITY EXITS AND ATTRACTING PRIVATE EQUITY INVESTORS IN THE EU

Adequate exit opportunities are amongst the key considerations for investors when selecting investment targets. That is because exit opportunities mean that investors have access to liquidity, when necessary, and that they can realise the gains on their investments, when desired.

Investments into private companies are typically much less liquid than those in public companies. It is difficult for sellers to identify potential buyers of private company shares. As a result, early investors in successful companies struggle to liquidate their investments and may create pressure on the company to list or get acquired by another entity. Currently, sales of shares in private companies are organised on a bilateral basis, meaning that sellers, or the company itself, bilaterally reach out to a number of potential buyers in order to identify interested parties. The buyers for these transactions are usually identified through private networks, or by using broker-dealer services. Identification of these potential buyers is often challenging.

Facilitating exits from investments in private companies may incentivise potential shareholders to invest into companies, for which there could be the risk that capital would be locked up for an indefinite time. This could open up new funding opportunities for private companies.

**Question 1:** Are there any **significant** regulatory and/or non-regulatory barriers that hinder private companies from accessing the capital they need to grow, including barriers that hinder investors from financing private companies? If so, what are those barriers?

Where appropriate, please specify which barriers are relevant for accessing the capital in the same Member State and which barriers are relevant in a cross-border context. *Please explain your answer.*

|                          |  |
|--------------------------|--|
| <input type="checkbox"/> | Yes, domestic barriers (i.e. accessing the capital in the same Member State where the company is located)                          |
| <input type="checkbox"/> | Yes, cross-border barriers (i.e. accessing the capital in a Member State other than the Member State where the company is located) |

**AFME response:** No response.

**Question 2:** How could the barriers identified in question 1 be removed or mitigated through targeted regulatory or other measures? *Please explain your answer.*

**AFME response:** No response.

**Question 3:** Would a more transparent valuation of private company shares support private equity investments? If yes, how could such transparency be achieved? *Please explain your answer.*

**AFME response:** No response.

**Question 4:** On a scale from 1 (strongly disagree) to 5 (strongly agree), how much need is there to support access of a wider range of institutional/professional investors (other than private equity and venture capital funds) to private companies looking for funding outside a bilateral framework, such as via multi-lateral marketplaces, for example

a multilateral intermittent trading platform? *Please give examples of means through which it could be achieved. Please explain your answer.*

| 1 | 2 | 3 | 4 | 5 | No opinion |
|---|---|---|---|---|------------|
|   |   |   |   |   |            |

**AFME response:** No response.

**Question 5:** What are the main costs associated with private equity transactions via traditional channels, such as a private equity, or venture capital fund? *Please specify, if different per type of investor/fund.*

|  | Fee ranges (as % of the investment size) | Not relevant |
|--|--|--------------|
| Transaction fees                             |  |              |
| Legal fees (including compliance checks)     |  |              |
| Advisory fees                                |  |              |
| Notary/registry fees                         |  |              |
| Search (for investors) and information costs |  |              |
| Other (please detail)                        |  |              |
| Total:                                       |  |              |

**AFME response:** No response.

**Question 6:** On a scale from 1 (much higher) to 5 (much lower), how do the costs referred to in question 5 compare to the costs of bank lending, private credit, public-market or other options for similar firms?

|                                | 1 | 2 | 3 | 4 | 5 | No opinion |
|--------------------------------|---|---|---|---|---|------------|
| Bank lending                   |   |   |   |   |   |            |
| Private credit                 |   |   |   |   |   |            |
| Public market (IPO)            |   |   |   |   |   |            |
| Other options (please specify) |   |   |   |   |   |            |

**AFME response:** No response.

**Question 7:** On a scale from 1 (strongly disagree) to 5 (strongly agree), do you consider that the costs associated with a traditional transaction concluded with a private equity or venture capital fund may limit the access to the funding necessary for the development of private companies? *Please explain your answer.*

| 1 | 2 | 3 | 4 | 5 | No opinion |
|---|---|---|---|---|------------|
|   |   |   |   |   |            |

**AFME response:** No response.

**Question 8:** On a scale from 1 (strongly disagree) to 5 (strongly agree), to what extent could the buying and selling process of private company shares be made more efficient on primary and secondary markets in the EU? *Please explain your answer.*

|                   | 1 | 2 | 3 | 4 | 5 | No opinion |
|-------------------|---|---|---|---|---|------------|
| Primary markets   |   |   |   |   |   |            |
| Secondary markets |   |   |   |   |   |            |

**AFME response:** No response.

**Question 9:** What are the main barriers to a more effective and efficient *secondary* market for private company shares? *Please explain your answer.*

**AFME response:** No response.

**Question 10:** According to you, which holders of private equity, including in specific categories of companies, struggle today to exit their investment at a fair cost and under a predictable timeline? *You can select several options.*

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Category of companies   |
| <input type="checkbox"/> | All companies   |
| <input type="checkbox"/> | Companies in the start-up phase   |
| <input type="checkbox"/> | Companies in the scale-up phase   |
| <input type="checkbox"/> | Companies in the midcap phase   |
| <input type="checkbox"/> | Companies in other stages (please specify the stage)  |
| <input type="checkbox"/> | Companies located in a different Member State than the Member State(s) of (the majority of) holders of its equity |
| <input type="checkbox"/> | Companies located in the same Member State as the Member State(s) of (the majority of) holders of its equity      |
| <input type="checkbox"/> | Companies in a specific sector (please specify the sector)  |

**AFME response:** No response.

**Question 11:** On a scale from 1 (completely unimportant) to 5 (very important), to which extent does the lack of suitable exit options prevent institutional investors from providing funding to private companies? *Please explain your answer.*

| 1 | 2 | 3 | 4 | 5 | No opinion |
|---|---|---|---|---|------------|
|   |   |   |   |   |            |

**AFME response:** No response.

**Question 12:** On a scale from 1 (main option) to 5 (hardly ever used), what are the currently available exit options for investors in private companies? *You may attribute the same ranking to several options.*

| Ranking | Exit options   |
|---------|--|
|         | Management buyout (company's management buys out the investor's stake)   |
|         | Merger & acquisition/ Secondary buyout (e. g. trade sales; selling shares to another (non-financial) company/competitor) |
|         | Secondary buyout by an institutional investor (e.g. sale to another PE firm)   |

|  |  |
|--|--|
|  | Secondary sale of some shares to other existing investors within the company |
|  | Secondary sale of some shares to new investors outside the company           |
|  | Public listing (IPO)   |
|  | Liquidation of the private company   |
|  | Other (Please specify)   |

**AFME response:** No response.

**Question 13:** What are the main issues/barriers associated with the exit options listed in question 12 and what could be possible solutions to address them?  
Please explain your answer.

| Exit Option   | Issues/barriers | Possible solutions |
|---|-----------------|--------------------|
| Management buyout (company's management buys out the investor's stake)  |                 |                    |
| Merger & acquisition / secondary buyout ((e.g. trade sales; selling shares to another (non-financial) company/competitor) |                 |                    |
| Secondary buyout by an institutional investor (e.g. sale to another PE firm)  |                 |                    |
| Secondary sale of some shares to other existing investors within the company  |                 |                    |
| Secondary sale of some/partial shares to new investors outside the company  |                 |                    |
| Public listing (IPO)  |                 |                    |
| Liquidation of the private company  |                 |                    |
| Other (Please specify)  |                 |                    |

**AFME response:** No response.

**Question 14:** What can the EU do to support the solutions identified in question 13?  
*Please explain your answer.*

| Exit Option  | Possible EU action |
|--|--------------------|
| Management buyout (company's management buys out the investor's stake)   |                    |
| Merger & acquisition / secondary buyout (e.g. trade sales, selling shares to another (non-financial) company/competitor) |                    |
| Secondary buyout by an institutional investor (e.g. sale to another PE firm)   |                    |
| Secondary sale of some shares to other existing investors within the company   |                    |
| Secondary sale of some shares to new investors outside the company   |                    |
| Public listing (IPO)   |                    |
| Liquidation of the private company   |                    |
| Other (Please specify)   |                    |

**AFME response:** No response.

**PART II: A PLATFORM FOR THE INTERMITTENT MULTILATERAL SECONDARY TRADING OF PRIVATE COMPANY SHARES**

**2.1. General**

**Question 15:** On a scale from 1 (no added value) to 5 (very high added value), would you see in general added value in having a possibility (upon the issuer’s agreement/request) for private company shares to be traded on a multilateral platform in a private and intermittent way? Please explain your answer.

| 1 | 2 | 3 | 4   | 5 | No opinion |
|---|---|---|-----|---|------------|
|   |   |   | [X] |   |            |

**AFME response:** We are supportive of any innovations that aim to give private companies greater flexibility to access broad investment and, ultimately, transition towards the public markets. We see value in the shares of a private company being traded on a multilateral platform as it would facilitate a gradual transition to public markets by acting as a "stepping stone" for companies considering a public market listing (IPO), allowing them to manage a broader investor base and get used to public market scrutiny without the full disclosure and governance requirements imposed on a public listed entity. Additionally, it would provide an additional route for investors, founders and employees to access liquidity in respect of their shares in private companies.

**Question 16:** On a scale from 1 (strongly disagree) to 5 (strongly agree), do you consider that such private and intermittent trading of private company shares on a multilateral platform would specifically improve access to capital for such companies? Please explain your answer.

| 1 | 2 | 3   | 4 | 5 | No opinion |
|---|---|-----|---|---|------------|
|   |   | [X] |   |   |            |

**AFME response:** We generally believe that such a platform would be beneficial, however we have not yet had time to evaluate by reference to actual user demand and behaviours (please see our response to Question 25).

**Question 17:** What characteristics would such a framework need to have to be successful and equally attractive for all parties (potential buyers, sellers, companies)? Please explain your answer.

**AFME response:** Such a framework should feature: (1) an overall lower regulatory burden than that of the public markets, including from a disclosure perspective (see our response to Question 34); (2) intermittent trading windows which will vary in duration and frequency according to company and operator rule-book parameters; and (3) a private perimeter for company disclosures, with information regarding the company and the trading window shared only to eligible investors. We believe that any such framework should provide operators and participants with flexibility in execution and maintenance of the platform.

We believe that the intention is for the proposed platform to sit alongside public markets, rather than to replace or encroach upon them, which, in our view,

should facilitate liquidity where it might not otherwise occur. We believe that this platform, structured and maintained properly, would help investors by increasing liquidity and potentially encouraging companies to more freely trade their shares.

We also note that it would be beneficial, to the extent possible, that any European platform is not significantly different from the corresponding UK PISCES framework, as this may lead to a competitive disadvantage for European companies.

**Question 18:** On a scale from 1 (strongly disagree) to 5 (strongly agree), to what extent could an EU Regulatory framework for intermittent trading of private company shares help improve the situation with private equity exits?

*Please explain your answer.*

|   |   |   |   |   |            |
|---|---|---|---|---|------------|
| 1 | 2 | 3 | 4 | 5 | No opinion |
|   |   |   |   |   |            |

**AFME response:** please see our response to Question 15.

**Question 19:** What main added value could companies and investors derive from a dedicated platform for intermittent trading in private company shares? Please rank the options on a scale from 1 (no added value) to 5 (significant added value). *You can attribute the same ranking to several options.*

| Ranking | Added value   |
|---------|---|
|         | Reduced search costs for new investors (bringing together all players that are interested in acquiring private company shares). |
|         | Creating or improving the private shares' liquidity   |
|         | Improving transparency on price formation for private shares  |
|         | Faster time-to-market for private shares  |
|         | Reduced risk/uncertainty for investors (buyers) due to regulatory safeguards  |
|         | Reduced risk/uncertainty for investors (sellers) due to regulatory safeguards   |
|         | Economies of scale which could bring down transaction fees/costs  |
|         | Easy/standardised option to transfer stake to another investor  |
|         | Other (please explain)  |

**AFME response:** No response.

**Question 20:** On a scale from 1 (strongly disagree) to 5 (strongly agree), would you consider that private intermittent trading on a multilateral platform is likely to reduce the costs of raising capital for private companies compared to a conventional bilateral sale with a private equity or venture capital fund?

|   |   |   |   |   |            |
|---|---|---|---|---|------------|
| 1 | 2 | 3 | 4 | 5 | No opinion |
|   |   |   |   |   |            |

**AFME response:** No response.

**Question 20.1:** Please give an order of magnitude of that reduction (in %) and explain your answer.

| Order of magnitude of cost reduction compared to the original cost of raising funding via a traditional private equity transaction | % |
|--|---|
| Transaction fees   |   |
| Legal fees (including compliance checks)   |   |
| Advisory fees  |   |
| Notary/registry fees   |   |
| Search (for investors) and information costs   |   |
| Others (please detail)   |   |
| Total:   |   |

If relevant, please indicate where the platform may on the contrary increase the cost.

**AFME response:** No response.

**Question 21:** According to you, which of the following categories of investors should be allowed to acquire existing private company shares via a private intermittent trading platform? *You can select several options. Please explain your answer.*

|                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Investment Funds (including venture capital and private equity funds) |
| <input checked="" type="checkbox"/> | Pension funds (including IORPs)                                       |
| <input checked="" type="checkbox"/> | Investment firms  |
| <input checked="" type="checkbox"/> | Credit institutions   |
| <input checked="" type="checkbox"/> | Insurance companies   |
| <input checked="" type="checkbox"/> | High-net-worth individuals  |

|                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Non-financial corporates (strategic investors) |
| <input checked="" type="checkbox"/> | Employee shareholders of eligible companies    |
| <input type="checkbox"/>            | All retail investors                           |
| <input type="checkbox"/>            | Others (please specify)                        |

**AFME response:** Purchasers of shares should be limited to sophisticated and professional investors (as per the MiFID II definition), employees (in respect of shares in the company they are employed by) and intermediaries acting for such persons. These investors should be well-positioned to understand the potentially greater risks of investments in unlisted companies that are not currently traded on public markets and, therefore, not subject to full public company governance and disclosure requirements.

Certain categories of retail investors should be able buy and sell shares on the platform, given that many founders or shareholders of early-stage and pre-IPO businesses are individuals (who may fall under the self-certified sophisticated investor or high-net worth individual categories for financial promotion purposes, but will be retail investors for client classification purposes). In order to use the platform, however, such persons should be required to confirm by attestation that they have taken all professional and tax advice as they deem necessary and appropriate, are not relying on the company for advice relating to any sales and acknowledge the risks around the price that sales may achieve.

Our members do not think it is appropriate for retail investors that are not sophisticated / high-net worth or employees of the relevant company to have access to buy and sell shares given the potentially higher risk profiles involved, although this could be kept under review for future consideration once a period of sandbox testing had been completed.

Assuming non-financial corporates (strategic investors) means other operating companies (as opposed to financial investors), although we are not sure that there would be lots of appetite from them, we do not see any reason to exclude them provided they are sophisticated.

**Question 22:** According to you, which of the following categories of investors should be allowed to sell existing private company shares via a private intermittent trading platform? *You can select several options. Please explain your answer.*

|                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Investment Funds (including venture capital and private equity funds) |
| <input checked="" type="checkbox"/> | Pension funds (including IORPs)                                       |
| <input checked="" type="checkbox"/> | Investment firms  |
| <input checked="" type="checkbox"/> | Credit institutions   |
| <input checked="" type="checkbox"/> | Insurance companies   |
| <input checked="" type="checkbox"/> | High-net-worth individuals  |

|                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Non-financial corporates (strategic investors) |
| <input checked="" type="checkbox"/> | Employee shareholders of eligible companies    |
| <input type="checkbox"/>            | All retail investors                           |
| <input type="checkbox"/>            | Others (please specify)                        |

**AFME response:** Please see our answer to question 21 above. Our members do not see a need to distinguish between persons eligible to buy and sell on the platform, particularly given this would create additional complexity.

**Question 23:** How do you consider high-net worth individuals should be defined for the purpose of Questions 19 and 20? *Please explain your answer.*

**AFME response:** We consider the elective professional client test under MiFID II which permits private banking clients to opt up to be a useful starting point. However, a broader definition is likely to be required in order to capture a wider range of investors, enabling an EU platform to be competitive and comparable with the eligibility requirements of the UK's PISCES platform.

**Question 24:** According to you, the private shares of which of the following companies should be eligible for trading via a private intermittent trading venue? *You can select several options. Please explain your answer.*

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Private companies with their shares exclusively owned by the founders   |
| <input type="checkbox"/> | Private companies with some of their shares owned by their employees  |
| <input type="checkbox"/> | Private companies with some of their shares owned by venture capital funds, private equity funds or other institutional investors |
| <input type="checkbox"/> | Private companies with only bonds traded on public markets  |
| <input type="checkbox"/> | Publicly listed companies with one or more classes of their shares not publicly listed (private)                                  |
| <input type="checkbox"/> | All companies with private shares without any restrictions  |
| <input type="checkbox"/> | Companies under a possible future EU 28th regime  |
| <input type="checkbox"/> | Only small and medium-sized companies (SMEs)  |
| <input type="checkbox"/> | Only small mid-cap companies (SMCs)   |
| <input type="checkbox"/> | Both SMEs and SMCs  |
| <input type="checkbox"/> | SMEs, SMCs and large companies  |
| <input type="checkbox"/> | Other (please specify)  |

**AFME response:** No response.

**Question 25:** What could be the main challenges/issues with an intermittent trading platform for private equity? Please rank the following options on a scale from 1 (insignificant issue) to 5 (significant issue). *You can attribute the same ranking to several options.*

| Ranking | Risks  |
|---------|--|
|         | Low demand from investors and ensuing lack of activity on the market   |
|         | Lack of interest from companies to offer exit options for their investors, including because it would introduce 'instability' in their investor base |
|         | Lack of interest from investors willing to offload their investments   |
| [X]     | Lack of interest from market players to operate such a platform  |
|         | Lack of trust on the side of buyers  |
|         | Lack of trust on the side of sellers   |
|         | Lack of scale at pan-European level because of national restrictions/practices   |
|         | Potential for market abuse/price manipulation/disorderly trading   |
|         | Too high costs for companies to provide information to prospective buyers  |
|         | Companies being overly protective of their information, limiting appropriate disclosure to investors   |
| [X]     | Other (please specify)   |

**AFME response:** Although we support the objectives of the proposal, we note that some private companies may face additional complexities in utilising such a platform for the trading of their shares, since it is common for private companies to have (sometimes complex) private contractual agreements in place with shareholders. This might include stringent confidentiality obligations that would prevent certain disclosures as well as provisions restricting the transfer of shares and the creation of new share classes. For example, we note that in the context of the UK's PISCES platform, at least one company has created a new shareholding in order to facilitate trading – this may create additional costs for companies considering whether to use such a platform. Given there is already an existing private placement market, there could also be reluctance on the part of some company's existing investors to release these contractual arrangements in order to allow for those shares to be traded on a separate trading platform.

AFME urges the Commission to consider further consultation with both the companies and the buy-side, to continue exploring where interest for using the platform lies.

**Question 26:** How could the risks identified in question 24 be addressed or mitigated?

**AFME response:** No response.

**Question 27:** On a scale from 1 (strongly disagree) to 5 (strongly agree), should there only be a single EU private intermittent multilateral platform within the EU? *Please explain your answer.*

| 1 | 2 | 3 | 4   | 5 | No opinion |
|---|---|---|-----|---|------------|
|   |   |   | [X] |   |            |

**AFME response:** Members believe a single EU private intermittent multilateral platform within the EU would increase the accessibility of the platform. There may be risks that allowing multiple versions of the intermittent trading platform to operate, each with significantly different disclosure, oversight and operational regimes, potentially over-complicates the framework, as well as impacts user attractiveness. A single EU private intermittent multilateral platform, in our view, would reduce fragmentation and would better meet the objectives of the SIU. Further, from the point of prospective auction agents, having a single platform would avoid the onerous process of registering for each platform (as is the case in UK PISCES).

**Question 28:** Would you consider a private intermittent trading platform a potential stepping stone towards transitioning to public markets, on a scale from 1 (strongly disagree) to 5 (strongly agree)? *Please explain your answer.*

| 1 | 2 | 3 | 4   | 5 | No opinion |
|---|---|---|-----|---|------------|
|   |   |   | [X] |   |            |

**AFME response:** Our members believe a “half-way house” option between public and private markets will be attractive for certain companies if it can provide liquidity benefits without the need for full public market style governance and disclosure. We believe it is important, however, that where companies want to raise new capital for growth purposes, this is something that the public markets should provide and, therefore, the function of any new intermittent trading platform should be limited to secondary sales of existing shares only and not new issuances of capital. This should help ensure the platform is positioned more as a liquidity “stepping stone” and companies are encouraged to continue transitioning towards the public markets and the platform does not itself become a replacement for public markets.

**Question 29:** Do you think that a private intermittent trading platform could also discourage some companies from listing on public markets, on a scale from 1 (strongly disagree) to 5 (strongly agree)? *Please explain your answer.*

| 1 | 2 | 3   | 4 | 5 | No opinion |
|---|---|-----|---|---|------------|
|   |   | [X] |   |   |            |

**AFME response:** please see our response to Question 75.

## 2.2. Regulatory approach

A private intermitting trading platform could allow private companies to have their shares traded in a controlled environment and on an intermittent basis. Given its hybrid nature and in order to maintain its attractiveness both for investors and companies, as well as to ensure certain core protections, it could incorporate certain elements of a public and private market frameworks.

**Question 30:** When introducing a new regime to allow for private intermittent trading, what would be the most appropriate regulatory approach? Please indicate your preference on a scale from 1 (do not support this option) to 5 (being the best option). *Please attribute only one ranking to each option. Please indicate if you believe another option should be considered instead (please explain).*

| Your ranking<br>(1 to 5 or no opinion) | Regulatory options   |
|--|--|
| [X]                                    | <p>Option A</p> <p>A time-limited sandbox regime (based on a fixed time limit for participants in a sandbox) open to (certain) private companies and granting specific exemptions from the existing financial legislation, e.g. MiFID II, MiFIR, Market Abuse Regulation, Prospectus Regulation.</p> |
|  | <p>Option B</p> <p>Option A but with a maximum threshold (i.e. based on a turnover).</p>   |
|  | <p>Option C</p> <p>A permanent sandbox regime granting specific exemptions from the existing financial legislation, e.g. MiFID II, MiFIR, Market Abuse Regulation, Prospectus Regulation.</p>  |
|  | <p>Option D</p> <p>Option C but with a maximum threshold (i.e. based on a turnover).</p>   |

|  |   |
|--|---|
|  | <p>Option E</p> <p>A bespoke alleviated legal regime (<i>lex specialis</i>) for private intermittent trading of private shares of private companies, without a time or turnover threshold limit</p> |
|  | <p>Option F</p> <p>Other approach, please explain your answer.</p>  |

**AFME response:** Our members have no significant concerns with the “sandbox” approach in principle, which we consider will be a useful way to test and prove the platform (including from an operational perspective). We also consider five years to be an appropriate timeline.

**Question 31:** For each of the options above, please rank the expected cost impact on a scale from 1 (strong decrease) to 5 (strong increase) when compared to the current costs (see Question 5) of concluding a private equity transaction. Where possible, please provide further details (nature of costs) and outline the drivers of the expected cost impact. Where possible, please also provide the range of an expected cost increase or decrease. *Please fill in the tables below separately for costs incurred by companies and by investors.*

Companies:

|                             | 1 | 2 | 3 | 4 | 5 | Range of cost increase/decrease (in +/- %) | Detail |
|-----------------------------|---|---|---|---|---|--|--------|
| Option A                    |   |   |   |   |   |  |        |
| Option B                    |   |   |   |   |   |  |        |
| Option C                    |   |   |   |   |   |  |        |
| Option D                    |   |   |   |   |   |  |        |
| Option E                    |   |   |   |   |   |  |        |
| Option F (where applicable) |   |   |   |   |   |  |        |

Investors:

|          | 1 | 2 | 3 | 4 | 5 | Range of cost increase/decrease (in +/- %) | Detail |
|----------|---|---|---|---|---|--|--------|
| Option A |   |   |   |   |   |  |        |
| Option B |   |   |   |   |   |  |        |
| Option C |   |   |   |   |   |  |        |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| Option D                  |  |  |  |  |  |  |  |
| Option E                  |  |  |  |  |  |  |  |
| Option F (where relevant) |  |  |  |  |  |  |  |

**AFME response:** No response.

**Question 32:** For each of the options in question 31, please rank to which extent you agree or disagree (1 - strongly disagree; 5 - strongly agree) with the source of the expected benefits. Where possible, please provide the range of expected benefits. Where possible, please also provide further details and outline the drivers of benefits.

| [for each option (A) to (F)]   | 1 | 2 | 3 | 4 | 5 | Range of benefits (in EUR) | Detailed benefits and drivers |
|--|---|---|---|---|---|----------------------------|-------------------------------|
| 1. Reduced regulatory burden and additional flexibility for investors/buyers     |   |   |   |   |   |                            |                               |
| 2. Reduced regulatory burden and additional flexibility for companies/sellers    |   |   |   |   |   |                            |                               |
| 2. Reduced risk/uncertainty for investors (buyers) due to regulatory safeguards  |   |   |   |   |   |                            |                               |
| 3. Reduced risk/uncertainty for investors (sellers) due to regulatory safeguards |   |   |   |   |   |                            |                               |
| 4. Easy/standardised option to transfer stake to another investor                |   |   |   |   |   |                            |                               |
| 5. Other (Please specify)  |   |   |   |   |   |                            |                               |

**AFME response:** No response.

**Question 33:** For each of the options in question 31, please indicate whether you see any drawbacks. Please provide detail in the cases where you responded 'yes'.

|                           | Yes | No | Detailed comment in case of 'yes' | No opinion |
|---------------------------|-----|----|-----------------------------------|------------|
| Option A                  |     |    |                                   |            |
| Option B                  |     |    |                                   |            |
| Option C                  |     |    |                                   |            |
| Option D                  |     |    |                                   |            |
| Option E                  |     |    |                                   |            |
| Option F (where relevant) |     |    |                                   |            |

**AFME response:** No response.

**Question 34:** To ensure that the regime strikes the right balance between efficiency and regulatory safeguards for investors, which of the following alleviations from the relevant regulatory frameworks (MiFIR, Market Abuse Regulation, Prospectus Regulation) should be considered with respect to secondary trading of shares on such a platform?

Please rank them from the least important (1) to the most important (5). *The same ranking can be attributed to multiple options. Please explain your answer. Please note that rules governing the status of the operator of the platform are covered under Section C. Please note that more detailed questions on the regulatory framework governing trading are included in the next Sections.*

| Possible alleviations / exemptions  | 1 | 2 | 3 | 4 | 5   | Detailed comment |
|---|---|---|---|---|-----|------------------|
| Lighter pre-trade and post-trade transparency requirements, calibrated for the different types of trading systems (MiFIR) |   |   |   |   | [X] | *see below       |
| No pre-trade and post-trade transparency requirements (MiFIR)   |   |   |   |   |     |                  |
| Lighter supervisory reporting requirements (MiFIR)  |   |   |   |   |     |                  |

|   |  |  |  |  |     |                   |
|---|--|--|--|--|-----|-------------------|
| No supervisory reporting requirements (MiFIR)   |  |  |  |  |     |                   |
| Lighter prospectus requirement for private shares subject to private intermittent trading |  |  |  |  |     |                   |
| No prospectus requirement for private shares subject to private intermittent trading      |  |  |  |  | [X] |                   |
| Lighter requirements under the Market Abuse Regulation, notably disclosure requirements   |  |  |  |  |     | <i>*see below</i> |
| No requirements under the Market Abuse Regulation, notably no disclosure requirements     |  |  |  |  | [X] |                   |
| Other (Please specify)  |  |  |  |  |     |                   |

**AFME Response:**

No requirements under the Market Abuse Regulation, notably disclosure requirements:

Our members recognise a rationale for not applying a regulatory regime based on the Market Abuse Regulation (“MAR”). Excluding this would reduce the compliance burden on companies using the platform, as well as avoid the need to adapt key MAR concepts which have been designed for a continuous trading environment. We note, however, that this would remove key regulations on the conduct of sellers, including insider dealing and market manipulation. Although such potential situations may be limited, buyers would be benefitting from less protection around the conduct of sellers than on the public markets where MAR applies.

In our view, this may be acceptable in the context of a platform intended as a “half-way house” between private and public markets. Our members acknowledge that a balance needs to be struck between effective regulation and encouraging use of the platform – but it is also another reason to suggest that it is appropriate to restrict trading on the platform to sophisticated and professional investors (and relevant employees) only.

No prospectus requirement for private shares subject to private intermittent trading

Our members believe that applying the existing public company prospectus disclosure regime would be inconsistent with a “half-way house” market rationale, disproportionately burdensome for companies to comply with and discourage use of the platform. Companies should instead be required to provide a focused initial disclosure document / set of core disclosure items that would then be updated periodically for new financial and other relevant inside information. This could include the following: key risk factors, financial information, summary business description, details on share capital, articles of association, shareholder arrangements and share ownership / major investors, as well as any other information required to comply with the disclosure obligation.

In order to ensure consistency of disclosure (especially at the outset of the new platform, when market practice and customs will still be forming), our members strongly consider it

would be helpful to establish standardised parameters for the form and content requirements as far as possible. We would be very happy to work with the relevant bodies to help further develop more detailed disclosure requirements.

Lighter pre-trade and post-trade transparency requirements, calibrated for the different types of trading systems (MiFIR):

Our members consider that it is important to calibrate the pre- and post-trade transparency requirements applicable to an intermittent trading platform trading, taking into account its unique characteristics, rather than applying the current MiFID regulatory technical standards (RTS 1) requirements without appropriate modifications. Further consideration would need to be made as to whether a waiver / deferral regime is justified for this initiative, given the intermittent nature of trading. For example, members note that calibrating a post-trade deferral regime could be challenging for such a platform (at least in line with the existing MiFID/R rules) due to the limited trading data that would be available and may not provide practical advantages given the intermittent nature of the platform. The utility of applying pre-trade transparency requirements may depend on the mechanism that is chosen for setting prices on an intermittent trading platform.

Our members consider that it would be helpful for the purposes of encouraging investment for transparency data to be available to everyone on an intermittent trading platform (and not just investors who have been “approved” by that specific company) – overall valuations of companies based on the most recent prices could also potentially be made available.

**2.3. Rules governing the operator of a private intermittent trading facility**

**Question 35:** On a scale from 1 (least preferred) to 5 (most preferred), which general approach to the requirements on the operator would you see as the most simple and efficient? *Please explain your answer. Where relevant, please consider any possible interplay with national legislation.*

| Regulatory approach  | 1 | 2 | 3 | 4 | 5 | Detailed comment | No opinion |
|--|---|---|---|---|---|------------------|------------|
| Detailed rules in a legislative act  |   |   |   |   |   |                  |            |
| Principle-based legislative act with details provided in secondary legislation                           |   |   |   |   |   |                  |            |
| Rules set out only as high-level principles without any further detail provided in secondary legislation |   |   |   |   |   |                  |            |

**AFME response:** No response.

**Question 36:** Should the operator of a private intermittent trading venue. *Only one possible answer. Please explain your answer.*

- a) be an authorised/supervised entity under the existing EU acquis
- b) receive a bespoke authorisation under the new dedicated regime for intermittent trading
- c) not be authorised but only notify its activity to a supervisor
- d) other

**AFME response:** No response.

**Question 36.1:** If you responded ‘yes’ to option (a) in question 36, what authorisation should be required? *You can select several options. Please explain your answer.*

|                          |  |
|--------------------------|--|
| <input type="checkbox"/> | Authorisation as an investment firm under MiFID II   |
| <input type="checkbox"/> | Entities that operate as market operators pursuant to MiFID II should be allowed to operate an intermittent trading platform |
| <input type="checkbox"/> | Another authorisation (Please specify)   |

**AFME response:** No response.

**Question 36.2:** If you responded ‘yes’ to option (a) or (b) in Question 36, who should authorise and, subsequently, supervise the operator of a private intermittent trading? *Only one possible answer:*

- EU level authorisation and supervision
- National authorisation and supervision
- National authorisation and supervision for small operators and transfer of supervision to EU level for larger players
- Other (Please specify)

**AFME response:** No response.

**Question 36.3:** If you responded ‘yes’ to option (a) or (b) in Question 36, what would be the appropriate distribution of powers between the supervisory authority and the operator of the intermittent trading facility? *Please explain your answer.*

|   | Supervisor | Operator | None |
|---|------------|----------|------|
| Approval of rulebook                            |            |          |      |
| Admission of trading participants               |            |          |      |
| Admission of eligible companies                 |            |          |      |
| Surveillance of trading events                  |            |          |      |
| Urgent intervention powers (e.g. trading halts) |            |          |      |

|   |  |  |  |
|---|--|--|--|
| Other (please specify and indicate who should be in charge) |  |  |  |
|---|--|--|--|

**AFME response:** No response.

**Question 36.4:** If you responded ‘yes’ to option (b) in question 36, what minimum requirements should be met by an applicant? *You can select several options. Please explain your answer.*

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | a) be a legal entity established in the EU  |
| <input type="checkbox"/> | b) have minimum capital requirements/ proof of sufficient financial resources allocated to the main business of the legal entity                  |
| <input type="checkbox"/> | c) have a management body of at least two individuals who are of good repute and have sufficient experience and knowledge to perform their duties |
| <input type="checkbox"/> | d) comply with fit and proper requirements in relation to persons exercising significant influence over the management of the platform            |
| <input type="checkbox"/> | e) be adequately equipped to manage the risks to which the platform is exposed  |
| <input type="checkbox"/> | f) have transparent rules and procedures that provide for fair and orderly trading  |
| <input type="checkbox"/> | g) ensure regular monitoring of the compliance by participants in the trading events with applicable rules  |
| <input type="checkbox"/> | h) have arrangements for the identification and management of conflicts of interest   |
| <input type="checkbox"/> | i) comply with other requirements (please specify)  |

**AFME response:** No response.

**Question 37:** Should the operator of an intermittent trading platform be allowed to provide investment services, such as underwriting and placement services?

|     |     |            |
|-----|-----|------------|
| Yes | No  | No opinion |
|     | [X] |            |

**AFME Response:** Our members consider the following should be the permitted activities for platform operators:

- Secondary Market Trading: Providing a platform for existing shareholders (including employees and early investors) to sell their shares in periodic, controlled, and intermittent "trading windows".
- Price Discovery: Operating a multilateral system, such as an auction process, to facilitate price discovery for relevant securities.

- Settlement Services: Utilizing and linking to settlement systems (both uncertificated and certificated) to facilitate the transfer of shares sold on the platform.
- Market Oversight: Monitoring disclosure completeness and for market abuse.
- Intermediary Services: Facilitating the participation of regulated trading intermediaries (such as banks or brokers) that may be involved in placing buy or sell orders.
- Dematerialisation of shares: Aiding with the dematerialisation of shares to facilitate electronic trading.

**Question 38:** Do you see a risk that high demand for and low supply of private shares in private intermittent trading events might cause operators to overcharge for their services? *Please substantiate if you answered 'yes'.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** No response.

#### 2.4. Market model: Trading systems and frequency of trading events

Trading in private shares could be organised through multilateral trading conducted at intervals (i.e. intermittent trading), possibly with a varying frequency (e.g. specific hours of each day or specific hours on certain days only). Limiting the trading activity to only intermittent events is necessary to limit disclosure obligations for eligible companies. In the case of continuous trading, the company would be required to also provide continuous disclosures and possibly comply with other rules applicable to continuous trading.

**Question 39:** Who should have discretion over deciding the trading system? *Only one possible answer. Please explain your answer.*

- Operator of the platform [X]
- Eligible companies
- Participants/investors
- Should be defined in EU law

**AFME response:** Our members would expect operators to take oversight of fundamental operational matters, such as user-eligibility for the intermittent trading platform and settlement procedures (including ensuring sellers are able to deliver good title to shares they sell), but that the method of auction and frequency and duration of trading windows should be at the discretion of the eligible company. This should help make the platform attractive to companies, particularly if they will be required to produce disclosures to facilitate trading. We also believe that participating companies should be allowed flexibility to set a minimum and maximum execution size for a trading window.

**Question 40:** Which of the following trading systems would be suitable for a private intermittent trading facility. Please rank from 1 (not suitable) to 5 (most suitable). *Please explain your answer.*

| Trading system              | 1 | 2 | 3 | 4 | 5 | Detailed comment | No opinion |
|-----------------------------|---|---|---|---|---|------------------|------------|
| a) Central limit order book |   |   |   |   |   |                  |            |
| b) Auction                  |   |   |   |   |   |                  |            |
| c) Request for quote        |   |   |   |   |   |                  |            |
| d) Hybrid (please specify)  |   |   |   |   |   |                  |            |
| e) Other (please specify)   |   |   |   |   |   |                  |            |

**AFME response:** No response.

**Question 41:** Who should have discretion over deciding the frequency of the trading events? *Only one possible answer. Please explain your answer.*

- Operator of the platform
- **Eligible companies [X]**
- Participants/investors
- Should be defined in EU law

**AFME response:** Participating companies should be granted flexibility as to the frequency and duration of trading windows. Whilst there would be benefits to offering shareholders and potential investors regular and predictable access to liquidity events, this needs to be carefully balanced against allowing companies to structure trading windows in a way that suits their needs and is not overly burdensome (particularly if their involvement is required through the applicable disclosure regime). Therefore, we believe this area should be regulated with a principles-based approach; whilst the frequency and duration of trading windows should not be subject to rigid parameters or any requirement for companies to pre-agree a schedule, the frequency and duration of trading windows that are chosen by companies should also not overall amount to continuous public market style trading (e.g. auctions that are so frequent so as to almost be continuous).

We also believe participant companies should be permitted the flexibility to set a minimum and maximum execution size for a trading window.

**Question 42:** In terms of frequency of trading events, what should be the preferred model? *Only one possible answer. Please explain your choice and for how long the window should remain open.*

- One window per day
- One window per week
- One window per month
- One window per quarter
- Bi-annual windows

- Other (please specify)

**AFME response:** As noted above, we believe participating companies should be afforded flexibility as to the frequency of trading events.

**Question 43:** Eligible companies may want to limit the price range and trading volume before holding an intermittent trading event. On a scale from 1 (not beneficial) to 5 (highly beneficial) would allowing for this be beneficial to the success of such a trading event? *Please explain your answer.*

| 1 | 2 | 3   | 4 | 5 | No opinion |
|---|---|-----|---|---|------------|
|   |   | [X] |   |   |            |

**AFME response:** Our members believe that an approach of using price parameters would assist in price discovery, but consider that further consideration should be given to how companies could be encouraged to set parameters which will encourage investment activity, in the absence of the regular and continuous liquidity that aids price formation in public markets.

Further consideration will also need to be given to how any price discovery mechanics work in practice, based on the overall structure adopted for the platform. If an auction model is used, this could be structured in a number of ways, including a reverse auction model whereby the offer price decreases until bids are received to sell the total volume of shares. This would avoid a situation where multiple prices for shares are accepted during the same trading window.

Alternatively, a “block trade” model could be used whereby the offer price increases until a single bidder or specific number of bidders (pre-specified by the company) are left. These are illustrative examples only and the precise models offered may also depend on the types of investors and sellers permitted to use the platform.

Overall, our members are of the view that flexibility should be offered to companies to customise the auction procedures they use (and, potentially, flexibility for a company to change this across different trading windows). This would help ensure this initiative is competitive with other similar trading platforms that offer multiple options for auction structuring.

## 2.5 Pre-trade and post-trade transparency

**Question 44:** Limited disclosure obligations could be an element of a private intermittent multilateral trading regime. Yet, to facilitate price discovery, a certain amount of price and volume transparency might be required. On a scale from 1 (not required) to 5 (highly required), would you consider that some pre-trade and post-trade transparency should be required for intermittent trading of private shares? *Please explain your answer.*

|                         | 1 | 2   | 3 | 4 | 5 | No opinion |
|-------------------------|---|-----|---|---|---|------------|
| Pre-trade transparency  |   | [X] |   |   |   |            |
| Post-trade transparency |   | [X] |   |   |   |            |

**Question 44.1:** If you answered 3 to 5 to question 44, how should pre-trade and/or post-trade transparency requirements (price and volume) be framed? *Please explain your answer.*

**AFME response:** Our members consider that it is important to calibrate the pre- and post-trade transparency requirements applicable to the intermittent trading platform, taking into account its unique characteristics, rather than applying the current MiFID regulatory technical standards (RTS 1) requirements without appropriate modifications. Also as a general point, we believe it would be helpful for the purposes of encouraging investment for transparency data to be available to everyone on the intermittent trading platform (and not just investors who have been “approved” by that specific company) – overall valuations of companies based on the most recent prices could also potentially be made available.

**Question 44.2:** If you answered 3 to 5 to question 44, to whom should pre-trade and post-trade data be made available to? *Please explain your answer.*

|  | Yes<br>(pre-trade) | No<br>(pre-trade) | Yes<br>(post-trade) | No<br>(post-trade) |
|--|--------------------|-------------------|---------------------|--------------------|
| All eligible participants (investors) of a given private intermittent trading facility | [X]                |                   | [X]                 |                    |
| Only participants in a given private intermittent trading event                        |                    | [X]               |                     | [X]                |
| Everyone (to the general public)   |                    | [X]               |                     | [X]                |

**Question 45:** Do you see any benefits and possible risks/drawbacks of making pre-trade and post-trade data available to the general public? *Please explain your answer.*

|                 | Yes<br>(pre-trade) | No<br>(pre-trade) | Yes<br>(post-trade) | No<br>(post-trade) | Please specify which ones |
|-----------------|--------------------|-------------------|---------------------|--------------------|---------------------------|
| Benefits        |                    |                   |                     |                    |                           |
| Risks/drawbacks |                    |                   |                     |                    |                           |

**AFME response:** It is possible that operators will want the ability to publish a potentially limited subset of information more widely to the public (on an aggregated or anonymised basis) in order to attract other potential investors to participate on the platform.

**Question 46:** How should pre-trade and post-trade data be disseminated? *Please explain your answer.*

**AFME response:** AFME believes that this should be up to the discretion of the platform operator.

## 2.6 Disclosure of company-specific information

While core information on the company whose shares are traded should be shared with prospective investors to ensure that they can make well-informed decisions, such information should be safeguarded from unauthorised disclosure to third parties. To the extent the operator of a private intermittent trading facility is entrusted with the dissemination of the company-specific information to investors, it should ensure that the information is accessed by participants in a secure manner. This may require putting in place specific rules and arrangements, as well as lay down sanctions for penalising and preventing unauthorised disclosure. The participants in a private intermittent facility should also be subject to obligations to protect the received company information.

**Question 47:** Do you believe there should be a requirement for minimum core information to be disclosed to investors? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
| [X] |    |            |

**AFME response:** We believe there should be a core list of specific disclosure items to be admitted to trading and for update ahead of each trading window, although these should be lighter than a full public market style prospectus. This could include the following: key risk factors, financial information, summary business description, details on share capital, articles of association, shareholder arrangements and share ownership / major investors, as well as any other information required to comply with the disclosure obligation. Additionally, to account for innovative structures similar to those utilised in at least one UK PISCES platform transaction, we believe that eligible companies should be subject to disclosure requirements designed to ensure transparency regarding underlying assets, investment structures, risks, and costs.

In order to ensure consistency of disclosure (especially at the outset of the new platform, when market practice and customs will still be forming), our members strongly consider it would be helpful, for companies and investors, to establish standardised parameters for the form and content requirements as far as possible. We would be very happy to work with the relevant bodies to help further develop more detailed disclosure requirements.

**Question 48:** Should all investors be given the same information or, instead, bespoke information, depending on their needs or their status (e.g. institutions investors vs. high-net-worth individuals, please refer to types of investors set out in question 21)? *Only one possible answer. Please explain your answer.*

- Same information [X]
- Bespoke information

**AFME response:** We believe that all investors should receive the same information for certainty and to avoid any negative or unintended consequences from different investors receiving different information on the same company.

**Question 49:** What minimum disclosures do you deem indispensable to formulate a bid? *Please list and explain.*

**AFME response:** Please see our response to Question 47 above. While we are not opposed to giving operators the flexibility to specify limited additional disclosure items where necessary, a uniform standard of fundamental disclosure across intermittent trading platforms would, in our members’ view, be more effective to give investors confidence in disclosures.

We also query whether allowing operators flexibility to significantly customise their disclosure and operational framework would be fully consistent with the concept of any initial “sandbox” testing phase designed to test the functioning of the intermittent trading platform and also establish it as a trading venue.

**Question 50:** Do you believe there should be a common format/template for the disclosure of information? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
| [X] |    |            |

**AFME response:** Please see our response to Question 47 above.

**Question 51:** Should participants be allowed to ask for further information that is then to be shared amongst all trading participants?

| Yes | No | No opinion |
|-----|----|------------|
| [X] |    |            |

**AFME Response:** An “ask” model potentially carries significant difficulties for companies, including the burden of individual responses in addition to producing disclosures and also potentially lengthening trading windows (increasing the risk that developments during the window supersede disclosures and/or require them to be supplemented). However, it may be inevitable companies are asked questions in any case and so allowing this in a controlled way, with appropriate parameters around timing and when a company may refuse to answer, may be preferable. This would also be closer to the process already used and known by private placement investors, which would typically provide the ability to ask questions via a due diligence or marketing process.

**Question 52:** Who do you think should disclose information? *Only one possible answer. Please explain your answer.*

- Company [X]
- Investor holding and selling the stake in the company
- Other (please specify)

**AFME response:** please see our answer to Question 49.

**Question 53:** How should the company-specific information be shared with investors?  
*Only one possible answer. Please explain your answer.*

- In a one-off sharing arrangement prior to a trading event
- In a continuous stream of information, with updates if relevant, prior to a trading event
- In another arrangement (please substantiate)

**AFME response:** In addition to a well calibrated prescribed minimum disclosure document which could be valid for 12 months or until the publication of the company’s next annual financial statements (whichever is sooner), we believe it would be appropriate for a company to open a trading window during this validity period by publishing a brief “updates only” supplement to such document. This would incentivize companies to use such a platform and keep the burden of producing and updating disclosures to a reasonable minimum.

**Question 54:** Should the integrity (accuracy) of the information provided be the exclusive responsibility of the issuing company? *Please explain your answer.*

| Yes                                 | No | No opinion |
|-------------------------------------|----|------------|
| <input checked="" type="checkbox"/> |    |            |

**AFME response:** Operators should generally be responsible for the operational functioning of the venue; however, they should not be held liable for the quality and accuracy of company disclosures. This should be the exclusive responsibility of the company. Given operators are likely to be commercial trading venue operators, they may not be willing or able to monitor company disclosures beyond ensuring that disclosures have been made against each of the minimum required items.

**Question 54.1:** If you answered ‘No’ to question 61, who should also be responsible for the integrity of the information?

**AFME response:** No response.

**Question 55:** Should investors be able to claim compensation for untrue or misleading information or material omissions? *Please explain your choice.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** No response.

**Question 56:** Do you believe that the civil liability regime applicable to disclosure for investors in the context of intermittent trading of private company shares should be set out at EU level or be left to national level? *Please explain your answer.*

| Uniform EU level liability regime | Civil liability regime of the relevant Member State | No opinion |
|-----------------------------------|---|------------|
|                                   |   |            |

**AFME response:** No response.

**Question 57:** Should infringements of disclosure requirements be subject to administrative sanctions? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** No response.

## 2.7 Market abuse

Trading on EU public markets is subject to the market abuse framework (ban on insider dealing, market manipulation and unlawful disclosure of inside information as well as certain disclosure obligations, including the obligation to disclose inside information as soon as possible). In contrast, private equity markets, given their largely bilateral and bespoke nature, are not subject to any market abuse rules. Private intermittent markets may display features of both private and public markets, and hence it is important to assess whether they should be subject to any safeguards against market abuse. To that end, it is necessary to note that multilateral markets with a low level of liquidity may be especially vulnerable to manipulative practices.

**Question 58:** Should there be market abuse rules (or at least high-level principles) applying to trading of private shares via a private intermittent trading facility? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
| [X] |    |            |

**AFME response:**

Please see our answer to Question 34. Our members recognise a rationale for not applying a regulatory regime based on MAR. Excluding this would reduce the compliance burden on companies using the platform, as well as avoid the need to adapt key MAR concepts which have been designed for a continuous trading environment. This would also be more consistent with the rationale of creating a “halfway house” between public and private markets.

We note, however, that this would remove key regulations on the conduct of sellers, including insider dealing and market manipulation. Although such potential situations may be limited, buyers would be benefitting from less protection around the conduct of sellers than on the public markets where MAR applies. Operators could, therefore, be subject to a high-level obligation to monitor for material instances of market abuse and be given the power to suspend, prohibit and/or publicly censure market participants where they commit breaches of the fundamental operational aspects of the platform’s rule-book, such as user-eligibility for the platform and settlement procedures (including the delivery of good title to shares by sellers).

**Question 58.1:** If you answered ‘yes’ to question 58, which option do you favour? *Only one possible answer. Please explain your answer.*

- Market Abuse Regulation should apply in full (as relevant)
- Only some, most critical parts of the Market Abuse Regulation (e.g. ban on insider dealing and market manipulation) should apply (e.g. not disclosures)
- New detailed rules (distinct from the Market Abuse Regulation) should be introduced
- **New high-level rules/principles on market abuse should be introduced [X]**
- Rules (detailed or high-level) on market abuse should **not** apply

**AFME response:**

We favour the introduction of new high-level principles on market abuse specifically designed for the intermittent trading platform, implemented by operators through their rule-books as a condition of authorisation. These principles should require operators to: (i) prohibit manipulative trading practices on their platforms; (ii) monitor for and detect such conduct; (iii) have powers to suspend, postpone or terminate trading events; and (iv) report suspected breaches to the relevant competent authority.

**Question 59:** In order to ensure that all investors make investment decisions on the basis of the information available to all eligible bidders (no asymmetric information), should participants in an intermittent trading event be required to make a declaration of honour stating that they do not possess any additional, materially relevant information affecting the value of the shares of the eligible company other than the information disclosed by the eligible company in the context of the trading event? *Please explain your answer.*

| Yes     | No | No opinion |
|---------|----|------------|
| [Maybe] |    |            |

**AFME response:** We believe that if the disclosure requirements are fit for purpose – and met by the eligible company – then there should be a minimal risk of investors trading on the basis of material non-disclosed information. Nevertheless, we would also encourage the Commission to explore additional ways in which buyers could be reassured that sellers are not in possession of material information that is not known by the company and remains undisclosed. This could potentially be done either by: (i) requiring sellers to make declarations directly to the operator (although we note enforcement by operators carries difficulties); or (ii) by creating a contractual nexus between buyer and seller (we do not yet have details on how settlement would work, but if through a central settlement agent this may cause difficulties for creating such a contractual nexus).

**Question 60:** If a participant is in possession of the information described in question 59, should such participant be obliged to disclose it? *Only one possible answer.*

- a) **Only to the eligible company [X]**
- b) Only to the operator
- c) Other (please specify)

**Question 60.1:** If you answered (a) or (b) to question 60, do you consider that it should be left to the eligible company to decide whether to share that information with other participants in the trading event or prohibit the participant in possession of that information from participating in the trading event? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
| [X] |    |            |

**AFME response:** Yes, if based on materiality and the disclosure items required by the platform. It is also possible that the eligible company may wish to update its disclosure.

**Question 61:** Would your answers to questions 59 to 60 differ in the case of employees of companies selling shares of their companies and if so how?

| Yes | No  | No opinion | Explanation |
|-----|-----|------------|-------------|
|     | [X] |            |             |

## 2.8 Eligibility requirements

It may be appropriate for the operator of the platform to determine the general eligibility criteria for access to its trading facility. It could then be for individual eligible companies to establish which investors, out of the pool of eligible investors on the facility, may participate in individual trading events.

**Question 62:** Should an intermittent trading facility be allowed to have a prescribed list of categories of investors (out of the list of eligible categories of investors – see Question 21) that are allowed to participate in the trading facility? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** Our members expect that many companies and shareholders will want the option to pre-select or “screen” and admit potential new investors (who are not already shareholders) to trading windows on an individually approved basis, rather than allow all such persons to have automatic access, and to provide disclosures to such approved persons only once they are inside the “private perimeter” of the trading window.

In the absence of this “private perimeter” protecting sensitive disclosures, our members have concerns that some companies and shareholders may be reluctant to use the platform.

**Question 63:** Should an intermittent trading facility be allowed to limit the types of eligible companies or even pre-select individual eligible companies, the shares of which could be traded on its platform? *You can select several options. Please explain your answer.*

|                          |  |
|--------------------------|--|
| <input type="checkbox"/> | Should be allowed to limit the types of eligible companies |
| <input type="checkbox"/> | Should be allowed to pre-select specific companies         |

**AFME response:** No response.

**Question 64:** Who should have discretion over deciding which investors may participate in a given trading event? *You can select several options. Please explain your answer.*

|                                     |  |
|-------------------------------------|--|
| <input type="checkbox"/>            | Operator of the platform   |
| <input checked="" type="checkbox"/> | Eligible companies   |
| <input type="checkbox"/>            | Should be defined in EU law (not at the choice of the operator nor eligible companies) |

**AFME response:** Please see our response to question 62.

**Question 65:** Should an eligible company be allowed to participate in an intermittent trading event to buy back its own shares? *Please explain your answer.*

| Yes | No                                  | No opinion |
|-----|-------------------------------------|------------|
|     | <input checked="" type="checkbox"/> |            |

**AFME response:** Our members acknowledge that there are risks that share buy-backs could inhibit the price discovery process and risks around controlling shareholders using their influence to ensure their shares are bought back at higher prices than other shareholders. As such, we do not see a need to allow these initially, although this could be revisited in the future once the initial function of the platform has been further tested in the sandbox.

**Question 66:** Should intermediaries be allowed to place orders received from clients, if their clients (third party) are eligible to participate in a trading event? *You can select several options. For each selected option, please explain under which terms.*

|                                     |   |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Intermediaries should be allowed to freely place third party orders   |
| <input checked="" type="checkbox"/> | Intermediaries should be allowed to place third party orders, except when the third party is the eligible company |
| <input type="checkbox"/>            | Intermediaries should only be allowed to place third party orders with prior consent of the operator              |

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Intermediaries should only be allowed to place third party orders with prior consent of the eligible company                  |
| <input type="checkbox"/> | Intermediaries should only be allowed to place third party orders with prior consent of the operator and the eligible company |
| <input type="checkbox"/> | Other (please specify)  |

**AFME response:** Intermediaries should be allowed to freely place third party orders in order to facilitate participation by high-net-worth individuals.

## 2.9 Clearing and settlement

**Question 67:** Should securities traded on a private intermittent trading facility be mandatorily or optionally centrally cleared? *Only one possible answer. Please explain your answer.*

- No central clearing
- Obligation to centrally clear
- Possibility to centrally clear
- **Should be left entirely to the discretion of the operator [X]**

**Question 68:** What benefits and risks do you see in the introduction of central clearing in the context of the intermittent trading of private companies? *Please explain your answer.*

**AFME Response:** Central clearing offers significant benefits in terms of risk management, market efficiency, and transparency. By using a central counterparty (CCP) to guarantee trades, counterparty credit risk is reduced. This centralisation enables multilateral netting of exposures, lowering the total value of outstanding obligations and improving liquidity and capital efficiency. It also enhances market stability through robust margining and default management procedures, while providing regulators with clearer oversight of market-wide risk concentrations. However, given scale of activity expected on a private intermittent trading facility, these benefits are unlikely to be material.

**Question 69:** In your view, how could a private intermittent trading operator guarantee timely delivery of traded shares? *Please explain your answer.*

**AFME Response:** A model where trades are settled in dematerialised form via a central securities depository (“CSD”) will, in our members’ view, be useful for many market participants who will see benefits in being able to deposit assets into custody and settle trades in a CSD. As trading volumes increase overall, it may also (from an administrative perspective) become increasingly desirable for as many trades as possible to be settled in the efficient and secure environment of a CSD. This will be the case even though many private companies with certificated shares will initially need to take steps to de-materialise their shares for settlement via CSD on the platform.

In our members’ view, however, it will also be important for operators to give companies and shareholders flexibility as to how they approach trading and settlement. Many private company shares are currently held in certificated form and, although there may be other

options available to such companies (such as issuing depositary receipts or interests), it will be important to allow for flexibility to enable trades to be settled directly between the seller and the buyer without the involvement of a CSD (but with the involvement of the company, where necessary).

The involvement of a CSD will be helpful towards ensuring shares are delivered with minimal risk and promptly, as well as the operator having clear and robust settlement policies and procedures in their rule book. However, we do not consider that operators should be involved in underwriting sales and, fundamentally, there may be certain limited risks that remain that settlement could fail in certain circumstances, particularly where sellers and buyers are to settle directly in certificated form.

**Question 70:** Are there any considerations with respect to post-trade that would be relevant in the context of a private intermittent trading platform? *Please explain your answer.*

**AFME Response:** Our members did not have any further comments.

## 2.10 Financial promotion

**Question 71:** Should there be any rules on public advertisement/promotion of private intermittent trading events? *Only one possible answer.*

- No rules
- Some rules are necessary (need to be defined at EU level)
- National marketing rules should apply [X]
- Other (please specify)

**AFME response:** National marketing rules should apply but with tailored modifications, and should be aligned in the case of a single EU platform.

## 2.11 Investor protection

**Question 72:** Beyond disclosures, should any additional investor protection rules apply in the context of the private intermittent trading regime? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** No response.

## 2.12 Other: incentives

**Question 73:** What incentives (regulatory or otherwise) could encourage the emergence of a private intermittent trading facility? *Please explain your answer.*

**AFME response:** No response.

### PART III: POSSIBLE USE OF THE PLATFORM FOR RAISING FRESH EQUITY CAPITAL

The platform for intermittent secondary trading of private shares could also be used to raise new capital by eligible companies. This way, private companies might use the intermittent trading system to sell new company shares, for example by way of a closed auction. The sale of shares through the platform could mean alleviations and efficiency gains a private placement cannot offer.

**Question 74:** Within the current regulatory requirements, either at EU or national level, applicable to companies looking for fresh capital, what elements do you find the most burdensome for a private company? What alleviations would you find necessary in that regard? *Please explain your answer.*

**AFME response:** No response.

**Question 75:** Do you see merit in also allowing for the raising of fresh capital through a private intermittent trading platform? *Please explain your answer, in particular the upsides and down-sides of such a possibility.*

| Yes | No  | No opinion |
|-----|-----|------------|
|     | [X] |            |

**AFME Response:** We believe it is important that where companies want to raise new capital for growth purposes, this is something that the public markets should provide and, therefore, as a “halfway house” the function of any new intermittent trading platform should be limited to secondary sales of existing shares only and not new issuances of capital. This should help ensure the platform is positioned more as a liquidity “stepping stone” and companies are encouraged to continue transitioning towards the public markets and the platform does not itself become a replacement for public markets.

**Question 76:** What benefits would the raising of fresh capital through a private intermittent trading platform bear compared to the private placement of securities? *You can select several options. Please explain your answer.*

|                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Improved identification of investors for Eligible Companies and vice versa                                    |
| <input type="checkbox"/> | Lower burden for companies in terms of disclosure   |
| <input type="checkbox"/> | Higher degree of comparability of issuers, where the platform requires some kind of standardised disclosures. |
| <input type="checkbox"/> | Speed through standardised processes  |
| <input type="checkbox"/> | Access to a wider range of investors  |
| <input type="checkbox"/> | Cost savings through standardised processes   |
| <input type="checkbox"/> | Other (please specify)  |

**AFME response:** No response.

**Question 77:** What potential drawbacks do you see with offering the possibility to raise fresh capital through a private intermittent trading platform? *Please explain your answer.*

**AFME response:** No response.

**Question 78:** What interactions would the offering of the possibility to raise fresh capital through a private intermittent trading platform have with other sources of equity financing, e.g. bank lending? *Only one possible answer. Please explain your answer.*

- Could substitute bank lending and debt financing
- Could complement bank lending and debt financing
- Would have no effect on bank lending and debt financing
- Other interactions with other potential sources of financing (please specify)

**AFME response:** No response.

**Question 79:** What interactions would the offering of the possibility to raise fresh capital through a private intermittent trading platform have with listing on a public market? *Only one possible answer. Please explain your answer.*

- Could incentivise listing on a public market
- Could disincentivise listing on a public market
- Would have no effect on listing on public market
- Other interactions with other potential sources of financing (please specify)

**AFME response:** No response.

**Question 80:** Do you see merit in having dedicated rules at EU level for the raising of fresh capital through a private intermittent trading platform? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**Question 80.1:** If you answered ‘yes’ to question 80, please describe what those rules should be.

**AFME response:** No response.

**Question 81:** Do you consider that the universe of investors that are eligible to participate in the raising of fresh capital through a private intermittent trading platform should be the same as for secondary trading? *Please explain your answer.*

| Yes | No | No opinion |
|-----|----|------------|
|     |    |            |

**AFME response:** No response.

**Question 82:** Are there any other issues in the context of private equity exits that you would like to share?

**AFME response:** No response.

## ***AFME Contacts***

Gary Simmons *Managing Director, High Yield and Equity Capital Markets*  
[Gary.Simmons@afme.eu](mailto:Gary.Simmons@afme.eu)

Oscar Newman *Manager, High Yield and Equity Capital Markets*  
[Oscar.Newman@afme.eu](mailto:Oscar.Newman@afme.eu)

Ainaz Maghsoudi *Graduate, High Yield and Equity Capital Markets*  
[Ainaz.Maghsoudi@afme.eu](mailto:Ainaz.Maghsoudi@afme.eu)