Exchanges crucial for the growth of European companies

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Now there’s growing awareness that Europe needs new SMEs that can grow and become the blue chips of tomorrow. SMEs create more jobs than large enterprises. Between 2002 and 2010, 85 percent of total employment growth was attributable to SMEs, according to a 2012 study conducted by the European Commission.

Therefore it’s crucial that policy makers do everything in their powers to facilitate funding through exchanges. Public markets need a balanced regulatory framework that does not discourage companies from listing. It’s crucial to ensure a level playing field for equity and debt financing and create “fast and simple tracks” for SMEs to have access to public markets.

All kinds of disincentives to public offerings and access to public markets need to be reviewed and eliminated, including existing taxation policy.

New incentives need to be introduced. UCIT funds should be allowed to invest more in companies listed on MTFs so that the collective investments are partly channeled towards the financing of SME’s. The EU could also establish a fund to co-invest in listed SMEs at the stage of subscription and at later stages to improve liquidity.

However, the regulatory development is in some perspectives going in the opposite direction. Measures are imposed on listed companies for political or social reasons although such measures have nothing to do with the fact that the companies are publicly held. Why should listed companies be treated different than government or privately owned companies when it comes to things like corporate governance and gender quotas?

Even more alarming is the FTT. It will have a significant negative impact on financing via equity markets and SMEs in particular. This needs to be reconsidered. Even more so since the European Commission itself has assumed a negative impact on gross domestic product and economic growth in its 2011 assessment.