

Date: February 11th, 2022

To
European Commission
DG FISMA

Submitted via Web

Reference: Public Consultation on “Listing act: making public capital markets more attractive for EU companies and facilitating access to capital for SMEs”

Dear European Commission,

EACRA welcomes the above consultation paper as well as the very detailed set of questions in the targeted consultation.

One of the main objectives of the capital markets union action plan “is to ensure that companies, and in particular small and medium-sized enterprises (SMEs), have unimpeded access to the most suitable form of financing¹” – the capital market for debt and equity financing can act as a complement to the financing provided by banks as the main source of financing.

As mentioned in section 2.3.3 “Research coverage for SMEs”², credit rating agencies are an integral part of the financial ecosystem in order to achieve a successful listing. We confirm that several rating agencies³ in Europe provide specific rating services to small and midcap companies.

We believe that credit ratings provide high value to issuers and investors. Next to the concise rating report on the respective issuers and/or the specific debt instrument, which provide a great overview over the potential credit risk profile associated with an investment, credit rating agencies quantify the credit risk by assigning a credit rating. Credit ratings therefore go well beyond an extensive prospectus document which usually lists all potential risk drivers but does not give an overall holistic assessment as credit ratings do.

Additionally, credit ratings can be used by a diversity of investors across the whole European Economic Area for regulatory purposes. Credit ratings thereby provide access to a very extensive investor base thereby contributing to competitive financing costs for the SME or MidCap company.

In consideration of the above, we hereby submit the following proposals for your kind consideration:

¹ Page 3 of the Consultation Paper

² See page 53 of the targeted consultation.

³ As an example, EACRA Member Axesor Rating in Spain has assigned a high number of ratings on debt instruments listed on the Spanish mid-market MARF.

- An SME or MidCap company going public should contract a credit rating agency for a credit rating of the company and for a credit rating of the specific debt instrument (as the ranking of the debt instrument may not be senior unsecured, the rating of the issuer can not always be aligned with the rating of the instrument). The credit ratings should be maintained until the maturity of the issue in order to enhance liquidity on the secondary market.
- A rated SME or MidCap company may be exempted from the publication of an extensive prospectus document where the “plain vanilla” bond issuance is below EUR 50 million. For other bonds, the exemption threshold could be set at EUR 25 million.
- The exemption from market sounding rules for private placement should cover rated SMEs or MidCap companies.
- Stock exchanges should provide a discount on the listing fees for rated SMEs or MidCap companies. Stock exchanges should disclose the credit ratings on their websites.

Our proposals, when taken together, would contribute to a smooth listing process of debt instruments, reduce the overall costs to SMEs and MidCap companies and increase transparency in the EU capital market. As a positive side effect, the increased coverage of SMEs and MidCaps with ratings would reduce a key concern of banks regarding unrated corporates and the likely introduction of the output floor as proposed in the banking package implementing the Basel III reform in Europe.

Last but not least, In order to further increase the momentum towards the capital market, we would like to recall the recommendation 8 by the Technical Expert Stakeholder Group on SMEs (TSEG): “The TSEG recommends to subsidise SMCs paying for a regulated credit rating to foster the development of a disintermediated debt market for SMCs.”⁴

We thank you for your kind attention and remain at your disposal for any clarification or additional information.

About EACRA

The European Association of Credit Rating Agencies (EACRA), set up in November 2009 and registered in Paris, was established to act as a platform for cooperation for EU-based Credit Rating Agencies (CRAs). Our mission is to support and facilitate the compliance of CRAs with regulatory requirements through effective communication, cross-border know how, and the promotion of best practices. In addition, EACRA seeks to promote Credit Ratings and the interests of CRAs across Europe, as well as enhance the financial community and general public’s understanding of Credit Ratings.

⁴ See page 48 of the final report dated May 2021 available at:
https://ec.europa.eu/info/sites/default/files/business_economy_euro/growth_and_investment/documents/210525-report-tesg-cmu-smes_en.pdf