

# Equity: the key to unlocking a sustainable economic recovery



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- Accountancy Europe, CFA Institute, EBRD and FESE launched the European IPO Report which was published in March.
- The Associations have now come together again to make the point that supporting equity financing and IPOs is more important than ever in the new context of the crisis.
- The Associations' statement ([here](#)) is not a one-off statement but we collectively need to continue reflecting on how to stimulate equity, especially post-crisis.
- Companies need to be enabled to use equity in normal times, they should not need to wait for a crisis to do so. How to achieve this? E.g. by improving financial education.
- Furthermore, regulatory measures should consider and avoid unintended consequences, e.g. the impact of unbundling rules on SMEs research (the Commission is still investigating whether the lack of equity research was caused by the unbundling rules or not). Rules need to be fit for SMEs.
- There are still issues with cross border trading, clearing and settlement.
- The Public/Private IPO Fund specialised in SME should not just focus on IPOs only, but also secondary issuance (on EU Regulated Markets and MTFs) to stimulate liquidity.
- The report published by the CMU HLF was very timely and includes lots of very precise ideas – now the co-legislators need to identify the most urgent measures in light of Covid- 19 and agree on ambitious next steps. The Commission needs the full support of Member States in implementing the upcoming CMU Action Plan to be able to advance and succeed.
- Equity needs to be supported not just with regulatory measure, but with fiscal policies as well (e.g. tax deductions, etc.). Major issues remain for what it concerns the technical recovery of withholding taxes.
- On the debt/equity bias, the Commission has been working on this, e.g. the CCCTB proposal, although fiscal policies remain largely responsibilities of Member States. The Commission could however share best practices, etc.



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- The various stimulus packages should include specific bridge financing for viable SMEs/growth companies that were planning IPOs when the Covid-19 crisis hit. This bridge financing would help to finance their growth stage for the next few months and facilitate the relaunch of their IPOs. Once equity markets stabilise again, EU financing could possibly be maintained or partially converted into equity to provide stability in the uncertain times.
- On sustainability and ESG: further bridge financing and fiscal measures could be considered for those companies which are active in this space.
- As recently demonstrated by the 'flight to quality' in the Covid-19 crisis: we need more transparency. A 'Tape of Record' covering overall liquidity - 100% coverage of transactions in the market (including SIs and OTC transactions) - would best meet the needs of users and increase transparency. Policymakers should also further investigate what is happening in the dark space.

