

COMCEC

Small & Medium Enterprises

2019/2020
















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- As chair of the COMCEC Market Development Task Force, the Capital Markets Authority of Kuwait (CMA) is pleased to take the initiative for its third consecutive year. This year, the survey focused on the topic of Small & Medium Enterprises (SMEs). The topic was chosen due to its increasing crucial role in contributing towards long-term world-wide economic growth, as well as its benefits of attracting a new/young segment of investors.
- Representing 60% of total employment and up to 40% of national income (GDP) in emerging economies (according to World Bank statistics), the SME market are essential drivers for delivering sustainable and inclusive economic growth. On the other hand, the SME sector has been the target of systematic and targeted intervention by governments and world wide international aid organizations.
- COMCEC members have long recognized the importance of the SME market to the economies which they operate in. Accordingly a survey has ben conducted and shared between the members to identify points of commonality and difference in approaches to SME markets, with the intention of providing insight to policy makers and market operators about the range of possibilities that they may wish to explore in enhancing or developing their SME markets.

2. Scope

- The survey was based on quantitative and qualitative information gathered from responded COMCEC members. The survey findings provides information on the best practices delivered by jurisdictions as well as providing information on SME markets and different regulatory efforts and initiatives of the member jurisdictions to provide incentives in promoting the SME markets.
- The survey questions attempt to gauge the following areas of SMEs within the respective OIC member authorities:-
 - Profile of the SME Market
 - Access to Capital Markets for SMEs
 - IPOs, Registration Process and Related Costs
 - Regulatory Framework for SMEs
 - Incentives in SME financing through capital markets
 - Other issues
 - Future prospects
 - Key takeaways/ Recommendations

The survey population is 56 OIC member countries. The responding authorities are the representative sample of 14 countries.

COMCEC Members			
Middle East	Asia	Europe	Africa
 Kuwait	 Bangladesh	 Albania	 Egypt
 KSA	 Maldives	 Turkey	 Tunisia
 Bahrain	 Pakistan		 Algeria
 Palestine	 Malaysia		
 Iran			
 Turkey			

COMCEC Members/Respondents



3. Profile of the SME Market

What is an SME



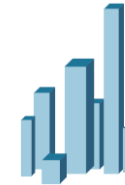
- A standard international definition of small and medium-sized enterprise (SME) does not exist.
- SMEs are defined differently in the legislation across countries, in particular because the dimension “small” and “medium” of a firm are relative to the size of the domestic economy
- SMEs are often embedded in local eco-systems, which represent their primary source of knowledge, skills, finance, business opportunities and networks.

Economic benefits



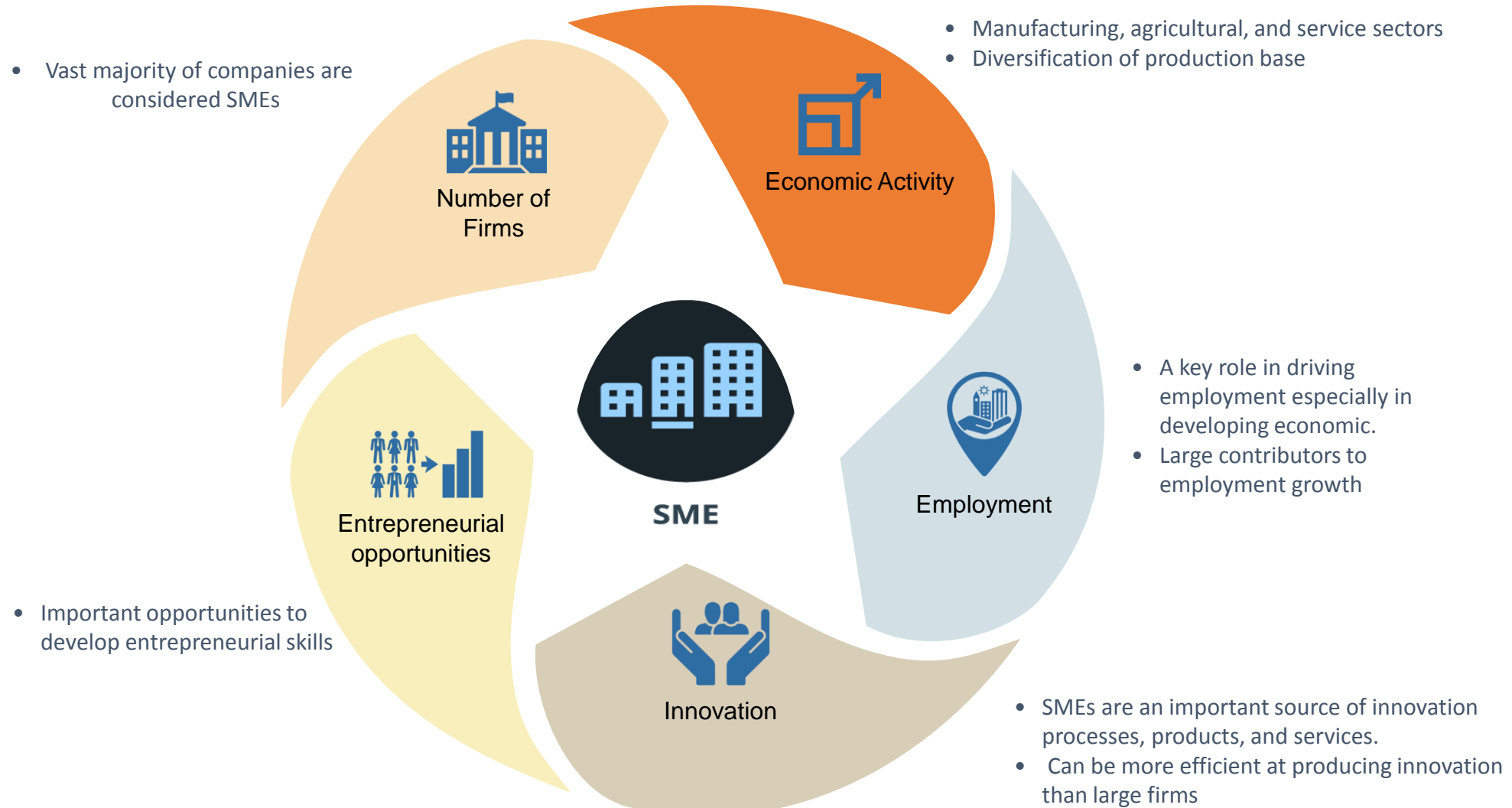
- SMEs are key players in the economy and the wider eco-system of firms.
- Essential for boosting economic growth and delivering a more inclusive globalization

Listing benefits



- Activate the trading movement and increase liquidity in the exchange
- Attractive commodity for investment and ensure a good return.
- Helping them deal directly with their competitors and simultaneously getting the opportunity to market themselves, thereby creating business opportunities.

General Characteristics of SMEs



- In this section, the survey attempted to examine the present status of the SME market existing in the respondents jurisdictions and give an overview of the SME market structure by asking the following questions:
 1. Does your jurisdiction have a regulatory/legal definition for SME?
 2. What are the applicable measures used to identify an SME ?
 3. What are the existing legal forms of an SME?
 4. What is the nature of the entity responsible for regulating and promoting SMEs?
 5. How is the SME market structured?
 6. When was the SME market established?
 7. Other questions related to SME market comparison to the Main market.

SME Definition in Member Countries

- There is no single consistent definition for it, however number of employees was the most commonly used indicator.



When was the SME Market established?
















- All respondents have long recognized the importance of the SME market to the economies which they operate in which all 14 respondents have claimed having regulations in place for SMEs.











*: OTC market establishment. National fund for Small & Medium Enterprises was established in 2003

The existing legal forms of SMEs







- Joint stock company and Limited liability company are the most common existing legal forms for SMEs.

Legal Form																
Joint stock company	√	√				√	√		√	√	√	√	√	√	√	11
Limited liability company	√	√	√			√	√	√		√			√	√	√	10
Sole proprietorship						√	√	√								3
Partnership						√		√								2
Closed shareholding company/ public company / Others			√	√	√										√	4

The nature of the entity responsible for regulating and promoting SMEs (1/2)

Country		Nature	Name
Albania		Part of another government entity	Albanian Investment Development Agency (AIDA)
Algeria		Part of another government entity	Ministry of Industry & Mines
Bahrain		Mandate shared by several entities	Tamkeen, Bahrain Development Bank, Economic Development Board, Chamber of Commerce & Industry, Central Bank of Bahrain, Bahrain Bourse, Ministry of Industry Commerce & Tourism
Bangladesh		Mandate shared by several entities	Bangladesh Securities & Exchange Commission (BSEC), The Registrar of Joint Stock Companies & Firms (RJSC), SME Foundation
Egypt		Mandate shared by several entities	The Financial Regulatory Authority (FRA), The Egyptian Exchange (EGX)
Iran		Mandate shared by several entities	Iran Securities & Exchange Organization (SEO), Iran Small Industries & Industrial Parks Organization (ISIPO)
KSA		Mandate shared by several entities	The General Authority for Small & Medium Enterprises, Ministry of Commerce & Investment
Kuwait		Separate Government Entity	The National Fund for Support & Development of Small & Medium- Sized Enterprises, Ministry of Commerce & Industry, Capital Markets Authority

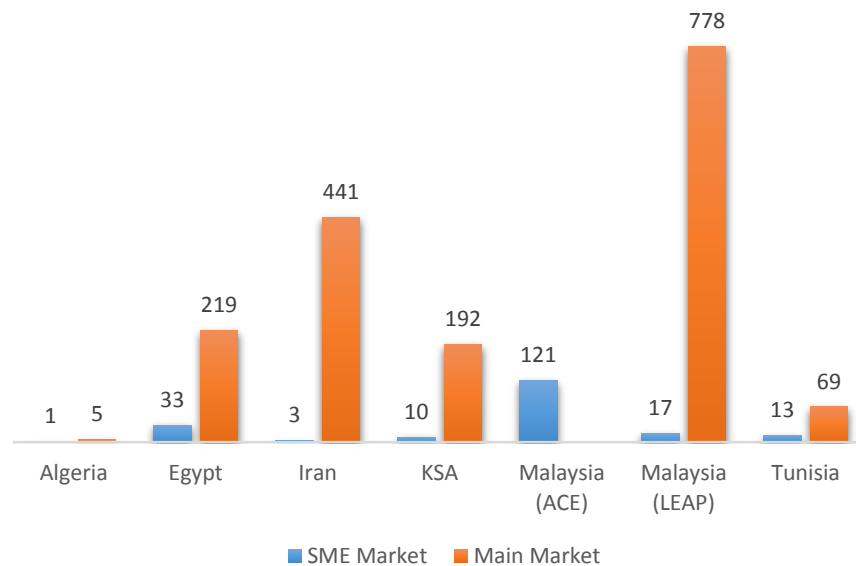
The nature of the entity responsible for regulating and promoting SMEs (2/2)

Country		Nature	Name
Malaysia		Mandate shared by several entities	SME Corporation Malaysia, Companies Commission of Malaysia (CCM), Securities Commission Malaysia (SC), Bursa Malaysia Securities Berhard (BMSB)
Maldives		Separate Government Entity	SME Council formed under SME Act & Business Centers
Pakistan		Mandate shared by several entities	State Bank of Pakistan (SBP), Securities & Exchange Commission Pakistan (SECP), Pakistan Stock Exchange (PSX), Small & Medium Enterprise Development Authority (SMEDA)
Palestine		Part of another government entity Mandate shared by several entities	Ministry of National Economy, Palestine Investment Promotion Agency
Tunisia		Separate Government Entity	The Industry & SME's Ministry
Turkey		Mandate shared by several entities	Small & Medium Sized Enterprises Development, Ministry of Industry & Technology (KOSGEB), Borsa Istanbul, Capital Markets Board of Turkey

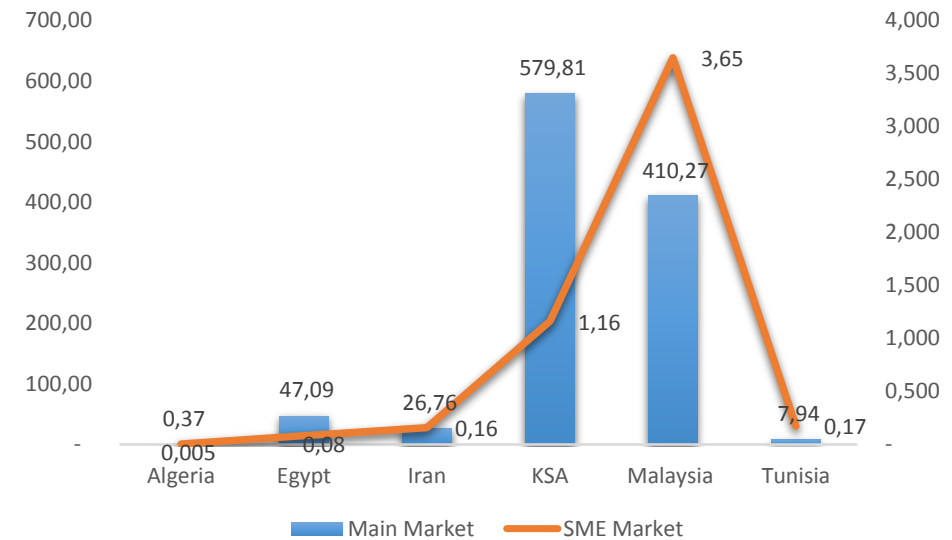
The SME Market structures in Member jurisdictions

- Facts and figures: As of the end of 2017, 6,807 companies with a total market-cap of over US\$1.3trn were listed on 33 separate SME boards across 29 World Federation Exchange member exchanges.
- A number of 6 respondents out of a total of 14 jurisdictions claimed that the SME market in their jurisdictions is structured under the Main Market as a Junior Market. Bahrain, Bangladesh and Malaysia claimed that SME market operates under a separate platform.

No. of Listed Companies



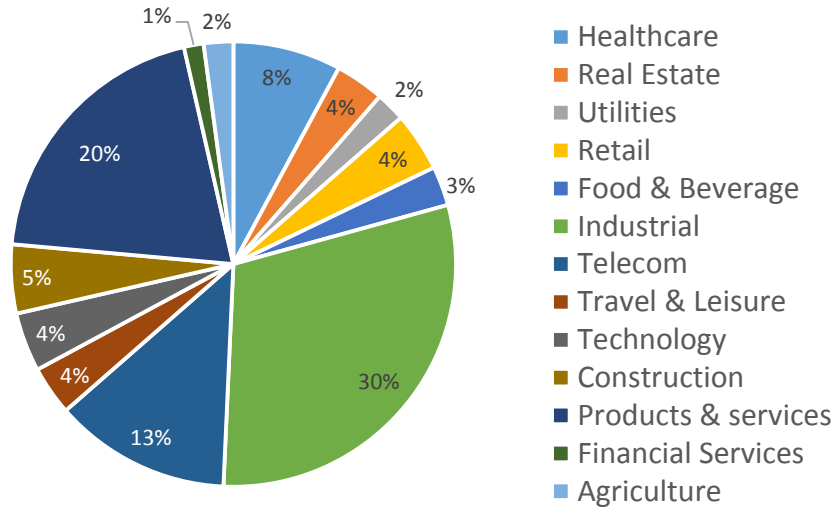
Market Capitalization (USD Bn)



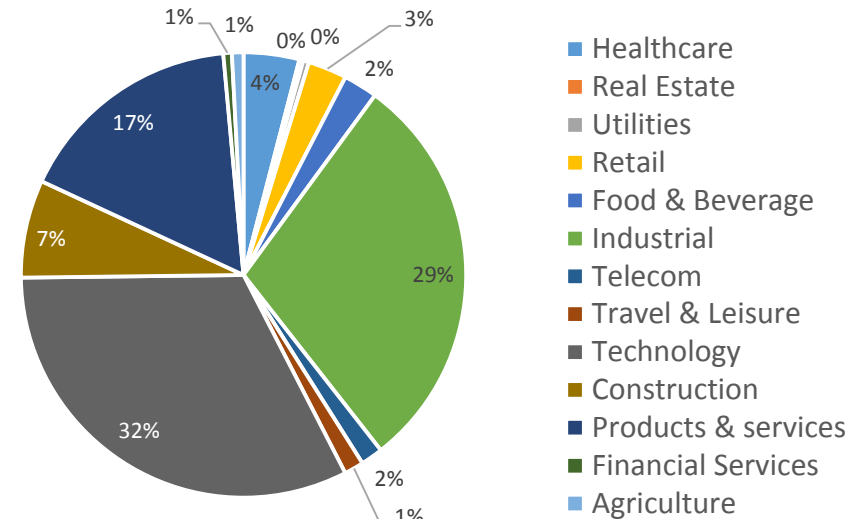
The major market segments in which the listed SMEs operate

- The Industrial sector contributed the most in terms of number of listed companies and market capitalization.

No. of Listed Companies (%)



Market Capitalization (%)



- Respondents show that adjustments to both the initial and ongoing listing requirements have been implemented to cater to the needs of the SMEs as well as to the protection to minority investors.

Listing Conditions						
Minimum paid up capital		√	√			√
Minimum allocation to retail investors			√	√		
Minimum free float	√	√		√	√	√
Minimum number of subscribers/ shareholders required	√	√	√	√		√
Amount of investment required by each investor			√			
Number of years of profitable operation	√	√			√	√
Other (i.e. min capitalization, disclosure requirement etc., no of issued stocks, advisors)	√	√		√		√

Migration from SME Platform to the Main Market

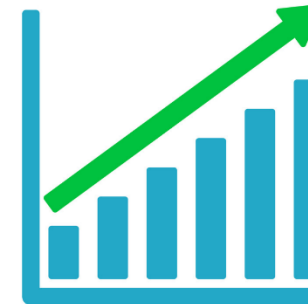
SME Platform



- None of the respondents claimed that there has been an incident where a company has shifted from SME Market to the Main Market.
- All respondents claimed that it is a voluntary action taken by the company to shift to the Main Market subject to abiding to all listing requirements of the Main Market.
- Except for Bangladesh: "When paid-up capital exceeds a certain limit it is mandatory to shift to the Main Market".
- Pakistan: "When paid-up capital or its equity exceeds a certain limit SME shall within 1 year seek its listing on Main Market, provided that at least three annual audited financial statements are published".



Main Market



4. Access to Capital Markets from SMEs

- In this section, the survey attempted to examine the level of access to capital markets for SMEs by asking the following four questions:
 1. What types of lending are available for SMEs?
 2. Are crowdfunding platforms regulated in your jurisdiction? How many are they?
 3. Which of the impediments may discourage SME owners from accessing capital markets financing?
 4. Which of the impediments may discourage brokers from functioning with SMEs?
- This section is rather significant in the case of SMEs as their relative smaller size may limit their access to capital. The results of the survey for this section may aid regulators in considering alternative modes of funding in addition enhancing access to the existing channels.

The types of lending available for SMEs



DEBT

Debt finance is more relevant for larger companies as such companies already have an established investor base, and the company is past the stage of self-financing. In this case, most lending is done through banks and corporate bonds.



EQUITY

Equity finance is what smaller companies (i.e. SMEs) have access to, mostly in the form of venture capital and a little later, through Initial Public Offerings (IPOs).

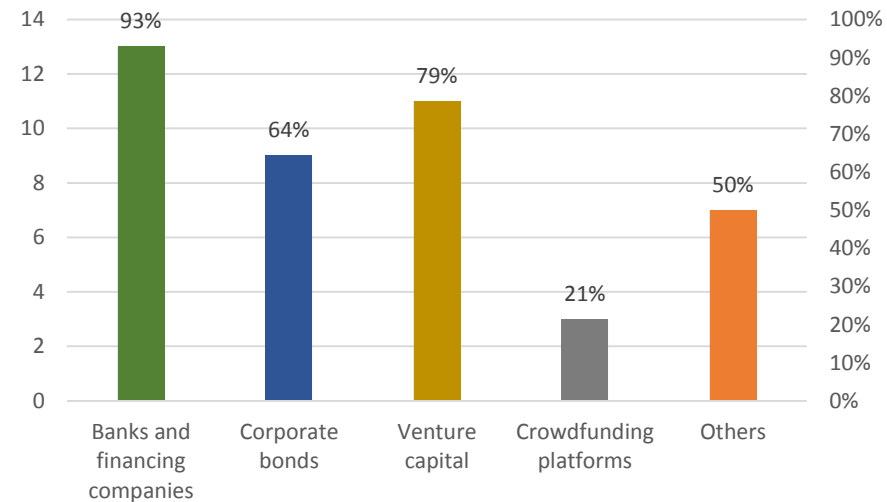
- **Crowdfunding** platforms surged in numbers in the last few years due to the major advancements in information technology and spread of mobile phones which allowed for a universal access to the internet (for all stakeholders in the funding process).
- **Crowdfunding** is regulated in a few jurisdictions, but no platforms were established yet in those countries; thus no data was provided.
- The participants in the survey were given the following options as available types of lending:
 - Banks and financing companies (Debt)
 - Corporate bonds (Debt)
 - Venture capital (Equity)
 - Crowdfunding platforms (Debt & Equity)
 - Others (Debt & Equity)

The types of lending available for SMEs

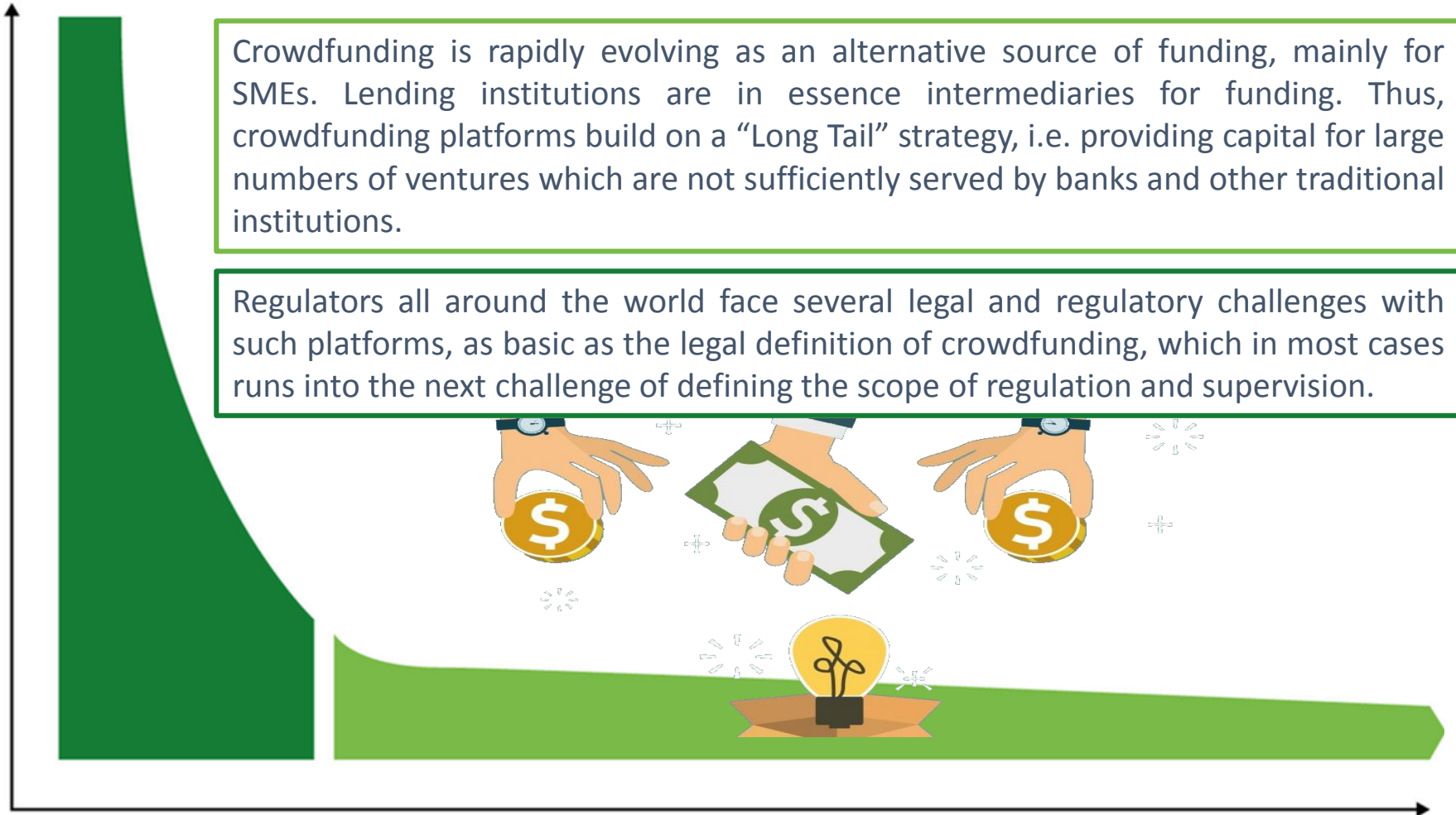
As seen clearly in the chart, banks and financing companies are the dominant source of lending for SMEs in all the participating jurisdictions. Other types are as follows:

- Egypt and Palestine mentioned Microfinance, leasing, mortgage and private equity.
- For Saudi Arabia, indirect financing through private funds and private placements.
- Kuwait has established the Kuwait National Fund for SMEs development (KNF) to facilitate financing for SMEs.
- Similarly, the Maldives has established an SME Fund under the SME Act in addition to SME Development Finance Corporation.
- Tunisia noted that there are investment funds contributing to financing SMEs such as “Themar Investment Fund” and others. Additionally, there is another fund to provide financial support for distressed SMEs which is operational since 2018.

Types of lending available for SMEs



Are crowdfunding platforms regulated?



Are crowdfunding platforms regulated?

- The majority of participants did not regulate crowdfunding in their jurisdictions yet. Only (2) respondents have active crowdfunding platforms in their jurisdictions, with Malaysia being the most active (21 regulated platforms).

Egypt

First equity-based crowdfunding legislation is currently being reviewed.

Turkey

Regulated, however, no crowdfunding platforms was established as the specifics of the regulation will be determined through a communique.

Bahrain

Regulated, but no crowdfunding platforms yet.

Malaysia

Currently 21 regulated crowdfunding platforms within Malaysian SC jurisdiction.

Saudi Arabia

Currently 2 regulated crowdfunding platforms within Saudi CMA jurisdiction.

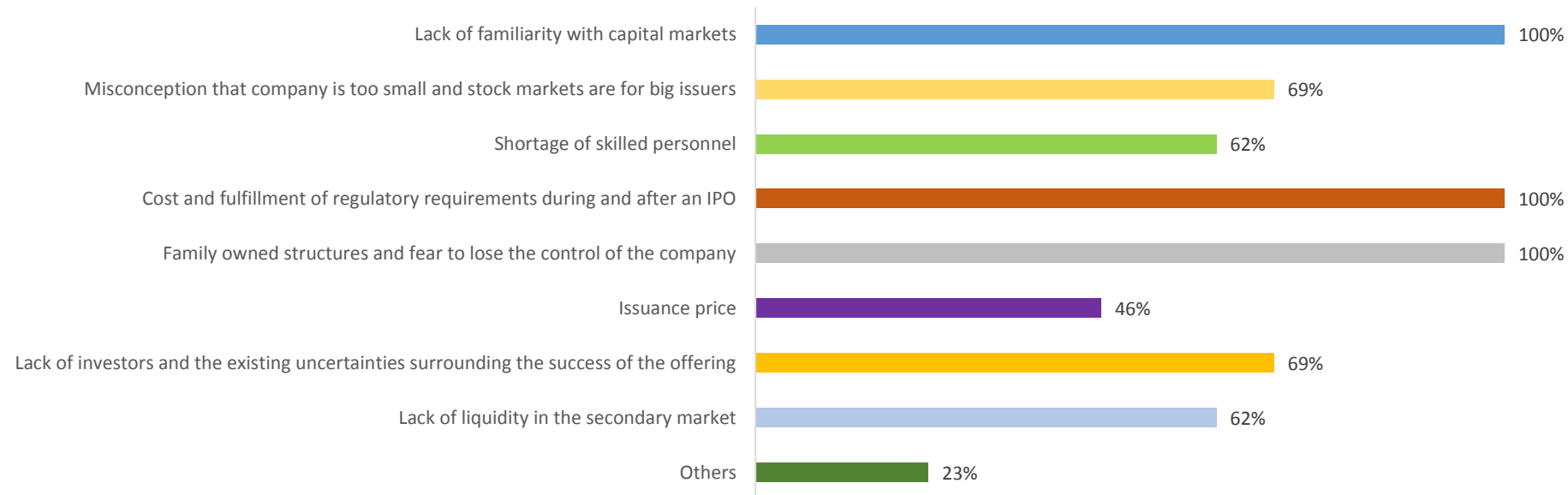
* Iran noted that the rules of crowdfunding has been approved since last year and is going to be launched as soon as possible.

* Tunisia noted that the law is expected to be issued in the near future.

Capital markets offer several alternatives to traditional financing from banks. Despite their variety and availability, SMEs are still not fully utilizing such instruments. We listed the following as possible impediments that discourage SMEs from seeking funding using capital markets:

- Lack of familiarity with capital markets.
- Misconception that company is too small and stock markets are for big issuers.
- Shortage of skilled personnel.
- Cost and fulfillment of regulatory requirements during and after an IPO.
- Family owned structures and fear to lose the control of the company.
- Issuance price (i.e. the discount applied by the market over the stock's price would be not fair).
- Lack of investors and the existing uncertainties surrounding the success of the offering.
- Lack of liquidity in the secondary market.

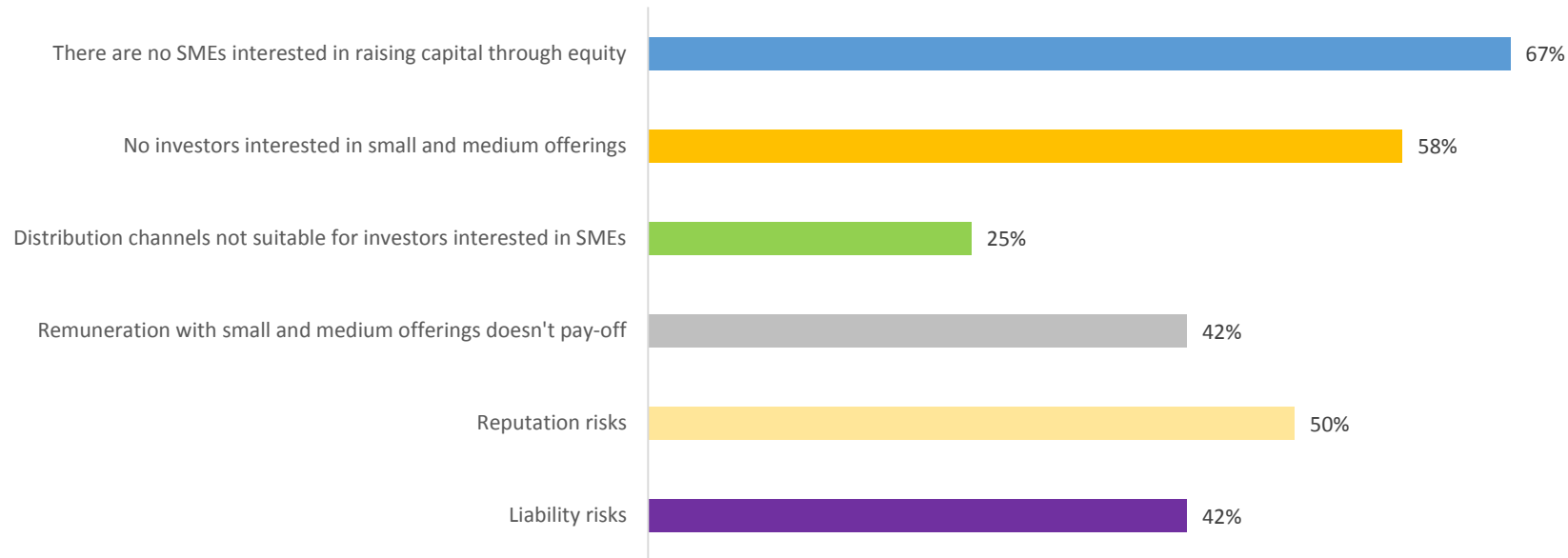
- All Respondents agreed that the top three impediments are (1) Lack of familiarity with capital markets; (2) Cost and fulfillment of regulatory requirements; (3) Family owned structures and fear to lose the control of the company.
- Some respondents noted that a major impediment is the lack of specific regulation that encourages development of SMEs; also the lack of audited financial reports and qualified accounting & finance managers.



In perspective of capital, there are buyers and sellers; the buyers being the SMEs, the sellers being market intermediaries. The previous question discussed the issues facing the buy side. This question covers the sell side, what is preventing it or discouraging it from offering extending finance to SMEs. The following summarize the main reasons why some intermediaries prefer not to work with SMEs:

- There is a lack of interest from SMEs in raising capital through equity.
- There are no investors interested in small and medium offerings (due to, for instance, issues related to liquidity, portfolio composition, etc.)
- Their distribution channels are not suitable for investor interested in investing in SMEs.
- The remuneration with small and medium offerings does not pay-off.
- Reputation risks.
- Liability risks.

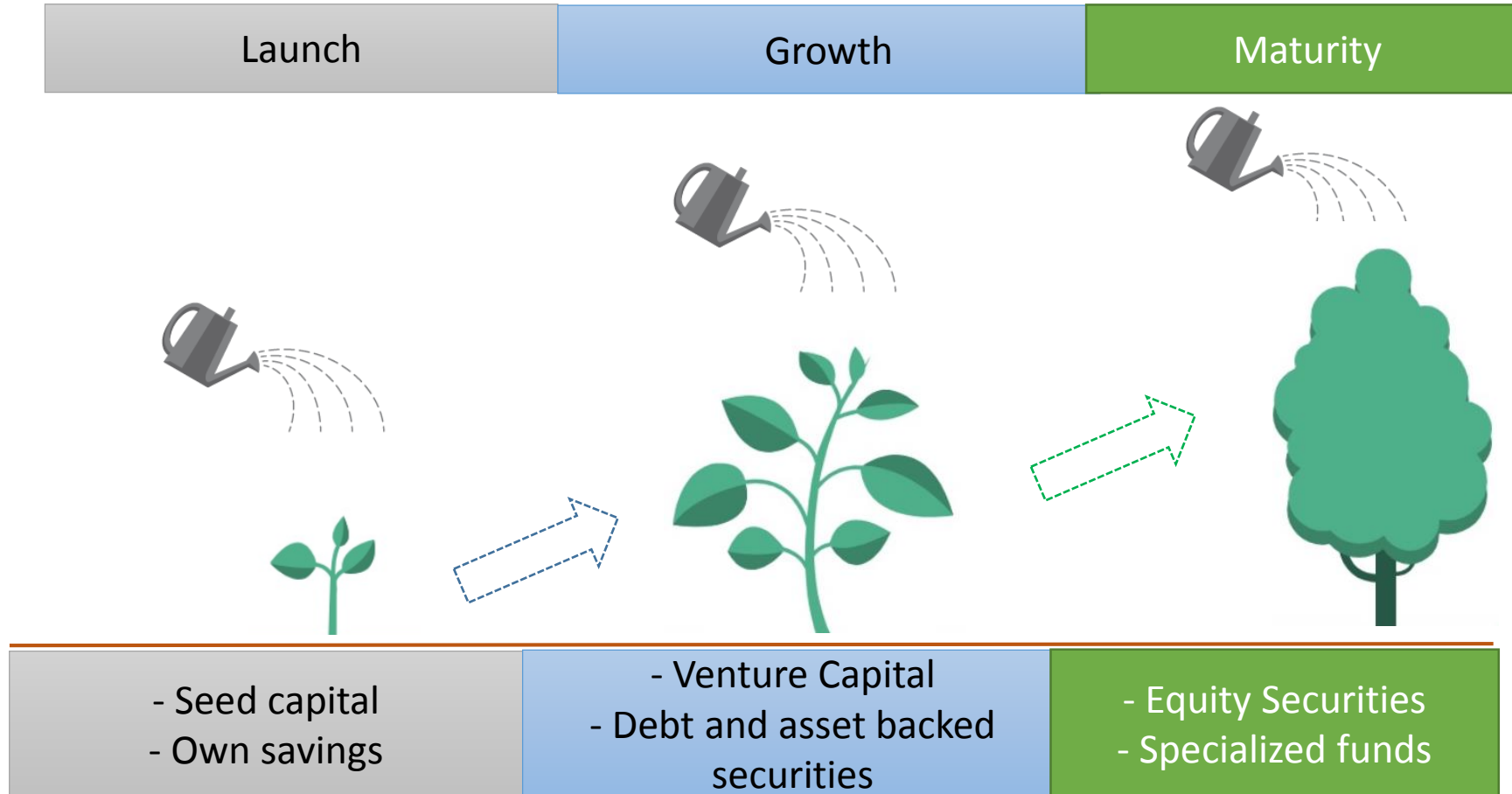
- 12 jurisdictions responded to this question.
- The most common impediment for brokers was that there are no SMEs interested in raising capital through equity (8 respondents).
- The 2nd most common impediment for brokers was that there is no investors interested in small and medium offerings (7 respondents).



5. IPOs, Registration Process and Related Costs



SME Growth Cycle



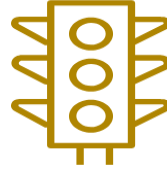
Benefits of Listing for SME's

1



Incentive for greater venture capital participation

2



More Efficient Distribution of Risk

3



Enhanced Visibility

4



Greater Credibility
Equity financing opportunities

5



Expand Investor Base

6



Lower Debt Burden



- Benefits
- Challenges
- Expenses

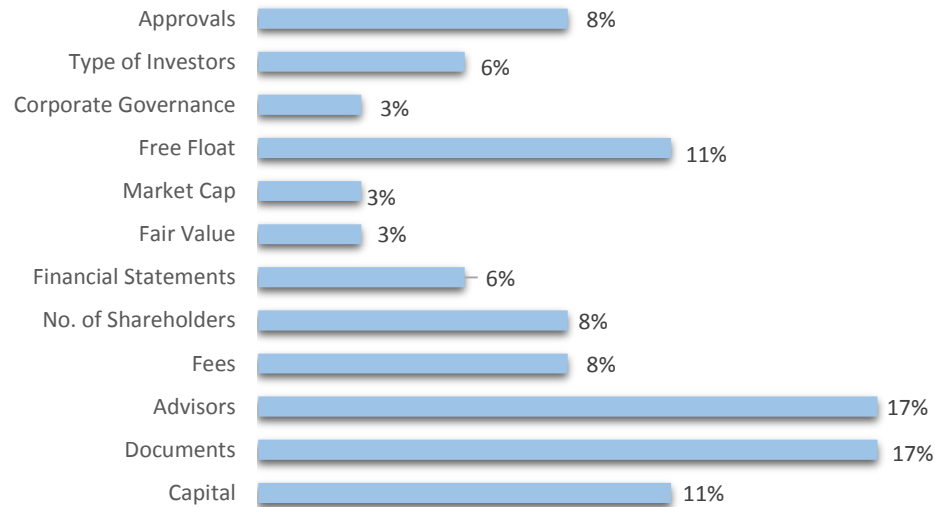


- Finding the balance between reducing costs for issuers associated with complying with initial and ongoing listing requirements and ensuring appropriate investor protection is crucial challenge for both SME's and regulators.
- In this section, the survey attempted to give an insight about the process of the SME IPOs, registration process and related costs which exist in the COMCEC members markets by asking the following questions:
 1. What are the differences between the SME issuers and large-scale issuers in respect to the IPO process and requirements?
 2. What are the expenses of an SME IPO?
 3. Are shareholders of SME permitted to sell their shares within an IPO?
 4. Are there any regulations for locking up the shares for SME owners?

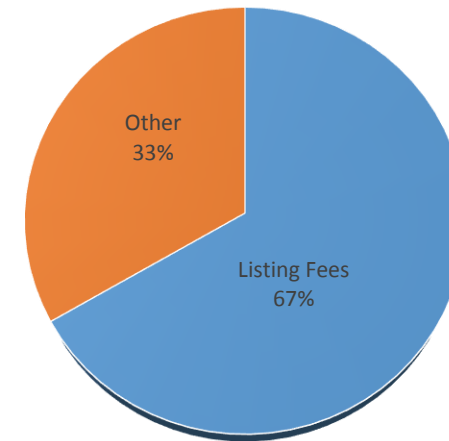
The differences between the SME issuers and large-scale issuers in respect to the IPO process and requirements

- Many respondents have addressed the inevitable costs and challenges faced by SME issuers therefore have put in place relaxed IPO and compliance requirements, mostly within the context of advisors, documents, capital and free float requirements.
- 8 countries replied, 67% of them require listing fees and 33% other type of fees

SME IPO Requirements (%)



SME IPO Fees (%)



Are shareholders of an SME permitted to sell their shares within an IPO?

- Another frequently cited challenge is ensuring sufficient liquidity of shares, while addressing issue concerns about loss of control as well as ensuring minority investor protection.
- All respondents claimed that there are regulations for locking up the shares of SME owners for a certain time period after an IPO has taken place.
- Answers showed lock up periods range from 6 months to 3 years.
- KSA is the only country with Regulations or practices that enable owners to control the company with minority shares (such as preferred stocks).



6. Regulatory Framework for SMEs

- In this section, the survey attempted to take a closer look at the regulatory framework of SMEs which exist in the COMCEC members markets by asking the following questions:
 1. What are the differences in the requirements for SME issuers and large issuers?
 2. Are there any other explicit SME requirements that are not applied to other issuers?
 3. Does your jurisdiction have any risk disclaimer for investors to revise and sign prior to doing any transaction on the SME market?
 4. Do looser and proportional securities regulations on SME's create investor protection problems in your jurisdiction?
 5. What difficulties does your jurisdiction face when implementing proportionate securities and practices on the compliance of SMEs?
 6. What approach is used in supervising and monitoring SMEs in accordance to the securities regulations in your jurisdiction?
- Findings of this section can point out the lack of SME's laws as well as provide indicators of how important initiatives and laws undertaken in each country to support the SME market growth.

The differences in the requirements below for SME issuers and large issuers

- As evident from the table below, most jurisdictions impose higher reporting and disclosure requirements and regulations on large issuers as opposed to SME issuers.

Requirements	SME Issuers	Large Issuers
Prospectus Standards	Some jurisdictions require similar prospectus standards as large issuers while others impose lower disclosure and minimum requirements as compared to prospectuses prepared by large issuers.	All jurisdictions require prospectuses prepared with full disclosure (i.e., comprehensive and more extensive set of disclosures and other requirements).
Ongoing Public Disclosure and filing requirements after IPO (e.g. financial statements, audit reports, disclosure of material events, etc.)	Financial reporting and disclosure are required (looser requirements on disclosures and interim financial reporting).	Financial reporting and disclosure are required (higher requirements on disclosures and interim financial reporting).
Compliance to Corporate Governance Principles	Most jurisdictions require compliance, while some jurisdictions do not subject SME Issuers to corporate governance rules and reporting.	Obligated to comply with the Corporate Governance Principles.
Accounting Standards	IAS/IFRS	IAS/IFRS
Other	<ul style="list-style-type: none"> Only QIBs and HNWI Listing Sponsor Discounted registration fees 	<ul style="list-style-type: none"> All including retail investors. Undiscounted registration fees.

Other explicit SME requirements not applied to other issuers



Listing Sponsor



Lock-Up Period



Qualified Investors



Continuing Adviser











- In the survey, jurisdictions were asked if there is any risk disclaimer for investors to read and sign before making transactions on the SME market taking into account SME's carry high investment risk when compared with larger companies listed on the main market:
 - Bahrain, Bangladesh, KSA, Malaysia, and Pakistan are the jurisdictions that include risk disclaimers for investors to read the “Risk Factors” sections before deciding to invest in the IPO shares.
 - While other jurisdictions either do not include risk disclaimers or do not have regulations placed for SME IPOs.

Do looser and proportional securities regulations on SMEs create investor protection problems in jurisdictions?

- Most jurisdictions perceived that looser/relaxed and proportional securities regulations on SMEs does not create investor protections problems.
- However, it is worth noting that some jurisdictions as yet have no regulations placed regarding SME IPOs.

Difficulties faced with SMEs compliance

- Difficulties with complying with securities regulations and corporate governance code.
- Quality of disclosure needs to be enhanced; SMEs have difficulties complying with the specified dates of sending disclosures.
- Balancing between facilitating access to financing for smaller companies and protection of investors' interests.
- Weak legal framework, in many cases SMEs are not covered (i.e., SMEs legally not defined).

Country	Approach
 Algeria	<ul style="list-style-type: none"> Communication with the SME's Managers and sponsors is the approach followed by the COSOB to insure respect of their duties.
 Bahrain	<ul style="list-style-type: none"> SMEs are supervised and monitored in the same way as any other company.
 Bangladesh	<ul style="list-style-type: none"> Listing Regulations
 Egypt	<ul style="list-style-type: none"> FRA and EGX
 Iran	<ul style="list-style-type: none"> Supervising and monitoring methods are as same as what is applied on larger companies. But minimum trade quantity of stocks for individuals are different.
 KSA	<ul style="list-style-type: none"> There is no difference approach is used in supervising and monitoring SMEs in accordance to the securities regulations.
 Malaysia	<ul style="list-style-type: none"> Bursa Malaysia constantly monitors listed companies' corporate activities and developments to ensure compliance with the listing requirements. Bursa Malaysia adopts a risk-based approved in monitoring companies. Companies listed on the ACE Market are required to comply with Chapter 8 - Continuing Listing Obligations, and Chapter 9 – Continuing Disclosure of the ACE Market Listing Requirements.
 Pakistan	<ul style="list-style-type: none"> SMEs listed on Securities Exchange are regulated by PSX under its respective Regulations.
 Tunisia	<ul style="list-style-type: none"> The approach used in supervising and monitoring SMEs is the compliance-based supervision.
 Turkey	<ul style="list-style-type: none"> There is not any certain supervising and monitoring instruments on SMEs. However, in order to increase their compliance, ECM companies are required to work with a Market Advisor.

7. Incentives in SME financing through capital markets

- In this section, the survey attempted to shed light on the incentives offered by the jurisdictions to SME issuers to access the capital markets by asking the following questions:
 1. Does your jurisdiction have tax incentives or any other incentives for SMEs using capital markets?
 2. Does your jurisdiction have tax incentives for venture capital, private equity, business angels?
 3. Does your jurisdiction have any institutions, or public funds that assist and support SMEs using the capital markets?

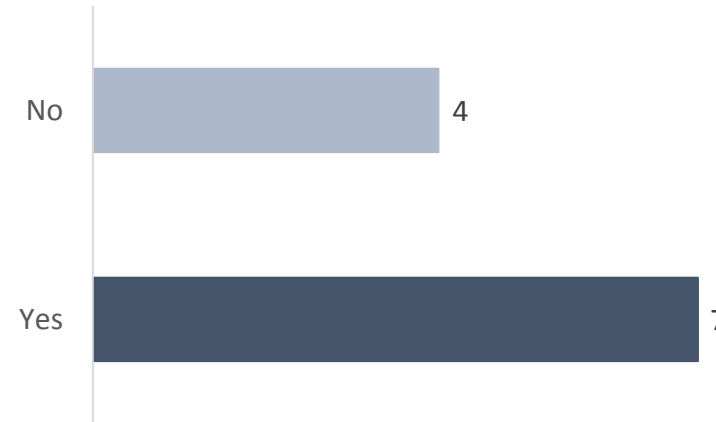
Tax incentives for SMEs or SME investors using capital markets








- Incentives for SME issuers include tax exemption, tax deduction, waiver of fees and subsidy packages for going public.
- Incentives for SME investors include tax exemption and tax deduction.

Other Tax Incentives

Country	Answer
Algeria	Yes
Bahrain	No
Bangladesh	No
Egypt	No
Iran	Yes
KSA	No
Kuwait	Yes
Malaysia	Yes
Pakistan	Yes
Tunisia	Yes
Turkey	Yes



Similar to tax incentives for SMEs, tax incentives for VC, PE and business angels include tax exemption (i.e., dividends, investment products, income and capital gains) and tax deduction.


Country		Entity Name
Bahrain		Tamkeen
Egypt		Information Technology Industry Development Agency (ITIDA), Industrial Modernization Centre (IMC)
Iran		Vice-Presidency for Science and Technology, Ministry of Industry, Mine and Trade, Iran Small Industries & Industrial Parks Organization (ISIPO)
Kuwait		The National Fund for Support & Development of Small & Medium- Sized Enterprises (KNF)
Turkey		Small and Medium Sized Enterprises Development and Support Administration of the Ministry of Industry and Technology (KOSGEB)




8. Other Issues



- In this section, the survey's questions were evolving around the other issues that can be raised when dealing with SME securities by asking the following questions:
 1. Has your jurisdiction faced any market manipulation cases (insider trading, market manipulation in the SME market/on SME shares)?
 2. Are there market advisory agencies or institutions specialized in assisting SME's compliance with securities regulatory requirements?
 3. Are there any practices where intermediaries promote liquidity to SME shares (e.g. market maker)?
 4. What trading system does your jurisdiction engage with the Main Market and the SME Market (e.g. quote driven, order driven, hybrid, etc.)

Market Manipulation Cases



	Tunisia
	Malaysia
	Egypt



	Kuwait		Iran
	Algeria		Bangladesh
	Pakistan		Palestine
	KSA		Bahrain
	Turkey		Maldives
	Albania		

- Jurisdictions like Egypt, Malaysia, and Tunisia have faced market manipulation cases (insider trading, market manipulation) in the SME market or on SME shares:
 - Egypt and Tunisia have no regulatory differences between the SME market and the Main Market in terms of market abuse cases.
 - Malaysia's capital market participants however are subjected to the same securities laws irrespective of whether they trade in smaller or larger-cap stocks.

Market advisory agencies or institutions specialized in assisting SMEs' compliance with securities regulatory requirements

Country	Market Advisory Agency/Institution
 Algeria	<ul style="list-style-type: none"> Listing sponsor
 Bahrain	<ul style="list-style-type: none"> A sponsor, which should be an authorized/registered Company by Bahrain Bourse and registered with Bahrain Bourse Sponsor acts on behalf of issuer & undertakes initial listing/post-listing activities for the issuer. Sponsor must be retained for min 3 years
 Egypt	<ul style="list-style-type: none"> The nominated Advisors: Advises and assists in application process, helps listed companies to fulfil on-going disclosure obligations, & in initial public offering of its shares, as well as prepares a research coverage for the companies sponsored Advisor's obligations & responsibilities should be maintained for min 2 years
 Iran	<ul style="list-style-type: none"> Before IPO, the investment banks, listing & consultancy brokers or investment companies are responsible for advisory and consulting affairs
 Malaysia	<ul style="list-style-type: none"> Principal advisor which may include investment banks, brokers, Islamic banks and licensed banks
 Maldives	<ul style="list-style-type: none"> Business centers can assist SME's in this regard, but are not specialized only for securities regulatory requirements
 Pakistan	<ul style="list-style-type: none"> Prior to applying for listing on the Exchange, the SME shall appoint an Advisor and Consultant to the Issue till the date of its formal listing.
 Tunisia	<ul style="list-style-type: none"> The listing sponsor is a market participant created in 2007 to assist SMEs by advising them and assisting in the preparation of the related listing documentation as well as in remaining compliant with the applicable disclosure requirements.

Practices where intermediaries promote liquidity to SME shares

Country	Market Advisory Agency/Institution
 Algeria	<ul style="list-style-type: none"> Liquidity contracts may be carried out by both big companies and SME's
 Bahrain	<ul style="list-style-type: none"> Companies may repurchase own equity securities for the purpose of reselling such equity securities, in order to support share price and liquidity on the exchange. This is subject to the prior approval of the shareholders in the Extraordinary General Meeting, the approval of Bahrain Bourse and up to a maximum of 10% of the company's issued and paid up capital
 Egypt	<ul style="list-style-type: none"> issued market maker rules, however, not activated yet
 Iran	<ul style="list-style-type: none"> yes, but it's optional for intermediaries to promote liquidity to SME shares
 Malaysia	<ul style="list-style-type: none"> Do not have market makers for ordinary shares but there are market makers for products such as structured warrants, whose underlying may be an SME stock
 Bangladesh	<ul style="list-style-type: none"> Qualified Investors will provide financial support
 Pakistan	<ul style="list-style-type: none"> The SME may, through an agreement in writing, appoint a Market Maker for a period of not less than three years from the date of listing of the SME
 Tunisia	<ul style="list-style-type: none"> The market making is the activity consisting in ensuring the market liquidity of a given security mainly by continuously presenting a price for the sale or the purchase by a market intermediary

Trading systems for the Main Market and the SME market (e.g. quote driven, order driven, hybrid, etc.)



Order Driven



Algeria



Albania



Bahrain



Egypt



Iran



KSA



Kuwait



Maldives



Malaysia



Pakistan



Tunisia

9. Future Prospects



- In this section, the survey's questions were to illustrate the jurisdictions that are undertaking initiatives and programs to support the SME market growth by asking the following questions:
 1. Are there any current/ongoing initiatives to increase the SME's access to capital markets in your jurisdiction (public, private or any other efforts)?
 2. Have there been any efforts/initiatives put to increase the investor demand to SME market and inform the SME's about the process and benefits of providing funds from capital markets (events, programs, publications, research, web pages etc.)
 3. Are there any training or initiatives that aid SME's to confirm with the securities regulation requirements?

Current/ongoing initiatives to increase the SMEs access to capital markets in jurisdictions



Algeria



Albania



Bahrain



Egypt



Bangladesh



KSA



Kuwait



Maldives



Malaysia



Pakistan



Tunisia



Palestine

Efforts/initiatives to increase investor demand to SME markets



Algeria



Bahrain



Bangladesh



Egypt



Iran



KSA



Kuwait



Maldives



Malaysia



Pakistan











Tunisia



Palestine

Training/initiatives that aid SMEs to conform with securities regulation requirements

Country	Market Advisory Agency/Institution
 Algeria	<ul style="list-style-type: none"> Seminars on conformity, Certified Training in securities dealing
 Bahrain	<ul style="list-style-type: none"> Bahrain Bourse (BHB) has taken several initiatives to create awareness among startups and small businesses through workshops and seminars
 Egypt	<ul style="list-style-type: none"> Nominated advisors to help the listed companies to fulfill its ongoing disclosure obligations, & the FRA and EGX meet with companies Investor Relations personnel to make sure that securities regulation requirements are fully understood
 Iran	<ul style="list-style-type: none"> Periodic training held by Iran small industries and industrial parks organization (ISIPO) and Iran Fara Bourse
 Malaysia	<ul style="list-style-type: none"> Bursa and SC are not providing trainings but most of trainings are done by private trainers
 Bangladesh	<ul style="list-style-type: none"> SME platform in the exchange has just been launched and trainings are in process of being launched
 Pakistan	<ul style="list-style-type: none"> Training by PKR, PSX, SAFE, SAMEDA, SBP, & SECP
 Palestine	<ul style="list-style-type: none"> Mentioned in the National Strategy for Financial Inclusion

10. Key Takeaways / Recommendations

Key takeaways/ Recommendations (1/2)

- Taking into account the lack of a well established SME market in member jurisdictions, SME definition and market structures in Member countries is widely spread and differentiated. With markets more advanced than others, we believe Member countries should collaborate and share their SME market models to develop the best practices and research that can add value and offer liquidity and increase SME investor demand.
- Member countries should consider regulation and development of alternative modes of financing which are more suitable for SMEs. Malaysia's experience in crowdfunding could be closely examined and shared with the other member countries.
- The relaxation of certain regulation requirements would lessen the costs and the long term hurdles for SME issuers.
- Investor protection through balanced regulation is highly crucial to be ensured when drafting the SME regulations.
- Regulators should emphasis on market makers as they play a vital role in providing liquidity to SME securities through market making ensures a reliable price formation process and increase the volume of shares in public hands. In addition market makers smooth out imbalances that might occur in markets and enhance liquidity by increasing demand or supply where needed.
- Regulators and financial institutions (offering advisory services) should take a closer look on the challenges faced by SME's in accessing the capital markets for example overcoming compliance and disclosure challenges.

Key takeaways/ Recommendations (2/2)

- Risk disclaimers are essential to be placed for investors to read and sign before making transactions on the SME market taking into account SME's carry high investment risk when compared with larger companies listed on the main market.
- SME shares should be closely monitored and investigated when necessary for market manipulation.
- Authorized advisors should be encouraged to assist SMEs to fulfill all the necessary regulatory requirements pre and post IPO.
- Jurisdictions have uneven success at helping SMEs to tap the capital markets therefore the benefits and disadvantages of establishing an SME market as a separate equity exchange or under the main market has to be carefully studied.
- Capital markets offer several alternatives to traditional financing from banks. Despite their variety and availability, SMEs are still not fully utilizing such instruments. Therefore central banks and regulators should consider the impediments that discourage SMEs from seeking funding using capital markets and liberalize the banking sector and their funding requirements in order to meet the needs of the SME issuers.
- Most jurisdictions have realized that SME related initiatives and programs provide a positive impact on the SME market as well as boosting liquidity.

«Thank You»

