

ISEEE SMALL CAPITAL MARKET EXCHANGE DEVELOPMENT TASK FORCE UPDATE

ISEEE Fall 2015 Meeting
Barcelona, Spain
13-16 September 2015

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Executive Summary

- **Focus** – “Nurturing” SME capital market exchange(s)
- **Why?** –
 1. Difficulty obtaining capital
 2. Cost of obtaining capital to include regulations
 3. Loss of ownership & control
- **Where?** – Bermuda and Singapore for geo-diversification
- **Discovery** – Different paths and endings for each SME

Executive Summary

- **Discovery** – different paths and endings for each – **PRIVATE**
 - Credit Cards and Friends and Family
 - Banks & Credit Unions & Small Business Administration (SBA)
 - European Investment Bank (EIB)
 - Equity-Based Crowdfunding
 - Credit-Based Crowdfunding known as Shadow Banking
 - Private Equity (PE) Types or Stages

Executive Summary

- **Discovery – different paths & endings for each – PRIVATE**
 - **Private Equity (PE) Types or Stages:**
 1. Micro-Cap
 2. Angels
 3. Venture Capital
 4. Growth Capital
 5. Buyout
 6. Special Situations
 7. Generalists

Executive Summary

- **Discovery – different paths and endings for each – PUBLIC**
 - **OTC Markets:**
 - OTCQX - Qualified companies WW
 - OTCQB – Venture Stage Marketplace
 - OTCPINK – Open Marketplace
 - Other OTC or Grey Market - not traded on the above
 - **IPO – Primary ISEEE focus**

Executive Summary

- **The advantages of going public on an exchange:**
 - Cheaper access to capital
 - Increased exposure
 - Diversifying equity base
 - Ability to retain better management
 - More financing opportunities
 - Facilitating acquisitions

Executive Summary

- **The disadvantages of going public on an exchange:**
 - Expensive, especially on US exchanges
 - Disclosure of firm's financial information
 - Ongoing state and federal regulations – “SOX”
 - Risk that funding targets will not be met
 - Loss of control and Shareholder activism

Executive Summary

- **IPOs for SMEs on USA & other world exchanges**
 - SME's uniqueness and requirements neglected
 - Lower disclosure requirements; keep markets regulated and fair
 - Exchange "carve out" framework especially SME formulated
 - Currently, an SME friendly IPO exchange is not USA likely
 - Proposed USA Venture exchange not yet a viable reality
 - Seek an exchange that fosters SME capital raising for an IPO

Executive Summary

- **Tactical Actions Underway**
 - **Bermuda's BSX is a potential situs**
 - **Why?**
 - Bermuda is not bound by Western Hemisphere or European regulatory frameworks (i.e. SOX and EU Directives)
 - Many more reasons
 - Advantage One - They are doing it NOW

Executive Summary

- **Tactical Actions to be considered**

- Consider the likelihood & viability of a SEC “Venture Exchanges”
- Compare to off-shore exchanges, such as the BSX and SGX
- What action should the ISEEE take to enhance SME funding?
- Should the ISEEE consider providing exchanges with expertise
- Should the ISEEE educate SMEs on funding alternatives

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- Who is taking IPOs public on the BSX?
 - Andreea Porcelli — Managing Partner of Continental Partners
 - She has in depth insights, processes and suggestions