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## **ASCG feedback on public consultation on Building a Capital Markets Union (Green Paper of the European Commission)**

Question 8:

*Is there value in developing a common EU level accounting standard for small and medium-sized companies listed on MTFs? Should such a standard become a feature of SME Growth Markets? If so, under which conditions?*

Answer:

First of all, we like to point out that our answer is based on the following assumption: The part of the capital market that is a regulated market according to Article 4 (1/14) of Directive 2004/39/EC (Markets in Financial Instruments Directive, MiFID) will remain the relevant market in which market participants issuing financial instruments are required to prepare their financial statements according to IFRSs. We are of the opinion that financial statements according to IFRSs are the right tool for providing financial information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the issuer of financial instruments. Below, we exclusively refer to those capital markets that are not regulated as defined above.

We have taken into account information gained through outreaches to representatives of SMEs and family-owned enterprises. From a German perspective, we do not see the need for cross-border financing of such relevance for SMEs as is presumed in the Green Paper. In contrast, German SMEs tend to prefer debt financing through local banks. We further note that financial statements, which are prepared under the German Commercial Code, are accepted by capital lenders in most cases, even if the lender operates in a foreign country. We

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acknowledge that SMEs located in other EU member states might have a considerably higher preference for cross-border financing, such as MTFs. However, implementing a common EU level accounting standard for SMEs must not limit the possibility to seek financing on the basis of financial statements according to national GAAP.

If the Commission came to the conclusion that there really was a need for a separate accounting regime for SMEs at EU level, we strongly discourage the Commission from developing a completely new regime from scratch. Rather, we recommend looking into and considering the suitability of the existing IFRS for SMEs, at least as a basis. Another (though less preferred) alternative might be to consider the use of full IFRSs and providing relief by excluding certain (or all) disclosures for the purpose mentioned above.