Always evolving, the Malta Stock Exchange (MSE) has two new innovative projects in the pipeline that are set to increase international market access and bridge the financing gap for SMEs.

MSE International

MSE International is a new strategic initiative providing increased access to international markets through the Malta Stock Exchange (MSE). Over the past two decades, the MSE brand has become synonymous with the trading of domestic listed instruments and the value of shares, bonds and treasury bills traded on MSE’s Xetra platform have increased year on year, standing at over €900 million in 2014. Although impressive, this turnover represents investor interest solely in domestic instruments listed and traded on the Exchange. Today, investors are increasingly keen to invest in a more diverse range of instruments issued and traded both in EU and non-EU jurisdictions, in order to benefit from new opportunities and to have a more diverse portfolio.

Inspired by the changing landscape, the MSE is actively looking to create a new trading platform called MSE International, giving access to members of the Exchange to trade in international instruments that were traditionally only accessible through third parties.

The launching of MSE International will provide access to a vast range of international securities, together with cost-effective clearing, settlement and custody services. The initiative is at an advanced stage and is the result of the MSE’s use of the Xetra trading platform operated by Deutsche Börse in Frankfurt. The counterparty to all trades will be a specialist trader providing liquidity and access to a world of international securities and will trade at best execution price.

Key Advantages for Members

• The current Xetra trading platform will facilitate trades in both domestic instruments and international securities, and make use of clearing and settlement processes in a cost-effective manner.

• Members can request the addition of any new securities to the trade list at short notice provided they are also supported by Deutsche Börse and Clearstream.

Potential Traded Instruments

• Bonds
• Equities
• Exchange Traded Funds (ETFs) and Exchange Traded Commodities (ETCs)

Key Features

• The origin of most of the securities will be mainly Europe, but major North American and South East Asian securities will also be traded on MSE International.

• Trading currency will be the Euro (€), irrespective of the securities’ base currency, but is subject to change depending on how the market develops.

• The settlement of the securities traded will take place via Clearstream Banking Frankfurt or Luxembourg.

• Trading hours for this segment could be extended beyond what currently applies to the domestic market, giving broader access to this exciting new market.

Other European and non-European exchanges already using the Xetra trading platform are expected to capitalise on this new opportunity.
SME Market

The Malta Stock Exchange (MSE) is working on the development of a new product that will create an opportunity for SMEs to raise capital. This new MSE product designed around SME needs will complement the current Main and Alternative Company Lists. Greater investor access to the markets is healthy for more efficient utilisation of capital, and experience shows that there is clearly a significant demand for IPOs and space for investment opportunities. This new product will provide cost-effective access to capital, without the need for security or collateral, but will need investor and market confidence to be successful.

A key feature of the new SME Market product is that a corporate advisor is required before and after the IPO, to ensure that transparency and corporate governance efficiencies are achieved and retained, thus creating greater investor confidence in the issued company. The product will also help in succession planning, enabling in certain circumstances founders to realise their ambitions. The securities will be traded on the MSE in the normal manner. This new product has the potential to become a major pillar in the provision of capital financing to SMEs, who are the engine of the Maltese economy. It can also facilitate succession planning for the many family-owned businesses since if equity is listed, it will also facilitate the sale of equity on the secondary market in a fair and transparent manner.

Key features
- MiFID-compliant using a Multilateral Trading Facility (MTF) structure
- Admission granted by the Malta Stock Exchange
- Requires a corporate advisor and a business plan
- No minimum or maximum value of Initial Public Offering (IPO), the target is to attract IPOs of up to €5 million
- No minimum % of shares in the public hands
- Not passportable within the EU
- Flexibility of issuing equities and/or corporate bonds

Why is it interesting to investors?
- Investors will have equal levels of information available through the MSE, before and after the IPO
- Investors can decide whether and how much to invest
- Investors can enjoy the benefits supporting small business growth
- Shares and/or bonds may be traded on the MSE in the normal manner
- The corporate advisor will remain a fundamental requirement for listing

Roles & Responsibilities of Stakeholders
- MFSA: Will license and supervise the MSE
- MSE: Will Admit and Supervise Corporate Advisors and Companies and carry out due diligence on admission documents
- Corporate Advisors: Will conduct due diligence and provide advice on admission and on a continuing basis to Companies and owe a duty of care to the MSE, companies, marketplace and investors
- Issuer Companies: Will be responsible to market the issue and generate interest amongst investors and owe a duty of care to the MSE, marketplace and investors

While the new product is still being formulated and will require regulatory approval, it is expected to create a paradigm shift in access to the capital market by SMEs, while stimulating growth through its pivotal role in developing the capital market for both the companies seeking new sources of capital and investors willing to participate in their growth.

EU criteria for SME categorisation

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