



Open Forum regional event, Manchester, 2 November 2015

Background

A regional event was held in Manchester on 2 November 2015, comprising around two dozen Bank of England contacts, drawn from professional and financial services and small business organisations from the North West and Yorkshire.

Main messages

- Trust in the financial industry is being rebuilt – but for smaller businesses and the wider population it is a work in progress.
- Developments in regulation have usefully increased personal accountability in the financial services industry and helped to reinforce a process of changing values.
- On the other hand, tighter regulation has created more standardisation and may be impeding investment flows in some areas.
- Firms based in the North have figured prominently in the resurgence of the IPO market.
- Crowd funding and Peer-to-Peer lending are making a positive contribution to financing companies in a growing economy but there are concerns about how robust the model will be in times of economic or financial stress.

Specific questions

What can we learn from how US companies are funding, particularly SMEs? The US seems better at funding start-ups, particularly for technology companies – but if you strip out the technology element the picture is probably fairly similar.

Should the public markets be a larger source for SME finance? Fixed costs of issuance make it inevitable that the public markets will be for larger companies.

Is the Prospectus Directive a hindrance to issuance e.g. of retail bonds? At the margin, yes. Raising the exemption thresholds would help firms (eg those listed on AIM) to raise tranches of funding from retail investors.

What is hindering peer-to-peer platforms from filling the lending gap? They are filling it to some extent.

Is there sufficient promotion and awareness of alternative funding sources? No. More education/mentoring programmes could help with this (eg LSE's Elite programme).

Does Capital Markets Union represent an opportunity to develop equity/debt markets for SMEs? For the UK, not particularly. It is a good initiative in principle but in many respects the UK is ahead of the rest of the EU. AIM is the most successful market of its kind in the world, with fees half the level of the US.

Results of Open Forum Regional Event Questionnaire

Survey responses of twenty invitees to the Bank of England Lunch on the 2nd November in association with Pro-Manchester and the London Stock Exchange.

Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total Count	Balance*
1 I believe that financial markets are effective ...	3	14	1	2	0	20	15
2 I believe that financial markets work in the interests of society ...	2	6	5	7	0	20	1
3 I believe that financial markets are likely to become more effective, accountable and fair over time ...	2	11	6	1	0	20	12
4 I have faith in the authorities to address the shortcomings in financial markets ...	1	10	3	4	2	20	5
5 I am confident the reform programme will be effective ...	0	10	7	3	0	20	7
6 SMEs have adequate access to bank finance for debt and working capital ...	2	5	6	7	0	20	0
7 SMEs have adequate access to public markets for debt ...	1	0	7	12	0	20	-11
8 SMEs have adequate access to public markets for equity ...	1	2	3	13	1	20	-11
9 Start Ups have adequate access to bank finance for debt and working capital ...	0	0	7	12	1	20	-13
10 Start Ups have adequate access to public markets for debt ...	1	0	2	14	3	20	-16
11 Start Ups have adequate access to public markets for equity ...	1	0	2	14	3	20	-16
12 Equity markets have a strong role to play in helping to grow companies ...	6	11	3	0	0	20	17
13 Crowd funding has a strong role to play in helping to grow companies ...	2	7	8	3	0	20	6
14 Peer to Peer lending has a strong role to play in helping to grow companies ...	2	8	7	2	1	20	7
15 Policy makers can do more to support the development of market based (bonds, equity) finance ...	2	11	7	0	0	20	13

* Balance based on Agrees – Disagree