**DBG response "EU Start-up and Scale-up Strategy"**

Deutsche Börse Group (DBG) agrees with the Commission's view that EU start-ups and scale-ups are faced with the identified hurdles. Among many other measures that will be necessary to address these issues and to mobilize private capital, DBG believes that three main measures should be considered: **(1) Establishment of an EU Growth and IPO Fund**; **(2) increasing pre-IPO liquidity via private secondary markets**; and **(3) a tailored regulatory and capital market environment**.

**Measure (1):** The establishment of an EU Growth and IPO Fund that provides additional liquidity through direct investments and incentives for start-ups to go public in Europe. The vehicle would allow pension funds, insurance companies and other long-term oriented institutional investors to take a lower risk and diversified approach to investing start-ups and scale-ups throughout the lifecycle of the companies. Start-ups would benefit from better capital raising within their EU home market, improved capital market access, higher valuations and increased visibility for investors. The fund would participate in the book-building during the IPO phase and then act as an anchor investor and trusted partner with flexible holding periods. A sufficient fund size would be necessary to allow also large financing rounds for unicorns. The fund should be able to invest at all stages with a particular focus on late-stage (pre-IPO), at the IPO and post-IPO funding and in all sectors. This fund could reduce the late-stage financing gap, strengthen the transition from private to public capital market to enable innovation, value creation and growth and build new global champions.

**Measure (2):** Forge Europe, a joint venture of DBG and Forge Global, provides a European marketplace for direct secondary transactions in late stage and pre-IPO startups. This enables shareholders of private companies to transact their shares with accredited investors and a better access to liquidity. Early-stage investors and founders would be incentivized to invest as they have better exit options. Accredited investors are mostly institutional investors. However, with an appropriate but limited regulatory framework, the advantages of a secondary market for private capital should be opened to a broader base of investors. Also, retail investors could profit from the opportunities by investing in ETFs and funds that are directly invested in private companies but ensuring investor protection. Better access offers more liquidity and better price formation. Solutions with fund-of-funds with retail focus could also be considered.

**Measure (3):** The current regulatory and market environment is challenging for start-ups and scale-ups. They are faced with overburdening requirements regarding ESG, supply chain, compliance, data protection and transparency in general, which distract them from focusing on generating growth. The EU could consider introducing rules for newly listed public companies with reduced disclosure requirements, lower internal control obligations for a maximum of the first five fiscal years after completing an IPO. The US Securities Act could serve as a role model. On the other hand, start-ups struggle with attracting talents, different working law, tax regimes, insolvency rules, and a lack of an efficient and supportive capital market ecosystem. Talents could be attracted by employee shares, which are issued in the early stages of a start-up or growth company and serve as compensation for lower salaries. The shares would have to be accompanied by tax incentives. In general, start-ups in particular would benefit from aligned tax regimes across the EU. Further, different labor law requirements in the individual member states continue to make it difficult to recruit foreign skilled workers. Courageous founders should be supported. Mitigating personal consequences of insolvency could lead to greater risk-taking and entrepreneurial mentality.