



*Prospects and  
Corporate Governance  
issues*

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## Introduction to Prospects

An alternative source of funding not previously available to SMEs.

SMEs now have access to alternative capital market funding.

SMEs will benefit from funding at lower costs making the access to the market more affordable.

Achieved through issue of equities and / or corporate bonds.

## Eligibility Requirements

Prospects targets small to medium-sized SMEs, including start-up businesses. For a company to be eligible, it must apply be a Public Limited Company (plc) with a minimum issued and fully paid share capital of €46,588 and which falls within the following criteria:

EU criteria for SME categorisation				
Company Category	Employees	Turnover		Balance Sheet Total
Medium	<250	≤ €50,000,000	OR	≤ €43,000,000
Small	<50	≤ €10,000,000	OR	≤ €10,000,000
Micro	<10	≤ €2,000,000	OR	≤ €2,000,000

*Extracted from <http://www.smeprospects.com/index.php/admission/eligibility-to-apply>*

## Advantages for the SMEs

SMEs struggle to achieve bank loans and many times SMEs do not have succession planning which eventually leads to the winding down of these companies.

Prospects brings certain benefits to SMEs, including:

- no collateral requirements;
- brand name awareness;
- succession planning;
- enhanced corporate governance.

CORPORATE GOVERNANCE  
AND THE ROLE OF THE  
CORPORATE ADVISOR

## The Principle

The Corporate Advisor must ensure:

- good corporate governance, transparency, viability and investor protection;
- that the Prospects application process is fully understood by the SME and that all details are fully disclosed in a clear and unequivocal manner;
- that good corporate governance and transparency is maintained once the SME has been admitted to Prospects.

## Consequence

An SME wishing to float and remain floated into Prospects must appoint and also retain a Corporate Advisor.

## The Aim

- A Corporate Advisor will take the SME into a new dimension of governance and management.
- At pre-listing stage, an SME is typically loosely managed due to the close relationship between the shareholders and directors as well as the lack of market accountability.
- Once an SME steps into the Prospects world, it will have greater obligations towards its stakeholders. Thus, proper corporate governance becomes key to the management and growth of the SME.
- It is a recognition that growth through funding is not sufficient. Proper processes must also be put in place to ensure continued growth through transparency, proper operations and a direction.



## The Corporate Advisor

The Corporate Advisor must be an entity approved by the MSE to provide such services.

The Corporate Advisor must have the necessary expertise and proven experience in providing corporate finance, corporate governance, legal or accounting consultancy services covering capital structuring, strategy, acquisitions and sale of companies, management consultancy, corporation taxation, preparing for admissions to a public market, investor relations management or generally operating as a public company.

## The Corporate Advisor / Cont.

Furthermore, the Corporate Advisor:

- must maintain the same level of independence, impartiality and objectivity from SMEs;
- must be a person of good standing.

## The Role of a Corporate Advisor / Cont.

### The Pre-Application Phase

As part of the application to the MSE, the Corporate Advisor, must sign a declaration confirming that:

- ✓ the Corporate Advisor has been appointed to provide services to the Prospects Clients; and
- ✓ that due diligence has been conducted in line with the PMLFTR.

The Corporate Advisor and the SME will need to fully co-operate and build a strong relationship based on mutual trust.

## The Role of a Corporate Advisor / Cont.

### The Pre-Application Phase / Cont.

The Corporate Advisor will be required to analyse the resources, structures and internal organisation for the Company to become a Prospects Client.

The SME must at least have the following:

- a Board of Directors;
- an Audit Committee; and
- a Compliance Officer.

## The Role of a Corporate Advisor / Cont.

### **The Pre-Application Phase / Cont.**

The Corporate Advisor assists the Prospects Clients with preparing the Business Plan and the necessary documentation for the application process.

Once finalised, the Corporate Advisor submits the Prospects Application.

A proper corporate governance structure will be essential to the acceptance of the application.

## The Role of a Corporate Advisor / Cont.

### **The Application Phase**

Since the SME will become an MTF listed company, the Corporate Advisor must take the SME into a new level of responsibility with respect to operations and disclosures.

It must ensure that the Directors of the SME understand their responsibilities and respective obligations in terms or law and the Prospects Rules. It should also ensure that the Prospects Clients has in place procedures to ensure compliance and disclosure.

## The Role of a Corporate Advisor / Cont.

### The Post-Application Phase

Once the Prospects Client has been admitted for listing, the Corporate Advisor must:

- retain the engagement with the Prospect client;
- ensure that there are no conflict of interest in maintaining such role; and
- regularly interact with the Prospect Client and the MSE, advise and make such disclosures as required.

# The Prospects Client



# The Prospects Client

## **The Board of Directors**

It is important that the Board of Directors have regular board meetings and that minutes of such meetings are kept.

The Board of Directors must have the knowledge and expertise to be able to manage the operations of the Company in the light of the new status which Prospects listing gives the SME.

# The Prospects Client

## The Audit Committee

The Company should establish an Audit Committee composed of at least three (3) members. The members of the Audit Committee must be Directors of the Company.

The Audit Committee must have in place Terms of Reference reviewed by both the Corporate Advisor and the MSE, which should include the exclusive power of vetting all Related Party Transactions in advance, and that its decisions on such vetting will be final and conclusive.

# The Prospects Client

## **The Compliance Officer**

Prospects Client must appoint a Compliance Officer for the Company who must ensure that the Company is abiding by the Rules.

The Compliance Officer will be the point of contact of the Company together with the Corporate Advisory, with the MSE. The Compliance Officer will be responsible to provide MSE with information which might be requested from the Company.

## Conclusion

Expertise, vision and transparency are key to ensure the growth of the SME through Prospects funding.

A Corporate Advisor will help an SME achieve and maintain sustained growth by having systems in place to secure market confidence.

**Thank you for your attention**