

Support to promote the access to the capital markets in Portugal (capital markets union project)

Deliverable 2 - Final Issuer's Guide and Website

Technical Support Instrument

Supporting reforms in 27 Member States



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1. Introduction

Ernst & Young Consulting (“EY Consulting”) has been awarded a contract to perform the “Support to Promote the Access to the Capital Markets in Portugal (Capital Markets Union Project)”, under the request for services of specific contract nº REFORM/Steering Committee2021/024 in the context of the multiple framework contract nº SRSS/2018/01/FWC/002.

The Technical Support Instrument of the European Commission (EC) is providing support for the preparation and implementation of growth-enhancing administrative and structural reforms by mobilizing EU funds and technical expertise. The objective is to help Member States address the administrative, economic, and social challenges that arise from structural reforms and strengthen their capacity to prepare and implement growth-enhancing reforms. This helps to strengthen public institutions and administrations and improve governance processes and the performance and resilience of the economy and society at large. The goal is to enhance cohesion and improve competitiveness, productivity, sustainable growth, job creation and investment.

This initiative from the European Commission aims at supporting Portugal in increasing capital markets attractiveness and access, by stimulating non-listed companies to opt for non-bank financing through an easier access to information about capital market financing and from targeted legislative improvements of the capital market framework in Portugal.

Gaps and barriers in communication and transferring information need to be identified and actions to close those gaps need to be addressed to increase capital markets access. Portuguese companies have been relying primarily on bank financing and experience or knowledge of capital markets instruments (bond issuance, IPO’s or other capital markets instruments) of these subjects is rather limited. Information barriers can lead to inefficiency on financial markets, limited access of issuers to capital markets, limitation in the competition between capital providers. In addition, these barriers also lead to limitation of growth of the issuers, while reducing the potential of the entire economy to respond flexibly to the current availability of resources. By enhancing the access to capital market participants, improvements in economy potential can be made.

The contract (“Specific Contract”) was signed by European Commission Directorate General for Structural Reform Support (“Client” or “Contracting Authority” or “DG REFORM”) and EY Consulting on July 13th, 2021. Contract conditions are specified through the following documents:

- Tender Specifications (reference nº Ares (2021)2180505 of 29/03/2021);
- Specific Contract duly signed including the call for tender REFORM/Steering Committee2021/024 under Framework Contract procedure No. SRSS/2018/01/FWC/002;
- Amendment 1 to Specific Contract REFORM/Steering Committee2021/024 duly signed.

The project consortium consisted of three organisations. It was led by EY Consulting, that was responsible for contractual obligations and liabilities deriving from the contract concluded with DG REFORM. Locally, the project was led by Ernst & Young S.A. (“EY Portugal”), and by RRP Advogados (“RRP”, the Portuguese member firm of the EY Law global network). In the course of this Report, EY Consulting, EY Portugal and RRP will be named together as “EY”. The project also relied on the input of a stakeholder group, who provided valuable inputs, such as guidance, experience, and direction to the project.

In the Tender Specifications, an Issuer’s Guide and Website were required as the second Deliverable of this Project. This report constitutes the referred final version of the Deliverable 2.

2. List of acronyms

Acronym	Explanation
AEM	Associação de Empresas Emitentes de Valores Cotados em Mercado

APB	Associação Portuguesa de Bancos
Banco de Fomento	Banco Português de Fomento, S.A.
CaixaBI	Caixa-Banco de Investimento, S.A.
Carmo & Cerqueira	Carmo & Cerqueira, Sociedade de Revisores Oficiais de Contas, Lda
CMVM	Comissão do Mercado de Valores Mobiliários
COTEC	COTEC PORTUGAL – ASSOCIAÇÃO EMPRESARIAL PARA A INOVAÇÃO
COVID-19	Coronavirus Disease
CSD	Central Securities Depository
DG REFORM	Directorate General for Structural Reform Support
EDP	EDP, S.A.
EU	European Union
Euronext	European New Exchange Technology
EY	EY Consulting, EY Portugal and RRP Advogados
EY Consulting	Ernst & Young Consulting
EY Portugal	Ernst & Young S.A.
Feedzai	Feedzai, Consultadoria e Inovação Tecnológica, S.A.
Fitch	Fitch Ratings, Inc.
Greenvolt	Greenvolt - Energias Renováveis S.A.
Haitong	Haitong Bank, S.A.
Hovione	Hovione FarmaCiencia S.A.
Impresa	Impresa - SGPS, S.A.
IT	Information Technology
Linklaters	Linklaters LLP
Maxyield	MAXYIELD - Clube dos Pequenos Acionistas
Nonius	Noniussoft, Software e Consultoria Para Telecomunicações, S.A
OECD	Organisation for Economic Co-operation and Development
Pestana	Pestana Management - Serviços de Gestão S.A.
Raize	Raize – Instituição de Pagamentos, S.A.
RRP	RRP Advogados
R&D	Research and development

Santander	Banco Santander Totta, S.A.
SC	Steering Committee
Sensei	SENSEIDATA LDA
SMEs	Small and Medium Enterprises
SOFID	Sociedade para o Financiamento do Desenvolvimento
TSI	Technical Specifications for Interoperability

3. Background to the Project and intended purpose

3.1 Context

Succeeding the 2008 global financial crisis and the subsequent sovereign debt crisis in the euro area, the Portuguese Government took important steps to relaunch the economy by addressing the capitalisation of companies and the recovery of investment, focusing on developments such as the deleveraging process regarding the banking system, labour market reforms and a considerable reduction in bureaucracy. Additionally, Portugal has experienced a substantial reduction in the share of non-performing loans and non-viable firms, reflecting the major efforts to improve the financial health of the corporate sector, by introducing of a more efficient firm restructuring and insolvency system, putting Portugal on a path for long-term sustainable growth. In spite of the Portuguese Government’s steps to relaunch the economy, Portuguese capital markets have not developed to their fullest potential, which is shown by the high dependence on bank loans, a decreasing number of listed companies, lack of new listings and scant presence of institutional investors.

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Concerning capital supply, according to OECD a major obstacle to the Portuguese capital markets’ development is the low savings ratio and limited allocation of savings to capital market securities. In 2000, the aggregate net savings of Portuguese households have been the lowest amid comparable European economies, and simultaneously, households allocated almost half of their savings to bank deposits, a higher portion than other European countries, such as France, Italy and Spain. Furthermore, there has been a decline in the total number of listed companies in the Portuguese market, ever since 2008, being one of the most affected among other European countries, with the number of companies leaving the stock market surpassing the number of new listings. By the end of 2019, there were only 47 companies listed on Euronext Lisbon, one-third of the number of companies that were listed back in 1997. Nowadays, the low level of activity and liquidity in the stock market presents a major barrier to companies aiming to raise new capital. At the same time, the use and availability of corporate bond financing has remained rather limited. Considering the dependence on short-term debt in the Portuguese corporate sector, more extensive use of corporate bond financing could help extend maturities, increase resilience and ease long-term investments. Thus, the Portuguese economy would greatly benefit from further efforts to grow more diversified and integrated capital markets, enabling private savings to effectively finance investments in the real economy and provide households with new and attractive investment opportunities, to share in the wealth creation of the Portuguese business sector.

Moreover, worldwide, traditional institutional investors, i.e. pension funds, insurance corporations and investment funds, play an increasingly important role in the public equity and corporate bond markets. Therefore, the design, implementation and efficiency of the legal, regulatory and institutional framework commanding their operations highly influence the capital formation, capital allocation and investment. However, Portuguese institutional investors have not been keeping up with these changes in global capital markets. In order to further develop the Portuguese capital markets and help investors benefit from the innovation that new financial technology brings, the investment fund industry should be provided with appropriate incentives to achieve economies of scale that may help reducing the asset management fees and support liquidity in secondary equity and bond markets.

Additionally, according to the OECD productivity database, the main driver of the growth over recent years has been the increased use of labour force, as in total hours worked, and not productivity. Even though the labour market has suffered some structural reforms, the labour productivity growth has slowed down noticeably since

2013, partly explained by the low levels of investment and low capital stock, threatening the country's long-term economic growth. Such low productivity growth may be explained by capital and labour misallocation towards less productive activities such as non-tradable sectors and/or unviable companies; lack of market orientation of R&D investments; low competitive pressure to innovate in non-tradable sectors limited diffusion of knowledge and technology; strict

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“OECD Capital Market Review of Portugal 2020 - Mobilising Portuguese Capital Markets for Investment and Growth”, which resulted from the Project on Capital Markets Diagnostic funded by the European Union. regulations in some services sectors; judicial inefficiency, and low trust in public procurement among Portuguese firms². Moreover, in Portugal, the majority of workers is employed in micro or small firms, which in general have the lowest level of labour productivity contrasting with the largest share of the workforce employed by large firms in other European countries, such as Germany and France. This high proportion of unproductive micro-firms joint with low productivity across the remaining groups result in an overall low productivity of the entire Portuguese economy. Therefore, the country should lift its productivity by implementing policies that improve the availability and allocation of long-term, market-based financing³, particularly important for growth-oriented companies needing capital and willing to take the risks related to research, innovation, development and market expansion. Capital markets also play an important role in enabling companies to introduce variable mechanism for remuneration to attract and maintain high skilled labour force.

Having in mind the ambition to diversify the Portuguese economy, and the goal to improve its competitiveness and attract foreign investment, the Portuguese economy would benefit from further efforts to enable businesses to have access to a capital market that can finance long-term investments, support innovation and facilitate entrepreneurship. A more developed domestic capital market can also support corporations to reach the necessary economies of scale and strengthen the balance sheets of individual firms. In contrast, excessive reliance on short-term debt financing, like bank loans, can highly constrain the Portuguese corporate sector's ability to move up in global value chains and become more outward oriented.

The OECD Review paints a stark picture of Portuguese Capital Markets, one that local market players have been dealing with for more than two decades. As per the OECD and other sources, there are several factors underlying this reality, including the fact that the existing legal and regulatory framework has been insufficient to address the problems identified, as Portuguese companies' low participation in the capital market is partly justified by a lack of awareness in the Portuguese corporate sector of the legal and regulatory framework for listing, disclosure and corporate governance regulations, as well as the availability of different market segments⁴. Capital markets are an integral part of an economy's ecosystem, highly influenced by several policy areas, such as tax policies, pension policies, financial regulation and company law, and including different actors, such as issuers, investors, intermediaries and market places, with their own roles and incentives. Consequently, their development should have an extensive range of policy tools spanning across different policy domains and policy makers and authorities should coordinate their efforts to ensure maximum efficiency, complementarity and consistency.

Furthermore, the extensive period of low market activity has weakened the market ecosystem with respect to advisory research and underwriting services and market making functions, leading Portuguese companies to rely on foreign providers. To support the development of the Portuguese capital market, the Portuguese authorities should engage in a dedicated and targeted awareness campaign to inform the corporate executives and other relevant actors in the market about the many opportunities for flexibility that exist.

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Following the above recommendations, the approach chosen to accomplish the referred goals was to create a website with an interactive Issuer's Guide and a comprehensive set of guidelines for issuers of financial securities, as well as – to the extent necessary and adequate to the envisaged goals in the context of the Portuguese market – to prepare certain legislative proposals aimed at simplified disclosure requirements, simplified listing procedures and a more flexible corporate governance framework, among others, all counting with consultations from a diverse set of market participants. While those proposals are primarily based on an analysis of structural conditions, their implementation remained highly relevant in the wake of the ongoing COVID-19 crisis, where better

2 National Productivity Board, 2019; Alves, 2017; OECD, 2019

3 Heil, 2017

4 OECD Capital Market Review of Portugal 2020 - Mobilising Portuguese Capital Markets for Investment and Growth

5 Identified in the report "OECD Capital Market Review of Portugal 2020 - Mobilising Portuguese Capital Markets for Investment and Growth"

functioning capital markets can play an important role in recapitalising the business sector and supporting a dynamic and sustainable recovery.

Additionally, in order to provide to both companies and investors seamless access to capital market's information and to enable companies interact with the different actors, it would be beneficial to create a digital platform that would make available the most relevant content for capital market agents in one single place and ease the interaction and provision of relevant services for these agents.

Accordingly, the Deliverable 2 of the Project, which is being presented on this Report, comprised the creation of a website with an interactive Issuer's Guide and a comprehensive set of guidelines for issuers of financial securities.

3.2 Overall objective and purposes

The general objective of this Project was to contribute to institutional, administrative, and growthsustaining structural reforms in Portugal, in line with Article 3 of the TSI Regulation, while the specific objective was to assist national authorities in improving their capacity to design, develop and implement reforms, in line with Article 4 of the TSI Regulation. The achievement of these objectives was not solely the responsibility of the contractor and will depend partly but not only on Portugal's action(s).

This Project was also aligned with the conclusions gathered from the CMVM's request for support to the DG REFORM of the European Commission to undertake a comprehensive review of capital markets in Portugal. This support, from which resulted the report "OECD Capital Market Review of Portugal 2020 - Mobilising Portuguese Capital Markets for Investment and Growth", offered policy recommendations aimed at providing guidance to policy makers and authorities in their efforts to create a regulatory environment where capital markets can support business sector dynamics. An agenda that has only become more urgent with the onset of the current COVID-19 crisis and conflict between Russia and Ukraine, where economic recovery will depend to a large extent on the ability to strengthen corporate balance sheets and provide businesses with access to patient capital for forward looking investments.

Following the OECD recommendations proposed on the referred report, the Project main purposes that were to be attained are:

- (a) To increase awareness of the issuers for the use of capital markets as an alternative source of financing for their growth and recovery of the Portuguese economy;
- (b) To improve the legal framework with more flexible solutions for the dynamization of the Portuguese capital markets;
- (c) To ease the access to the Portuguese capital markets and its ecosystem.

The Deliverable 2, of the Project, which is being presented on this Report, has contributed to goals (a) and (c) presented above.

The main beneficiary of the specific Deliverable was the Portuguese Comissão do Mercado de Valores Mobiliários (CMVM) and the ultimate end users and beneficiaries will be the listed and non-listed companies, the banking sector and asset management institutions, institutional as well as retail investors, and their representative institutions and associations.

4. Deliverable 2 - Comprehensive Guide for issuers of financial securities ('Issuer's Guide') and a website with an interactive presentation of the guide

The overall approach followed for the execution of Deliverable 2 intended to have a strong focus on comprehensiveness in terms of stakeholder engagement and sources of information used (allowing the triangulation of information) while supporting the provision of the specific services required and related goals, such as, designing a Website with comprehensive guidelines for issuers of financial securities to increase the awareness about the opportunities provided by public capital markets' financing and to clarify all applicable requirements and costs.

The approach had a comprehensive consultation component that aimed at providing the Project Team with a sound understanding of the stakeholders' points of view. This comprehensive consultation was essential for the success of this assignment, as the Portuguese capital markets development depends on different stakeholders' participation. EY designed this stakeholder consultation component to be as broad, multidimensional, and flexible as possible to ensure the successful and satisfactory engagement of all relevant authorities, players and service providers that have relevant roles in the Portuguese capital market context.

Besides the generally available information related with the access and permanence in the Portuguese capital markets, the recommendations present on the OECD Capital Market Review of Portugal 2020 "Mobilising Portuguese Capital Markets for Investment and Growth" report and on the project "Financial literacy for investors in the securities market" were also thoroughly and carefully analysed and guided the work in order to assure they were properly addressed and reflected upon.

4.1 Tasks and Results

✦ Task 1 - Drafting of an Issuer's Guide

The activities in this Task were carried out in parallel with those of Deliverable 3 - Three legislative proposals to help improve Capital Markets regulatory framework in Portugal and Deliverable 4 - Stakeholders engagement for a digital capital markets platform for companies, investors and other stakeholders, allowing to streamline the research work and the consultation with key stakeholders.

Desk research

This activity entailed a comprehensive gather, review and analysis of elements concerning the access to market-based finance and permanence in the Portuguese trading markets. The key purpose of this exercise was to understand all the aspects related with the process of financial instruments issuance and the permanence on the Portuguese capital markets. In concrete, the main focus of the desk research was to:

- (i) Identify and gather an exhaustive list of all the benefits a market-based finance may offer (presented on Chapter 1 of the Issuer's Guide);
- (ii) Identify the main features of equity and debt financing (presented on Chapter 2 of the Issuer's Guide);
- (iii) Identify the main participants of the Portuguese capital markets' financing and analyse their roles (presented on Chapter 1 of the Issuer's Guide);
- (iv) Review the regulatory framework applicable to public offers of shares and debt instruments and gather an exhaustive list of the regulatory requirements that must be fulfilled, documents necessary, interactions with the regulator, timings and fees applicable (presented on Chapters 3 and 4 of the Issuer's Guide);

- (v) Review the regulatory framework applicable for the admission to listing for all types of secondary markets and gather an exhaustive list of the regulatory requirements that must be fulfilled, interactions with the regulator, market operator, central securities depository (CSD), documents necessary, timings and fees applicable (presented on Chapter 3 and 4 of the Issuer's Guide);
- (vi) Identify all the relevant steps of the procedures (presented on Chapters 1, 3 and 4 of the Issuer's Guide);
- (vii) Identify and provide an estimate of all the costs related with public issuances which are not explicit in the law and regulations, namely: placement commissions paid to the investment banks, lawyers' fees, audit fees, etc. (presented on Chapters 3 and 4 of the Issuers Guide); and
- (viii) Identify all the ongoing regulatory requirements applicable to listed companies in all types of secondary markets and ongoing fees and costs due to the Regulator and Stock exchange (presented on Chapter 5 of the Issuers Guide).

During this phase, a compilation of several examples of other Issuer's guides was prepared and presented, together with the index suggested for the Issuer's Guide to be produced within the scope of the Project, in a meeting held on October 1st, 2021. The presentation allowed the gathering of feedback regarding the best examples of guides to serve as a basis, certain features that should, or should not, be included in the guide, as well as changes to be made in its table of contents.

The findings and conclusions from the study "Financial literacy for investors in the securities market" and OECD Capital Market Review of Portugal 2020 "Mobilising Portuguese Capital Markets for Investment and Growth" report guided the work in order to assure that all actions to improve the financial knowledge and behaviour of investors and non-investors who want to become investors in the securities market would be properly addressed and reflected upon the Issuer's Guide and the website.

Discussions / consultation with key stakeholders

As previously mentioned, the overall methodological approach strongly focused on comprehensiveness in terms of stakeholder engagement and consultation, allowing the triangulation of information, that aimed at providing the Project Team with a clear understanding of the stakeholders' points of view regarding the importance of the Issuer's guide and what content should be on it, which was essential for the success of this assignment, given the participation of the different stakeholders on development of the Portuguese capital markets.

Given the role of actors that participated throughout the project on consultation tasks, it was critical to ensure that there were no redundancies, given the different stakeholder views on the content of the guide, and the levels of satisfaction with the overall direction of the project remained high. These aspects were continuously coordinated by the project management team, by considering the participation of a wide range of stakeholders and ensuring clarity and consistency in the interviews and through the constant feedback sessions with CMVM.

The consultation component for this Deliverable was composed by Focus Group 1, with stakeholders, such as relevant authorities, players, and service providers, who provided valuable inputs regarding the Portuguese Capital Markets functioning and access, considered while developing the Issuer's Guide.

The table below (Figure 1 – List of Invited Entities for Focus Group 1) presents the selected stakeholders that were invited to participate in the planned consultation activities, those who agreed to participate, and the dates on which the respective interviews were held.

Figure 1. List of invited Entities for Focus Group 1

Stakeholder Typology	Entity	State of the invitation	Date of Interview
Companies/Issuers	EDP	Accepted	20/10/2021
Companies/Issuers	Greenvolt	Accepted	19/11/2021
Companies/Issuers	Raize	Accepted	13/10/2021
Companies/Issuers	Grupo Impresa	Accepted	11/11/2021
Companies/Issuers	Sensei	Did not accept/respond	N/A
Companies/Issuers	Grupo Pestana	Accepted	22/10/2021
Companies/Issuers	Hovione	Did not accept/respond	N/A
Companies/Issuers	Nonius	Accepted	13/12/2021
Companies/Issuers	Feedzai	Did not accept/respond	N/A
Companies/Issuers	Stricker	Accepted	30/11/2021
Companies/Issuers	AEM - Associação de Empresas Emitentes de Valores	Accepted	19/10/2021
Companies/Issuers	Business Roundtable Portugal	Did not accept/respond	N/A
Companies/Issuers	SOFID - Instituição Financeira de Desenvolvimento Portuguesa	Accepted	10/11/2021
Companies/Issuers	IAPMEI - Agência para a Competitividade e Inovação	Accepted	07/12/2021
Companies/Issuers	IPCG - Instituto Português de Corporate Governance	Accepted	27/10/2021
Companies/Issuers	COTEC	Did not accept/respond	N/A
Companies/Issuers	Banco de Fomento	Accepted	09/11/2021
Companies/Issuers	Turismo de Portugal		18/11/2021
Companies/Issuers	AEP - Associação Empresarial de Portugal	Accepted	29/10/2021
Companies/Issuers	AIP - Associação Industrial Portuguesa	Accepted	26/11/2021
Investors	APFIPP - Associação Portuguesa de Fundos de Investimento, Pensões e Património	Accepted	21/10/2021

Investors	APS - Associação Portuguesa de Seguradores	Accepted	18/10/2021
Investors	APAF - Associação Portuguesa de Analistas Financeiros	Accepted	18/10/2021
Investors	MaxYield	Accepted	02/11/2021
Market operators	Euronext	Accepted	23/11/2021
Market operators	Operador do Mercado Ibérico (Portugal)	Did not accept/respond	N/A
Stakeholder Typology	Entity	State of the invitation	Date of Interview
Rating agencies	Companhia Portuguesa de Rating (ARC Ratings)	Accepted	09/11/2021
Rating agencies	Fitch	Did not accept/respond	N/A
Regulator	CMVM - Comissão do Mercado de Valores Mobiliários	Accepted	Regular feedback was exchanged
Government	Ministry of Economy	Accepted	21/10/2021
Government	Ministry of Finance	Accepted	08/11/2021
Service providers	CaixaBI	Accepted	25/10/2021
Service providers	Santander	Accepted	26/10/2021
Service providers	Haitong	Accepted	26/10/2021
Service providers	Carmo & Cerqueira	Accepted	20/10/2021
Service providers	Associação Portuguesa de Bancos	Accepted	N/A*
Rating agencies	Fitch	Did not accept/respond	N/A

* APB has made itself available to send questionnaires to APB associates in order to collect their feedback.

The active participation of the CMVM and DG Reform, that monitored and supported the development of this Deliverable, was crucial to the development of the consultation process. The quick response and involvement of these institutions, as well as their ability to request the support and participation to stakeholders in various phases of the project, from scheduling interviews, identifying entities to invite to focus groups, clarifying doubts and in the identification of potential areas of improvement were decisive for the successful execution of the work.

As per the recommendations of the CMVM, the stakeholders were consulted on a standalone interview, in order to obtain timely feedback on their views regarding the Portuguese Capital Markets functioning and access and, on the contents and format of the Issuers Guide.

Additionally, a draft proposal of the interview scripts was prepared in advance by EY and sent for approval of the Steering Committee. After approval, to assure a more fruitful discussion, those scripts were sent to the

interviewed stakeholders prior to their interview. Additionally, upon request of the Steering Committee, summaries of all the interviews were prepared and shared by EY with the SC.

During these interviews, the stakeholders were asked about what information would be crucial to be present on the Issuer's Guide. The subjects below were pointed out and the Issuer's Guide tends to address the following by reaching an adequate balance between the different views :

- Differentiation between public and private financing operations, including the corporate aspects that have to be carried out;
- Comprehensive and detailed information about financing sources for diverse business needs and characteristics, as well as the different type of products that are traded on the capital markets;
- The type of reforms required for a company to be admitted to trading on the market;
- Identification of the entities responsible for supervising, assessing and approving the operations;
- A roadmap that demystifies the complexity of the process of admission to capital markets, describing the various steps of the operation, including a timeline of the journey, as well as the reporting obligations during this operation;
- The ongoing obligations for companies already admitted to trading in the market, namely the level of disclosure of information;
- Identification of the advisors and agents that guide the process and their functions (e.g. financial advisory services, legal support and investors relations), including ways of evaluating their reputation, suggestions of advisors, as well as the associated costs;
- Information on the tax, regulatory and legal content associated with the various forms of financing;
- Reference to the costs and bureaucracy of the processes of issuing securities, as well as publicising the competitive advantage that the Lisbon markets have in terms of costs in relation to capital markets in other geographies;
- Clarification on the process of pricing, namely the analysis of the valuation of the company in an adequate and credible manner;
- For bond issues, explain what is the coupon, the different types of existing bonds and the concept and need for a rating;
- Other issuers' perceptions of the securities market and the obstacles in their usage, by providing business cases which look into real cases of other Companies in similar situations, including some examples (of success and failure) to show a diversity of experiences in very different sectors and markets;
- The limitation of bank financing, namely when financing projects of greater innovation and with more risk, and the option of financing through capital markets in these cases;
- The advantage of being in the market (either through debt or equity) in the sense that it opens a door to attract future investment, due to the perception of transparency that is valued by investors.

Other more general recommendations for the guide:

- Clear definition of who the recipients of the Issuer's guide are, since the information to be made available and the way to do it will largely depend on this factor. Adopt a format that is suitable for companies of different sizes;

- Provide a glossary considering the level of financial illiteracy of Portuguese entrepreneurs, characterizing the key terms related to the market;
- The need for constant changes and updates regarding legislation and regulations so that the Guide remains up-to-date;
- Make the Guide available online with a remissive index and information reporting templates that can be downloaded in order to standardise and facilitate issuers' reporting;
- Including the option to contact advisors and entities participating in the process, through the Issuer's Guide website;
- Allow for an assessment of the company's situation and indicate what the company still has to do to be able to issue on the market;
- Prioritize the visual aspect and format of the document so that it becomes attractive for the interested parties.

There was a divergence between the stakeholders concerning the level of completeness of the document itself. Some entities believe that the Guide should not be an exhaustive and very bureaucratic document with all the details of an issue and, therefore, should be straightforward and only present a step-by-step outline of the process, with the major stages and components associated. On the other hand, there was also the opinion that it would be essential to share all the information regarding the process of issuance and admission to trading of securities in capital markets in a single site, since currently the interested parties have to search for all the necessary information in many different sites, always without the certainty that the information found is reliable and complete. The objective throughout the development of the Guide was to consider the best combination of both visions, to make the Guide clear, direct and informative.

Preparation and drafting of the draft Issuer's Guide

Based on the results obtained from the previous activities that incorporated the key elements identified during the research as well as the input provided by the stakeholders engaged. The document was tailored for the reality of Portuguese companies and capital markets ecosystem and prepared with the main objectives of this task in mind: creating a comprehensive yet accessible document to raise awareness to the opportunities arising from capital markets and the applicable regulatory requirements and associated costs, communicated and explained in a plain, non-technical and comprehensible language to the target audience (SMEs and similar companies that are not accessing the capital markets for funding).

The amendments to the Portuguese Securities Code were a challenge throughout this phase, given that it resulted in extra efforts to ensure the final guide was fully updated, as the Code constitutes an important basis for the regulatory information included in the Issuer's Guide. Those amendments were published on 31st December 2021 and came into force 30 days after this date.

Discussion and finalization of the Issuer's Guide

Given the extension of the Issuer's Guide, EY have shared with the Steering Committee draft versions of the Issuer's Guide in parts. The first draft of the first chapters of the Guide was shared on 5th December 2021. CMVM stated providing feedback on 28th December 2021. Upon the first draft version sent, EY closely collaborated with CMVM, incorporating CMVM suggestions for amendments in the several Chapters of the Guide and drafting subsequent versions.

Stakeholders' feedbacks were also requested on the Guide's content and fully incorporated onto the document. This feedback was requested on 19th May 2022 and received until 10th June 2022. The following entities have provided feedback:

- APCRI;

- Raize;
- Ministry of Economy;
- Ministry of Finance;
- Maxyield;
- Euronext;
- Linklaters;
- AEM;
- APB.

Along the project, the several revisions of the CMVM and EY on the content of the guide, resulting in constant corrections which involved extra work and time from the CMVM and EY, but ultimately contributed to the improved quality, clarity and coherency of the information presented.

The final draft report was sent to the Steering Committee for approval and upon its reception the final document was submitted, on the 30 November 2022, annexed in Appendix A. Issuer's Guide version PT and Appendix B. Issuer's Guide version EN.

✦ Task 2 - Develop the content and structure of a website presenting the content of the Issuers Guide

EY has designed and developed the website of the Issuers Guide following user interface and user experience best practices.

Based on the defined target stakeholders and the information gathered during the previous steps of the project, namely the stakeholders' interviews, where we could listen to their information needs, and the study of other international websites with a similar purpose, we were able to design an information architecture that could offer the end users a comfortable experience and a straightforward way to easily find the information need.

The information architecture (see Appendix E. Information Architecture and User Interface) followed closely the linear structure of the Issuers Guide in terms of chapters and sub-chapters but at the same time always offering alternative paths to navigate and reach other branches of information (see also Appendix E. Information Architecture and User Interface).

This was done by offering the user the possibility to do a free search for a keyword, to open a sidebar with a full index and to move to the next or previous text. This way the Issuers Guide may respond to not only those who already know what they are looking for but also to those who still don't know what they don't know. We consider this very important on the present context because the website aims to answer different target audiences, with different levels of expertise in this field.

The website navigation provides easy access to:

- Issuers of debt instruments;
- Issuers of shares
- Issuers of securities listed in a regulated market;
- Issuers of securities listed at a Multilateral Trading Facility (MTF).

This user-centred design was also responsible for the inclusion of certain functionalities, such as total responsiveness (the website adapts automatically to desktop, tablet and mobile screens), feedback channel at

the end of each page (where the user is asked to tell if the information presented was useful) allowing for the submission of comments regarding the information presented.

The user interface design was based also on the inputs gathered from task 3 (Design a graphic emblem/logo). Those inputs influenced the choice of colors, fonts, and tone, to be completely aligned with the Issuers Guide logo.

During the development phase, a prototype of the website was submitted to key stakeholders chosen in agreement with CMVM, and several meetings were held with them in order to receive early feedback on the guide content but also on the user experience, namely its navigation and information architecture.

The feedback received helped us to improve and fine tune several aspects, namely the words used in the dialogue with the user, the length of the pages and the positioning of some buttons. This was an important step toward the final version of the website because the feedback providers were varied and could represent the needs of most of the target audiences and because this ensured and reinforced the stakeholder's engagement and consultation.

The feedback providers on the prototype version were:

- • APCRI;
- • Raize;
- • Ministry of Economy;
- • Ministry of Finance;
- • Maxyield;
- • Euronext;
- • Linklaters;
- • AEM;
- • APB.

The website was designed and developed in two languages – Portuguese and English, being the former the default one. Each language version has its own logo version.

By the end of the development, a domain name was chosen and registered. The domain name was decided by CMVM to be guiadoemitente.pt (guia do emitente means issuers guide in Portuguese).

EY aided in the registration of the domain name and also in the hosting of the website and will keep this assistance for 6 months after the 13th of September, when the guide was publicly made available and launched.

✦ Task 3 - Design a graphical emblem/logo for the website

Being a fundamental element for the brand identity of the website, EY included the design of the Issuer's Guide logotype and branding in the initial phases of the website development process. The user interface design could only be initiated when it was clearly defined the colors, the fonts, the style of the Issuers Guide brand. All user interface had to be aligned with the new brand identity.

In order to develop the Issuers Guide brand identity, we followed a co-creation and iterative methodology that involved CMVMs team from the beginning through several brainstorming and ideation meetings facilitated by EY.

From this co-creation with the CMVM resulted a logotype that is clear, assertive and metaphorically aligned with the purpose of the guide. The end result is a logotype that shows a beacon that, like the real ones near the sea, aims to “illuminate” a safe path to the capital markets.

Two language versions of the logotype were developed to make it more user friendly for those users that chose to navigate the English version of the website.

EY also developed a vertical and a horizontal version of the logo for it to be adaptable to different situations and positionings.

The new brand identity was not only used in the website but also in all subsequent communication materials, namely those used for the launch event, such as invites, backgrounds, presentations and a brochure. More detail will be given when we report about Deliverable 5.

In Appendix F. Logo creation, we present in detail the creative process, from gathering information, benchmarking, brainstorming to the final version.

✦ Task 4 - Deliver the microsite to CMVM or a third party

After the final functional, technical and security tests are complete (see activity 2.2.4 above) and the necessary fine-tuning was finished, EY delivered at 13th September and handover of the final version of the microsite for the hosting to take place. From this date on EY will provide all support and assistance. EY (or a third party engaged by EY) will provide hosting for the production site during the first 6 months of operation.

EY will also provide all technical information necessary to enable the CMVM to update the website content once this function is handed over to the CMVM, 6 months after the website is in operation. This includes training to CMVM staff to ensure that knowledge has been handed over effectively.

✦ Task 5 - Propose draft of protocol for the CMVM for the regular updating on the microsite

During the 6 months period of assistance, in order to maintain a high level of information accuracy, EY will draft a protocol for the CMVM to propose to those third-party content providers deemed key for the content accuracy maintenance. This protocol aims to answer questions like who is responsible, accountable and informed regarding the content maintenance.

✦ Task 6 - Provide technical assistance and maintenance of the microsite (6 months)

Following the go-live, that took place on 13th September 2022, EY will execute all tasks related to technical assistance and maintenance/updating of the website for 6 months. The updating of the Content Management System is also included, providing content and application backup, performance and availability monitoring, website analytics reporting, content update and help support.

✦ Task 7 - Ensure the stakeholders’ engagement and consultation

Stakeholders have been involved in every step of the website development. From the planning phase to the launch moment, we have involved with key stakeholders, from CMVM side to the end user side. Listening to them was essential not only to discover their needs as end users but also to make them feel they are part of the solution that is being developed. EY has done it by organizing and facilitating three ideation and co-creation workshops. These workshops (Figure 2 – Stakeholders Engagement During Website Design) followed a Design Thinking methodology and will have a mix of Portuguese and international samples of participants in order to gather a wider angle of inputs and point of views regarding information sorting, metadata and navigation.

Figure 2. Stakeholders Engagement During Website Design

Workshop 1 Initial alignment on content, brand and communication		Workshop 2 Information architecture definition		Workshop 3 Design and Usability Validation (Visual Prototype)	
Type	Participants	Type	Participants	Type	Participants
Regulator	CMVM Project Team members to align on: <ul style="list-style-type: none"> - Website Vision and Goals - Website Branding - Content Workflows and Publishing - Website Hosting Requirements 	Issuers	1 Portuguese listed entity	Regulator	CMVM Project Team members to align on: <ul style="list-style-type: none"> - User Interface - Branding - Navigation - Content architecture - User Interactivity
		Issuers	1 Portuguese SME issuer		
		Issuers	1 Representative of AEM - Issuing Companies Association		
		Market Operators	1 Representative of Euronext Lisbon		
		Regulator	1 Representative of CMVM Issuers Department		
		Service Providers	1 Agent accredited by Euronext Lisbon		
		Service Providers	1 Financial intermediary accredited by Euronext Lisbon		

4.2 Structure of the Issuer’s Guide website

The Issuer’s Guide is structured as follows:

- (i) Chapter 1: Why Capital Markets? – This Chapter covers the role and functions of capital markets, the reasons why you should opt for public market-based financing as an alternative or complement to bank-based financing, the market agents and key advisors involved, the explanation of the functioning of Secondary Markets, the reasons to choose Private Equity and Venture Capital-based financing, and what are investors looking for in a company.
- (ii) Chapter 2: Corporate financing sources – This Chapter presents a range of alternatives, within equity and debt, private and public financing for companies to meet their funding needs, as well as the respective advantages and the explanation of what should be the best option depending on the company profile and intended use of funds.
- (iii) Chapter 3: Equity – This Chapter covers the complete full scope IPO process (with Prospectus) and the simplified scope IPO process (without Prospectus) addressing the main steps of the processes (planning, preparation, offering and placement phases) and respective timing, the regulatory framework applicable for the offering, the necessary documents, the fees applicable and an estimate of those fees. This Chapter also provides the same detail regarding secondary public offerings. Additionally, it was also included a section explaining the delisting process and costs associated with it.
- (iv) Chapter 4: Debt – This Chapter covers the complete full scope bond offering process (with Prospectus) and the simplified scope bond offering process (without Prospectus) addressing the main steps of the processes (planning, preparation, offering and placement phases) and respective timing, the regulatory framework applicable for the offering, the necessary documents, the fees applicable and an estimate of those fees.
- (v) Chapter 5: Life as a company with securities admitted to trading – This Chapter explains how the proceeds of the offering are usually used to leverage the development of the Company’s strategy and business plan and how to manage investor relations and communications: In this Chapter also presents the ongoing requirements for companies with securities admitted to trading, depending on the market, as well as the different tax framework applicable, for the company and for investors, of debt and equity.

Please check Appendix A. Issuer’s Guide version PT to check the whole Portuguese version of the Issuer’s Guide and the Appendix B. Issuer’s Guide version EN for the English version.

The Issuer’s Guide website provides the following information/functionality:

- (i) Printable Issuer’s Guide (by chapter);

- (ii) Examples of business cases of success in the capital markets (Appendix C. Issuer’s Guide version PT and Appendix D. Issuer’s Guide version EN);
- (iii) FAQs;
- (iv) Feedback gathering;
- (v) Search engine;
- (vi) Language selector (PT/ENG);
- (vii) Contact Form.

The website can be assessed since 13 September 2022 through the following link: <https://www.guiadoemitente.pt/>.

4.3 Timeline of Tasks

According to the work plan defined in the Inception report, the maximum duration of the execution of the Tasks and submission of all Deliverables defined was 15 months. The reference date (“RD”) for the contract is July 13th, 2021, the date of signature by both parties. The Deliverable and deadlines defined for each Task, as well as the actual delivery dates are presented in the table below (Figure 4 – Work Plan).

Figure 4. Work Plan

Reference to Deliverables	Reference to Tasks	Deliverables/Reports	Defined deadline	Actual deadline
Deliverable 2: Comprehensive Guide for issuers of financial securities	2.1. Drafting of an Issuer’s Guide	Issuer’s Guide (draft and final versions)	RD + 5 months	Draft: 05/12/2021 Final: 12/09/2022
	2.2. Develop the content and structure of a website as a microsite of the CMVM’s website Homepage presenting the content of the Issuer’s Guide		RD + 5 months	Draft: 12/01/2022 Final: 12/09/2022
	2.3. Design a graphical emblem/logo for the website		RD + 3 months	Draft: 11/10/2021 Final: 20/10/2021
	2.4. Deliver the microsite to CMVM as the hosting entity	Final version of the microsite	RD + 5 months	**
	2.5. Propose draft of protocol for the CMVM for the regular updating on the microsite	Draft of protocol for the CMVM for the regular updating on the microsite	RD + 5 months	Final: 25/11/2022
	2.6. Provide technical assistance and maintenance of the microsite (6 months)		RD + 11 months	Start: 13/09/2022 End: 13/03/2022
	2.7. Ensure the stakeholders’ engagement and consultation		RD + 5 months	Start: 18/10/2021 End: 10/06/2022

** During the project CMVM asked EY to host the website until the end of the 6 months technical assistance period. Therefore, the microsite was not delivered to CMVM to host it.

Although the project has been developed within the 15 months scheduled, the partial deadlines above mentioned did not exactly match all the milestones defined in the Inception report due to several reasons:

- ✦ Enlarge of the number of stakeholders involved, in order to increase the comprehensiveness of our analysis;

- ✦ Stakeholders' responses to the interview invitations took more time than expected, which delayed the whole process of scheduling and executing the interviews and gathering all the feedback;
- ✦ The amendments to the Portuguese Securities Code and resulted extra efforts to ensure the final guide was fully updated, as the Code constitutes an important basis for the regulatory information included in the Issuer's Guide. Those amendments were published on 31st December 2021 and came into force 30 days after this date. The first draft of the Issuer's Guide was developed based on the previous version of the Portuguese Securities Code and had to be updated after the publication of the new version;
- ✦ Several revisions of the CMVM and EY on the content of the guide, resulting in constant corrections which involved extra work and time from the CMVM and EY, but ultimately contributed to the improved quality, clarity and coherency of the information presented;
- ✦ It was decided to prepare the first version of the Issuer's Guide in English in order to be possible for the DG reform to review the content. The fact that the guide was firstly drafted in English required an increased effort and extra time with the drafting and revision of the Portuguese version. This will be the version that Portuguese SMEs will mostly consult and thus we could not have a Portuguese translation but rather a version drafted as "original version". This required a major effort and also demanded the introduction of adjustments in the English version until the final versions.

In this context, we should highlight during the execution of our work, all the deadlines and milestones were closely coordinated with the Steering Committee of the Project.



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