Section 4.6 of the main report documents the problem of SMEs obtaining research coverage, particularly in current market conditions. The Group has documented two potential solutions below.

1. **EFFAS Marketplace model**

EFFAS has developed an electronic platform, to be made available to qualified unaffiliated analysts.

In the EFFAS Marketplace, service providers (ie research analysts), enter their profiles in an Internet database. Potential clients (ie banks/brokers, institutional investors or issuers) enter their enquiries in the same database. The database then matches the enquiry with suitable service providers and presents information about them and their credentials anonymously.

EFFAS provides the actual brokerage of services and the quality assurance. The Association thus puts great emphasis on strict entry requirements.

An accreditation committee is dedicated to guiding the Marketplace’s quality management. It will be composed of EFFAS experts as well as representatives of other market participants. All service providers undergo a certification process that covers professional experience, qualification and integrity.

Participants will pay a small fee for their accreditation for the EFFAS Research Market and for the brokerage of services. Transactions between providers and clients will be priced directly between the contractual partners.

The EFFAS Marketplace will be launched initially in the German market as a pilot project for EFFAS.

![Figure: EFFAS marketplace model](image)
2. Listing requirement approach

An alternative mechanism to ensure the provision of research might be one in which official markets on which securities are admitted to trading would make the provision of research a listing requirement, the compliance with which would be the responsibility of the issuer. The commitment could be undertaken contractually by one/several of the intermediaries involved in the initial offering process (as part of the IPO cost), or be paid for on an ongoing basis by the issuer.

The downside of such an approach would be that such an additional obligation imposed on the issuer would add to the initial and ongoing costs of issuing securities to the public. Such costs would therefore need to be factored into any cost/benefit analysis of listing. One possible way of alleviating such costs might be to finance them through the provision – possibly by the exchange – of a research library (see Annex 6).