



POSITION ON THE PROPOSAL FOR A DIRECTIVE AMENDING DIRECTIVE 2014/65/EU TO MAKE PUBLIC CAPITAL MARKETS IN THE UNION MORE ATTRACTIVE FOR COMPANIES AND TO FACILITATE ACCESS TO CAPITAL FOR SMALL AND MEDIUM-SIZED ENTERPRISES AND REPEALING DIRECTIVE 2001/34/EC (COM (2022) 760 final)

SUMMARY OF KEY MESSAGES

Eumedion, representing the interests of institutional investors who have more than € 8 trillion assets under management, has reviewed the proposals that are part of the Listing Act package. Eumedion generally supports the proposals for making public capital markets more attractive for EU companies and for facilitating access to capital for small and medium-sized companies (SMEs). This will increase the pool of investee companies for our members. In particular Eumedion supports the proposal for a framework for issuer-sponsored research (art. 24 (3b) and (3d) of MiFID II), the proposal to alleviate the research unbundling rules (art. 24 (9a) (c) of MiFID II) and the proposal to harmonise and consolidate the listing rules by repealing the Listing Directive and transferring its relevant provisions into MiFID II (art. 51a MiFID II). Notwithstanding our general support we would like to make the following comments on the proposal.

Additional measures are necessary to further increase the coverage of entities by sell-side analysts

As already stated in our Feedback on the Capital Markets Union High Level Forum final report we believe that it is very important that brokers should be allowed to bundle execution commissions and research fees when it concerns SME shares listed on any trading venue. In our view this will support brokers' produced research on SMEs. Against this background we support the proposal of the European Commission to further alleviate the research unbundling rules by increasing the threshold of companies' market capitalisation below which the unbundling rules do not apply from EUR 1 billion to EUR 10 billion. As already stated in our feedback on the Targeted consultation on the listing act: making public capital markets more attractive for EU companies and facilitating access to capital for SMEs we believe that additional measures are necessary to further increase the coverage of entities by sell-side analysts and we recommend to amend the proposal accordingly. It concerns the following:

- Independent research providers are on an essential element dissimilar to traditional brokers in that there is no scope for the types of conflicts of interest that MiFID II aimed to address. Therefore: **Eumedion suggests to also exempt independent research providers from the MiFID II regime, irrespective of whether the independent equity or fixed income corporate credit research concerns SMEs or larger entities.**

- Fixed income markets never traded with 'bundled' fees but on their actual bid-offer, which did not incorporate an implicit charge for research costs. Prevailing best execution rules already ensured execution in the best interest of the client. The introduction of MiFID II for fixed income corporate credit research has not resulted in tighter bid-offer spreads. This was in line with our expectations. MiFID II has raised both research and administrative costs for investors. Therefore: **Eumedion suggests to exempt all fixed income corporate credit research from the MiFID II regime, irrespective of whether the research concerns SMEs or larger entities.**

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