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**Frankfurt, 29th November 2019**

To

Ms. **Ursula von der Leyen**, President-elect of the European Commission  
Care of Alisia James, assistant to the President-elect of the European Commission  
Mr. **Valdis Dombrovskis**, Vice-President of the European Commission  
Mr. **Paolo Gentiloni**, Commissioner for Economy  
Mr. **Thierry Breton**, Commissioner for Internal Market  
Mr. **Phil Hogan**, Commissioner for Trade  
Mr. **Nicolas Schmit**, Commissioner for Jobs  
Mr. **Johannes Hahn**, Commissioner for Budget and Administration  
Mr. **Steven Maijoor**, ESMA Chairman  
Ms. **Verena Ross**, ESMA Executive Director

### **Comments by EFFAS on the Consequences of MiFID II**

Dear Ladies and Gentlemen,

We, as the “European Federation of Financial Analysts Societies” (EFFAS), think that, based on feedback from our members and the experience of a broad range of market participants, **MiFID II** fails to meet market requirements in the field of financial analysis.

The regulation of MiFID II is too complex and not sufficiently concrete; in reality, its introduction has in many respects contributed to dramatically reduce financial reports on equities (especially on small medium caps), creating a severe lack of knowledge in the investment industry.



The main statements that support our argument regarding current and future adverse consequences are the following:

1. **A sharp reduction in the supply of good research**, which has offset the positive impact, due to the introduction of market-based pricing of research, with the aim of increasing quality and transparency; in the long run, less investment research will be available in the market. Research will be concentrated on the largest stock listed companies (blue chips) and coverage of small- and mid-sized stocks will be under pressure.
2. **Significant concentration of research providers** (investment bank, brokers, independent) **and users** (asset managers), since smaller asset managers, who can no longer afford high-quality research (pricing), will most likely exit the business. This will drive higher concentration among fund managers, reducing the brokerage client base, and the complexity of the process is detrimental to smaller independent research providers.
3. **A lack of attractivity of capital markets, which is detrimental to the growth of SME** at the heart of our economic growth and job creation. Fund managers will be reluctant to invest in smaller caps and IPOs, raising the hurdle for companies to go public and **private (retail) investors will no longer truly have access to professional quality research** (not publicly available).

**It was always a goal of the EU/European Commission to establish a better functioning liquid capital market in order to compete with the US capital market and close the existing gap, as reflected by the lower level of market capitalization to GDP. We fear that the outcome of MIFID II will be, on the contrary, a dramatic reduction of the attraction of markets for mid- and small-sized companies, reducing innovation benefits for our economies - a clear disadvantage in comparison to US capital markets.**

The point of departure of MiFID II was supposed to be that it would facilitate greater transparency. This specific goal was not met, as surveys of major international players suggest that disorientation has become a dominant issue and uncertainty has increased. Moreover, the administrative burden is staggering.

We are very concerned about the further positive development of our European capital markets in the future. EFFAS, as a professional body, strives for its members, all investment professionals, to observe the highest standards of honesty, integrity, fairness and education and perform their duties with all due care and diligence.

Recent news of a further review of the MiFID II regulation is very encouraging. We know how difficult your task is, appreciate all the efforts being made to further lead the European Union in



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the right direction, and are at your disposal to share, in detail, the comments and statements of our constituents and members.

Yours faithfully,  
For the EFFAS Executive Management Committee

Jesús López Zaballos, Ph.D.  
EFFAS Chairman

Friedrich Mostböck, CEFA  
EFFAS Deputy Chairman

**“The European Federation of Financial Analysts Societies” (EFFAS) is the European umbrella organization of national analysts’ societies. It comprises 18 country members, representing more than 15,000 investment professionals in the areas of equity, fixed income and credit research, asset management as well as investment advice.**