



EFFAS[®]

The European Federation
of Financial Analysts Societies

EFFAS e.V. · Sophienstrasse 44 · DE-60487 Frankfurt am Main

To

Ursula von der Leyen, President of the European Commission
Valdis Dombrovskis, Executive Vice-President of the European Commission
Mairead McGuinness, Commissioner for Financial Services, Stability and Capital Markets Union
Paolo Gentiloni, Commissioner for Economy
Thierry Breton, Commissioner for Internal Market
Johannes Hahn, Commissioner for Budget and Administration
Verena Ross, ESMA Chair
Natasha Cazenave, ESMA Executive Director

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Comments from EFFAS on the rejection of MiFID by UK regulator FCA

Dear Ladies and Gentlemen,

Since the UK left the European Union, UK regulator FCA has had the intention to reverse MiFID rules on investment research. We at EFFAS - the "European Federation of Financial Analysts Societies", with 16,000 members in Europe - find this process shameful. After all, it was the UK and the British commissioner - when they were still in the EU - that introduced MiFID.

Please see the article in the FT stating that the UK wants to revitalize its own capital market by abolishing MiFID. In other words: We are left alone with MiFID and are no longer competitive in global competition with European capital markets.

We urge you as representatives of the EU and ESMA to suspend or completely revise these rules.

The capital market is obviously very important to the UK - in contrast with the EU. Otherwise, this would mean a fundamental disadvantage for the functioning and diversity of European markets. This is particularly the case compared to the US and now the UK, where we will definitely be at a competitive disadvantage.

We at EFFAS believe that transparency and compliance are of course enormously important, but MiFID overshoots the mark by far and has nothing to do with improving professionalism or the perception of investors regarding the reality of financial markets. We have been critical of MiFID from the outset (see our letter from November 2019, attached). The points made at that time remain fully valid!

The regulation of MiFID II is not only complex and insufficiently concrete; in reality, its introduction has in many respects resulted in disorientation and uncertainty within our markets.

Why?

- MiFID has led to fewer financial analyses on the market.
- Research only focuses on larger listed blue chip companies.
- Research coverage of small and mid-cap stocks has come under further pressure.



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- This means that innovative SMEs are not able to finance themselves via the capital market.
- Smaller asset managers who cannot afford high-quality research (pricing) are disappearing from the market.
- Fund managers are not willing to invest in SMEs/IPOs, which increases the hurdle for companies to go public.
- There has been a concentration among fund managers, reducing the diversity of market participants and brokers' client base.
- **Private retail investors no longer have access to professional (non-public) research.**
- **It was a goal of the EU/EC to create a better functioning liquid market than in the US or Asia (market capitalization in relation to GDP and value creation in Europe is significantly lower).**
- **With MiFID, it is impossible to attract medium-sized/small and innovative companies, start-ups, etc., to the capital market (clear disadvantage compared to the US, etc.).**

The purpose of MiFID was to create greater transparency. This specific objective has not been achieved, as surveys among the most important international players indicate that the lack of orientation and uncertainty has become greater than before. In addition, the administrative burden is enormous.

We are very concerned about the further development of our European capital markets. EFFAS, as a professional association, is committed to ensuring that its members, all investment professionals, maintain the highest standards of honesty, integrity, fairness and education and perform their duties with the utmost care.

Adherence to MiFID means a further step backwards for the European capital markets in international competition and puts European financial centers at a clear disadvantage.

With the request for your valued feedback.

Yours faithfully,

For the EFFAS Executive Management Committee

Jesús López Zaballos, PhD
EFFAS Chair

Fritz Mostböck, CEFA®, CESGA®
EFFAS Deputy Chair

Thorsten Müller, CEFA®, CESGA®
EFFAS Board Member

The European Federation of Financial Analysts Societies (EFFAS) is a not-for-profit organisation established in 1962 as an association for nationally based investment professionals in Europe. Headquartered in Frankfurt am Main, EFFAS comprises 14-member organizations representing more than 16,000 investment professionals in the areas of equity, fixed income and credit research, asset management as well as investment advice. We promote international relationships and the dissemination of professional standards to contribute towards a high level of quality in professional practice following a code of ethics and promoting the public understanding of financial investments. EFFAS has certified over 24.000 professionals.