



**Mr Valdis Dombrovskis**

Executive Vice-President  
European Commission  
Rue de la Loi 200  
B-1049 Brussels  
BELGIUM

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Dear Executive Vice-President, dear Valdis,

### **Review of the MiFID II/MiFIR Regulatory Framework- BusinessEurope's response**

BusinessEurope is pleased that you are assessing the overall functioning of the MiFID II/MiFIR regime after two years of application. As you know, we have repeatedly highlighted the need to consider the effects of EU policies on the availability of finance and the functioning of capital markets in general.

It is particularly important to improve alternative financing routes and increase cross-border capital flows and, now more than ever, we need a comprehensive and well-designed Capital Markets Union even though financing options that entail recourse to the capital market are not always an alternative for smaller and medium-sized companies which will often continue to need reliable access to bank loans.

Overcoming information problems about small and medium-sized companies will help to improve access to capital markets for those growing medium-sized firms that are most likely to benefit from this, particularly longer-term, patient growth capital. The availability of diversified research on these companies, capable of creating added value for investors and thus attracting their attention, is therefore essential to ensure a greater diversification of financing.

BusinessEurope has long been a supporter of MiFID/MiFIR and we support transparency and stability in financial markets but the strict provisions to unbundle trading and research fees have led to less demand for research regarding smaller and medium-sized companies. This has made it harder for these companies to access capital markets and find investors.

Inadequate business information about smaller and medium-sized companies is one of the reasons for limited investor interest in these companies. The availability of diverse research on such companies is essential to ensuring greater funding diversification and we believe that the MiFID/MiFIR rules should not hinder this.



A further issue is the post-trade transparency regime for hedging derivatives of non-financial companies. We are concerned about the idea to reduce the existing deferral periods, because it is common for those to split execution of larger and/or illiquid trades into several smaller tickets to avoid unfavourable market movements. If those are disclosed too early, hedging costs for the real economy could be severely impacted.

We suggest mirroring pre-trade transparency rules, where it is possible to completely exclude hedging derivatives of non-financial companies from trade transparency.

We hope that you share these concerns and remain at your disposal should you wish to discuss this further.

Yours sincerely,

Markus J. Beyrer