



# Executive summary

## The impact of MiFID II on the availability of research

As of 3 January 2018, the revised EU Markets in Financial Instruments Directive (MiFID II) will apply and will introduce far-reaching changes to the rules for the provision of different investment research services (analyses, corporate access, organisation of road shows etc.). This paper highlights the initial, probable impact on the availability of research on equities of listed companies.

Many issuers are not aware of the upcoming changes. Therefore, the purpose of this paper is to help them understand the impact of the new rules on their own analyst coverage, so they can prepare themselves to take appropriate action if necessary. The new rules of MiFID II not only concern the provision of analysis, but also the mediation of talks between issuers and investors (corporate access). Until now, brokers have played an important role as intermediaries. In future, these activities of brokers will be charged to investors in certain cases.

This will mean that, for cost reasons, investors will be more selective about which companies they obtain analyses from and whether they demand fee-based corporate access services. Many market participants expect the rules to have a drastic impact on the supply and demand

of research. Especially research on equities with lower liquidity or free float, and therefore research on small and medium-sized enterprises in particular is expected to suffer from reduced availability.

The authors of this paper want to clarify which action needs arise for listed companies from these developments. While the impact on large companies is likely to be rather minor, small and medium-sized enterprises in particular will have to expect changes. This includes, amongst others, a greater need to pay for research themselves in order to secure institutional outreach. Concerning corporate access, companies will increasingly have to approach potential investors on their own initiative, as significantly fewer investor relations services will be offered by brokers.

For companies that have to compensate for the lack of broker research by instigating self-commissioned research, it is important to use financial resources as effectively as possible. This does not just concern the selection of suitable research providers, but also the scope of the service required: it will be important to ensure that, along with having analyses done, these are circulated and explained to investors in dialogue.