

Position Paper



Omnibus IV Package - Small Midcaps

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Background

The Malta Business Bureau welcomes the European Commission's ongoing efforts to simplify EU regulations and reduce administrative burdens on businesses. The fourth Omnibus Simplification package, announced in May 2023, introduces a new **"Small Mid-Cap"** (SMC) category of companies, and proposes targeted amendments across various EU laws to extend certain SME regulatory reliefs to these mid-cap companies. This initiative is meant to address the "cliff-edge" effect whereby businesses just above the SME threshold (249 employees) face a sudden increase in regulatory obligations that can disincentivise growth. High-level reports by Mr. Draghi and Mr. Letta have similarly suggested that extending SME support measures to mid-caps could bolster the single market's competitiveness.

However, the direct impact of the Omnibus IV package is limited in scope. Only about 38,000 companies EU-wide fall under the newly defined SMC category, compared to 26 million SMEs in Europe. In Malta's economy, which is mostly made up of small and micro companies, the reach of the SMC proposal will be especially narrow. According to a European Commission report quoting Malta's National Statistics Office data, the country hosted only around 70 small mid-cap companies in 2021¹.

The overwhelming majority of Maltese businesses are micro or small enterprises, and very few grow beyond the SME definition, which makes any efforts to reduce bureaucratic burdens welcome and necessary. MBB supports the intent to encourage business growth beyond the SME threshold and limit compliance costs, but stresses that more comprehensive simplification measures are needed to benefit the broader Maltese business community.

Comments:

Definition and Thresholds for SMCs

The introduction of a formal Small Mid-Cap category is intended to smooth the transition for companies that outgrow the SME definition. MBB acknowledges the "cliff-edge" problem: when a firm crosses the 250-employee mark or other SME thresholds, it can suddenly lose access to simplified regimes and face disproportionate regulatory requirements as well as EU funding that may discourage scaling up. Extending certain

¹ [European Commission within Framework Contract No. 575/PP/2016/FC](#)

SME-friendly provisions to small mid-cap companies is a step to mitigate this barrier and support those businesses' growth in the EU.

Moreover, to ensure a greater number of growing companies can benefit from SMC status, MBB supports raising the employee threshold for SMCs, up to 1,000 employees. Expanding the threshold would be in line with the simplification thresholds proposed by the Commission in the Omnibus I package and would thus extend the simplification measures' reach to more mid-sized companies.

Finally, MBB reinstates that with regards to regulatory burden, prevention is always better than cure. The best approach to avoid cliff-edges is to design EU legislation with smaller businesses in mind from the outset, rather than patching problems after legislation is in force. We strongly encourage the Commission to adopt the "Think Small First" principle across all policy areas, to conduct impact assessments with a meaningful Competitiveness and Territorial Proofing/Insularity Check, so as to design rules that account for the realities of SMEs and SMCs at drafting stage. By tailoring obligations proportionately from the beginning, the EU can prevent adverse effects on businesses and reduce the need for remedial simplification packages in the future. An SMC category can be a useful tool, but it is not a substitute for fundamentally simplifying the regulatory environment for businesses overall.

GDPR Exemptions (Article 30(5) GDPR)

The Omnibus IV package's extension of the GDPR record-keeping exemption to Small Mid-Caps is a positive step, albeit limited. MBB calls for broader GDPR simplification tailored to SMEs and SMCs, including easing information and accountability requirements through a risk-based approach that reduces burdens for low-risk processing while maintaining protections where needed.

Financial Markets (MiFID II and Prospectus Regulation)

MBB also welcomes the proposals to amend the MiFID II and the Prospectus Regulation, which are aiming to make capital markets more accessible and less costly for SMCs. By allowing SMCs to benefit from SME-style rules under MiFID II and use the simpler 'EU Growth issuance prospectus' recognises their unique funding challenges and helps them grow by making compliance easier.

Trade Defence Instruments

The proposal also mentions ‘trade defence instrument’ assistance. This would be delivered via dedicated helpdesks and simplified complaint procedures, to SMCs and SMEs, recognising that mid-caps may also face unfair trade practices, but often lack sufficiently-resourced legal teams. MBB supports this, but notes that stresses the need to consistently raise awareness about the helpdesks, while ensuring that complaint procedures are user-friendly.

Digitalisation

MBB supports the proposed digitalisation of compliance processes, recognising that the adoption of digital solutions have the potential of significantly reducing costs, paperwork, and delays for businesses. However, we emphasise that implementation must be gradual and properly supported, to ensure that smaller companies are not left behind. As such, it is essential that businesses are granted adequate transitional phases with hybrid options allowing them to continue using non-digital methods.

Conclusion

As such, MBB endorses the overarching objectives of the Omnibus IV simplification package, namely to reduce unnecessary regulatory burdens and encourage business growth. We emphasise the importance that EU simplification measures, including the new SMC category and other amendments, deliver tangible benefits on the ground. That means not only introducing these changes but also implementing them in a way that engages stakeholders, leverages data, and remains flexible to national contexts.

The official Omnibus IV Simplification proposal can be accessed [here](#).

For questions or more detailed information please contact the MBB policy team at infobrussels@mbb.org.mt

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