



RTS ON DISCLOSURE OF INVESTMENT POLICY BY INVESTMENT FIRMS

Presenter: Pilar Gutierrez/Bruno Mastroianni

Guidance for participants



- ✓ Remain on mute at all time when not speaking, to reduce background noise
- ✓ Turn off your video during the whole workshop
- ✓ Feel free to use the online-chat function available
- ✓ Via public chat to raise a question
- ✓ Via private chat (to Pilar Gutierrez): to ask any technical questions
- ✓ In case of IT issue, you are encouraged to log out and log in again and, if that does not work, to dial in via phone through one of the local access numbers which will be provided in the separate Webex e-mail

Background



- In December 2019 the European Parliament approved the new prudential regime for investment firms
- The Investment Firm Directive and Investment Firm Regulation (IFD/IFR) has to be implemented in the EU by 26 June 2021
- The IFR contains, among others, different requirements on reporting and disclosures for investment firm
- IFR introduces two specific disclosure requirements for investment firms:
 - Art. 49 - own funds disclosure
 - Similar own funds disclosures exist under CRR.
- Art. 52 - investment policy disclosure
 - No requirements on investment policy reporting and disclosure exist under the CRR.
 - The Shareholders Rights Directive 2 (SRD2) contains disclosure requirements but different rationale (firms efficiency) and target users (shareholders)

Investment policy disclosure requirement



- Article 52(1) lists explicitly four different disclosures, one quantitative and three qualitative
 - Article 52(1)(a) - the proportion of voting rights attached to shares held
 - ▶ Quantitative
- (b) - the firm's voting behaviour
- (c) - use of proxy advisors
- (d) - voting guidelines
 - Qualitative

RTS on disclosure of investment policy - Scope



Pursuant to Articles 46(1) and 46(2) of IFR:

Only investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) IFR (Class 2 investment firms) have to disclose information about their investment policy.

Two materiality thresholds for the application of the investment policy disclosure requirement to class 2 IF:

First, it applies only to investment firms with **on- and off-balance sheet assets on average greater than EUR 100 million** over the four-year period immediately preceding a given financial year.

Second, only companies whose shares are admitted to **trading on a regulated market and in which the proportion of voting rights exceeds 5 % of all voting rights** issued by the company are considered relevant for this disclosure

Disclosure at individual and consolidated level

Unless an exemption is granted by the competent authority, investment firms shall comply with the disclosure requirements on an individual basis.

Union parent investment firms, Union parent investment holding companies and Union parent mixed financial holding companies shall comply with the disclosure obligations laid down in Parts Six of IFR on the basis of their consolidated situation, in accordance with the prudential (and not the accounting) scope of consolidation

Frequency

Following Article 46(1) IFR, investment firms have to disclose this information on an annual basis and with the same date as they publish their annual financial statements.

RTS on disclosure of investment policy



EBA has the mandate to develop RTS on disclosure of investment policy. The RTS consists of tables, templates and instructions. Templates have been developed according to paragraphs of art. 52:

Template code	Name of the template	Legislative reference
IF IP1	PROPORTION OF VOTING RIGHTS	IFR Art 52(1)(a)
IF IP2	VOTING BEHAVIOUR	IFR Art 52(1)(b)
IF IP3	PROXY ADVISOR FIRMS	IFR Art 52(1)(c)
IF IP4	VOTING GUIDELINES	IFR Art 52(1)(d)

Disclosure should not be misleading at the time it is published. Its content will not undergo an external audit like the financial statements, but should be subject to the same level of internal verification as that applicable to the management report included in the investment firm's financial report.

Proportion of voting rights - Paragraph 1(a) of Article 52 IFR: Template IF IP1 on proportion of voting rights

Disclosure of the proportion of voting rights attached to shares held directly or indirectly,

considering only relevant companies as set out in Article 52(2) IFR

Shares held directly include shares held by the firm on its own account or under its management on behalf of clients by virtue of discretionary portfolio management arrangements.

Shares held indirectly include shares held by their subsidiaries or other undertakings, where the investment firm exercises significant influence or control over this undertaking or where close links exist.

Traded companies, for those shares with voting rights attached, where the proportion of voting rights held by the investment firm directly or indirectly exceeds the 5% of all voting rights

Quantitative template. It includes a list of countries, subdivided into sectors and companies.

Voting behaviour - Paragraph 1(B) of Article 52 IFR.

Objective - to determine if an investment firm is an active shareholder that generally uses its vote rights or not, and how it uses them

Complete description of voting behaviour

Explanation of the votes

Ratio of proposals put forward by the administrative or management body of the company, which the investment firm has approved.

IF IP2.01 - TABLE ON THE DESCRIPTION OF VOTING BEHAVIOUR

IF IP2.02 - TEMPLATE ON VOTING BEHAVIOUR

IF IP2.03 - TABLE ON EXPLANATION OF THE VOTES

IF IP2.04 - TEMPLATE ON VOTING BEHAVIOUR IN RESOLUTIONS BY THEME

IF IP2.05 - TEMPLATE ON THE RATIO OF APPROVED PROPOSALS.

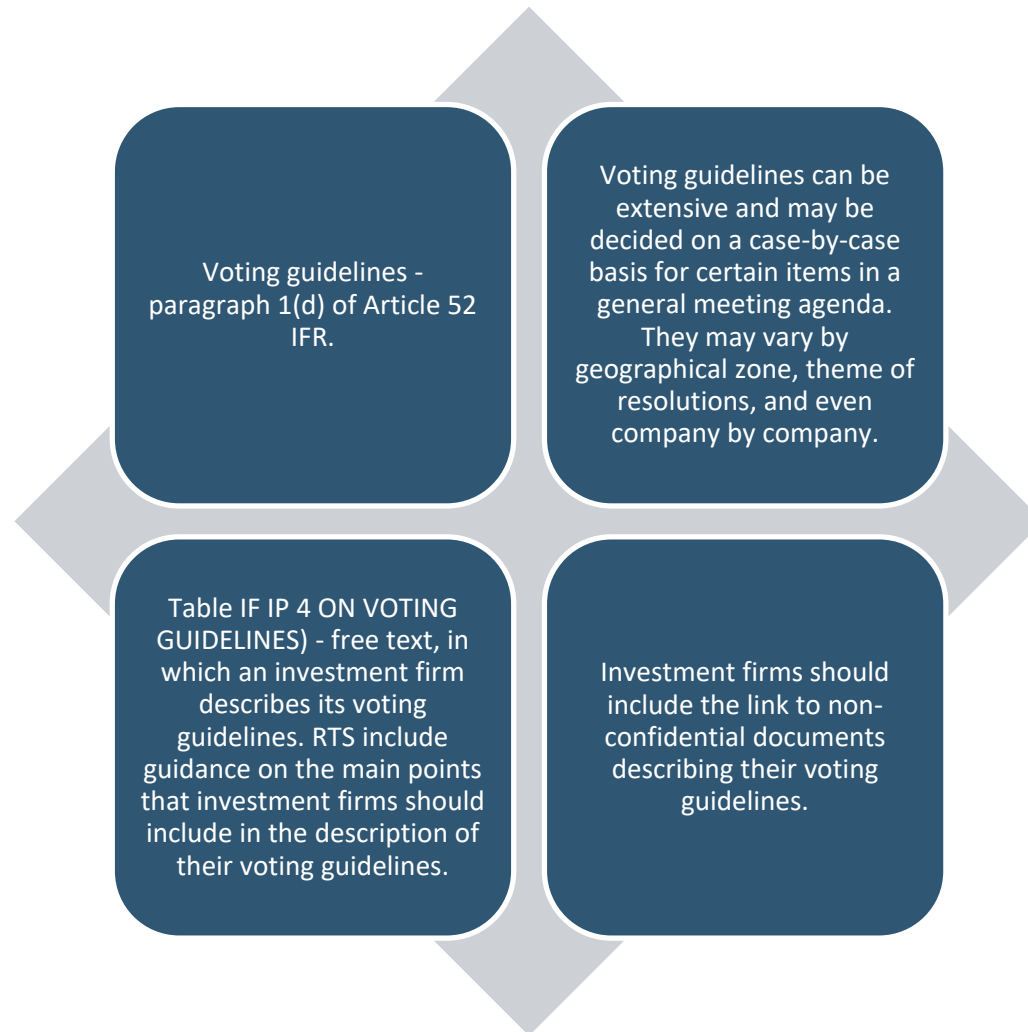
Explanation of the use of proxy advisor firms- Paragraph 1(c) of Article 52 IFR.

These firms may provide research, advice, or voting recommendations, or only execute voting instructions. This disclosure should address concerns on potential links between proxy firms and undertakings or groups in which investment firms hold shares may create conflicts of interests

IF IP3.01 - TABLE ON THE LIST OF PROXY ADVISOR FIRMS;

IF IP3.02 - TABLE ON THE LINKS WITH PROXY ADVISOR FIRMS

RTS on disclosure of investment policy





EUROPEAN BANKING AUTHORITY

Tour Europlaza, 20 avenue André Prothin, CS 30154
92927 Paris La Défense CEDEX, FRANCE

Tel: +33 1 86 52 70 00

E-mail: info@eba.europa.eu

<https://eba.europa.eu/>