

Technical standards on disclosure of investment policy by investment firms

The European Banking Authority has issued a [Consultation Paper on Draft Regulatory Technical Standards on investment policy disclosure by investment firms under the Investment Firms Regulation](#).

Proposed Regulatory Technical Standards (RTS) are under consultation as part of the European Banking Authority (EBA) workplan on the implementation of the Investment Firms Directive and Investment Firms Regulation (IFD/IFR). The new framework under IFD/IFR is due to come in to force 26 June 2021.

This update looks at the key requirements of the RTS under consultation.

Purpose

The IFR sets out the requirement for investment firms to disclose information on the proportion of voting rights attached to shares held, voting behaviour, use of proxy advisor firms and voting guidelines. The purpose of disclosing this investment policy is to provide transparency on the influence of investment firms over the companies in which they hold shares with voting rights.

Scope

These RTS focus on the requirement for Class 2 Investment Firms to disclose information about their investment policy. Small and non-interconnected firms (i.e. Class 3 Investment Firms) will not be required to disclose information about their investment policy. Disclosure is required on an individual and consolidated basis unless an exemption has been granted. Investment firm groups should refer to the RTS on prudential consolidation under Article 7(5) IFR in order to identify how the disclosure requirements will apply on a consolidated basis.

There are two materiality thresholds for the application of the investment policy disclosure requirement:

- Firstly, it applies only to investment firms with on and off balance sheet assets on average greater than €100m over the four year period immediately preceding a given financial year.
- Secondly, 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 disclosure.

Details

The RTS set out the templates and tables to be used to fulfill the disclosure requirement. The templates and tables contain the relevant quantitative and qualitative information, respectively. The RTS also contain instructions and guidance for the purposes of completing those templates and tables.

Investment Firms must publicly disclose the proportion of voting rights attached to the shares held and must disclose their voting behaviour. Where an investment firm uses a proxy advisor firm, the use of and explanation for the use of such proxy advisors, must be disclosed. Where a firm uses voting guidelines these must also be disclosed.

Disclosure should be subject to the same level of verification as the management report in the firm's financial report. Disclosures should be clear, understandable and accessible. Over time the disclosures should be consistent so as to enable comparisons with significant changes explained.

What next?

Interested parties are invited to respond to four questions relating to the proposed changes, relating to the clarity of the instructions, tables and templates under the RTS and how the RTS align with the working and purpose of the IFR.

Interested parties have until 1 July 2021 to respond to the consultation.

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