

MEMO# 33638

July 1, 2021

ICI Global Submits Comment Letter on EBA's Draft Regulatory Technical Standards on Disclosure of Investment Policy by Investment Firms

[33638]

July 1, 2021

TO: ICI Members

ICI Global Members SUBJECTS: Compliance

Disclosure

ESG

Fund Governance

Intermediary Oversight

International/Global

Investment Advisers

Operations

Transfer Agency RE: ICI Global Submits Comment Letter on EBA's Draft Regulatory Technical Standards on Disclosure of Investment Policy by Investment Firms

In late March, the European Banking Authority (EBA) published a consultation paper on draft regulatory technical standards (RTS) on disclosure of investment policy by investment firms under Article 52 Regulation (EU) 2019/2033 on the prudential requirements of investment firms (IFR).^[1] The draft RTS are meant to gather from in-scope investment firms^[2] disclosures designed to help stakeholders understand investment firms' potential influence over the companies in which they have voting rights and the impact of investment firms' policies on aspects such as the governance or management of those companies. These proposed disclosure requirements would be satisfied by the use of templates (containing quantitative information) and tables (containing qualitative information), and this information will be published on a yearly basis.

Today, we filed the attached comment letter. In it, we state that we appreciate that the EBA has developed the draft RTS in accordance with its mandate under the IFR. Although we generally believe that the draft RTS are consistent with this mandate and represent a reasonable exercise of the EBA's authority, we have concerns with a few elements of the CP. In response, we recommend that the EBA:

- Redefine "indirect" holdings to include only applicable shares held by a controlled undertaking of an in-scope investment firm where the investment firm directs the voting of those shares;
- Remove shareholder proposals from the disclosure requirements because they are outside the EBA's mandate; and
- Require that disclosures be made at the group level only.

Matthew Thornton
Associate General Counsel

Nhan Nguyen
Assistant General Counsel, Securities Regulation

endnotes

[1] Available at https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Consultations/2021/Consultation%20on%20draft%20RTS%20on%20disclosure%20of%20investment%20policy%20by%20investment%20firms/972104/CP%20Draft%20RTS%20on%20disclosure%20of%20investment%20policy%20by%20investment%20firms.pdf. For a more detailed summary of the proposal, see ICI Memorandum No. 33539 to Members , dated May 18, 2021.

[2] 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) must disclose information about their investment policy. Moreover, the IFR specifies two materiality thresholds for the application of this disclosure requirement: it applies only to (i) Class 2 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; and (ii) those companies whose shares are admitted to trading on a regulated market (in the European Economic Area) and in which the proportion of voting rights exceeds 5 percent of all voting rights issued by the company.