

UKLA Technical Note

Asset managers

Ref: UKLA / TN / 549.2

DTR 5.1.5R

Asset managers

We consider it important to continue to allow certain interests held by qualifying asset managers and investment managers and shares belonging to open-ended investment companies to be disregarded for the purposes of notifications below 10%. However, the Transparency Directive (TD) requires that such interests be disclosed at the 5% threshold.

In PS06/11, we explained 'In the limited circumstances where an entity has holdings as principal in combination with holdings that are disregarded, then the following should be considered.'

'Holdings that are disregarded and non-exempt holdings should be aggregated. If the aggregate breaches the 5% or 10% thresholds, then these holdings must be disclosed. Once the disregarded holding has lost its exempt status at the 5% level, then, to the extent that additional non-exempt holdings are acquired, disclosure is required at each percentage point. If additional exempted holdings are acquired, these do not have to be disclosed until the aggregate is equal to or above 10%.'

We consider holdings of financial instruments falling within DTR 5.3.1R(1) will not need to be notified, if the aggregate of all voting rights held is below 5%.

We have set out some examples below to make the complex interplay of rules clearer. It is also worth bearing the following points in mind:

- If an asset manager has holdings on behalf of a client ('disregarded' holdings) and holdings as a principal ('non-exempt' holdings), these should be aggregated. If the total is equal to or exceeds 5%, then this total should be disclosed (examples A & B).
- If the aggregate holding is already equal to, or above 5%, and there is a further acquisition of shares, then the disclosure position depends on the nature and size of the acquisition. If disregarded holdings are acquired, no further disclosure is required until the aggregate equals or exceeds 10% (No further disclosure: example C. Exceeding the 10% combined holding: example D.)
- If non-exempt holdings are acquired, the aggregate total should be disclosed if the acquisition increases total voting rights by 1% or more (example C).

The examples below illustrate how the rules will work in practice. For the examples below, assume that 'asset manager' refers to either an 'asset manager' (meeting the requirements in DTR 5.1.5R 1(a), or an 'operator' (meeting the requirements in DTR 5.1.5 R 1(b)). The examples apply to parent undertakings with principal holdings aggregating fund management holdings unless they take advantage of disaggregation provisions in DTR 5.4.2R. In addition, assume that the 'asset manager' or 'operator' holds a number of shares on behalf of clients, but also acquires a number of shares as principal.

Example A:

Combined holdings exceeding or equal to the 5% threshold

- An asset manager purchases a holding of 4% on behalf of clients as an agent (a holding that can be 'disregarded') it has no holdings as a principal. In this case, there is no requirement to disclose as the combined holding is less than 5%.
- The asset manager then acquires a 1% holding as principal, but the level of disregarded holdings remains unchanged. The disclosure is 5%, as the combined holdings are greater than, or equal to, 5%.

Example B:

Combined holdings exceeding or equal to the 5% threshold

- An asset manager has a holding of 1% as principal and acquires a holding of 2% on behalf of clients (disregarded holdings). There is no disclosure requirement.
- The asset manager then increases holdings on behalf of clients to 5% (a 3% increase), but the level of other holdings remains unchanged. Here, the disclosure is 6%, as the combined holding has breached the 5% threshold as a result of the acquisition.

Example C:

Combined holdings above 5% with an acquisition of disregarded holdings and combined holdings above 5% with an acquisition of non-exempt holdings

- An asset manager has holdings on behalf of clients of 4% and holdings of 2% as principal (the aggregate of these holdings should have already been disclosed). It makes a further acquisition on behalf of clients of 1%. In this case, there is no disclosure. If the aggregate holdings are equal to or above 5%, then if exempt (disregarded) holdings are acquired, no further disclosure is required until the aggregate equals, or exceeds 10%.
- The asset manager increases holdings as principal to 4% (a 2% increase), but the level of disregarded holdings remains unchanged. Here, the obligation is 9%. If the original holdings are equal to or above 5%, additional acquisitions as a principal means the full holding must be disclosed.

Example D:

Combined holdings exceeding or equal to the 10% threshold

- An asset manager has holdings as principal of 2% and acquires 4% of holdings on behalf of clients. Here the disclosure is 6%, as the combined holding has breached the 5% threshold as a result of the acquisition.
- The asset manager purchases a further 4% holding on behalf of clients (total of 8%), but its holdings as principal remain unchanged. The disclosure is 10%. If holdings on behalf of clients are acquired, disclosure is required only when the aggregate breaches the 5% or 10% thresholds.

Example E:

3% threshold for holdings as a principal

- The asset manager purchases a 3% holding as principal. The disclosure is 3% as there is an obligation to disclose non-exempt holdings which are equal to, or exceed, the minimum 3% threshold.

These examples are summarised in the table below:

Certain shares to be disregarded under 5.1.5R except at 5% and 10% +

	Holdings that can be disregarded under 5.1.5	Other holding	Disclosure obligation
Example A	Original holding 0% Change in holding +4% Total holding 4%	Original holding 0% Change in holding 0% Total holding 0%	Not required to disclose – the other holding is below 3% and the combined holding is less than 5%
	Original holding 4% Change in holding 0% Total holding 4%	Original holding 0% Change in holding +1% Total holding 1%	5% – the combined holding is greater than or equal to 5%
Example B	Original holding 0% Change in holding +2% Total holding 2%	Original holding 1% Change in holding 0% Total holding 1%	No disclosure
	Original holding 2% Change in holding +3% Total holding 5%	Original holding 1% Change in holding -0% Total holding 1%	6% – acquisition of 3% of disregarded holdings mean the aggregate total breaches 5% hence the aggregate holding should be disclosed
Example C	Original holding 4% Change in holding +1% Total holding 5%	Original holding 2% Change in holding 0% Total holding 2%	No disclosure – if additional exempted holdings are acquired, these do not have to be disclosed until the aggregate is equal to or above 10%. The breaching of the 5% threshold has already been disclosed
	Holding 5% Change in holding -0% Total holding 5%	Holding 2% Change in holding +2% Total holding 4%	9% – the combined holding was greater than or equal to 5%. When additional non-exempt holdings are acquired, disclosure of the combined holding is required
Example D	Original holding 0% Change in holding +4% Total holding 4%	Original holding 2% Change in holding 0% Total holding 2%	6% – the combined holding is greater than or equal to 5%
	Holding 4% Change in holding +4% Total holding 8%	Holding 2% Change in holding 0% Total holding 2%	10% – the combined holding has to be disclosed when the aggregate is equal to or above 10%
Example E	Original holding 0% Change in holding 0% Total holding 0%	Original holding 0% Change in holding +3% Total holding 3%	3% – the holding as principal is equal to the minimum disclosure threshold of 3%