Financial Conduct Authority

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal: Implementation of the revised Transparency Directive (2013/50/EU)

Lead regulator: FCA

Date of assessment: 27 September 2016

Commencement date: November 2015

Origin: EU

Does this include implementation of a Cutting Red Tape review? No

Which areas of the UK will be affected? UK Investment Managers

Brief outline of proposed new or amended regulatory activity

We amended our Disclosure Guidance and Transparency Rules to allow all investment managers to disclose their vote holdings at the EU minimum thresholds of 5%, 10% etc. Previously UK investment managers and non-EEA investment managers (except for the US) were subject to the UK super equivalence thresholds of 3% and 1% increments thereafter up to 100%. Meaning that an investment manager has to hold at least 5% of the overall voting rights of an issuer before they are required to notify the issuer who, in turn, then has to make public that notification. The investment manager has a continuing obligation to monitor their holdings and has to notify an issuer each time they cross a relevant threshold (either by increasing or decreasing their holding). Obviously, it is less onerous for an investment manager to notify their holdings at the higher EU thresholds than it is to notify at the UK super-equivalent thresholds. They would have previously had an obligation taking effect at a much lower level.

We amended the rules to create a level playing field for all investment managers to have the less onerous disclosure requirement at the EU thresholds. The new rules entered into force in November 2015. Although this means investment managers will make less disclosure which will reduce the administrative burden for them, the cost of making notifications is not significant enough for this change to have a relevant monetary impact. Also, we might assume that entities who have systems and controls set up to notify at the UK thresholds might continue to do so, irrespective of the ability to notify at the higher thresholds.

We conclude that the impacts are negligible. There are possible cost savings to those investment managers who will issue a lower number of notifications; however the overall impact is likely to consist of annual savings below £50,000, hence rounded to zero.

Which type of business will be affected? How many are estimated to be affected?

At the time of implementation of the new rule we suggested the change would not have an adverse impact on the market as both EEA and US investment managers were already disclosing at the 5% threshold. We did not anticipate that widening the exemption to all investment managers would lead to a significant decrease in the number of notifications we receive. The FCA currently regulates 2,000 UK investment managers who might be affected by the rule change.

Price base year	Implementation date	Duration of policy (years)	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2016	2016	10	£7.3m	-£0.8m	-£4.0m

Please set out the impact to business clearly with a breakdown of costs and benefits

Whilst the administrative burden for investment managers has been lessened with the rule change, the monetary impact is not significant. The cost of making a notification is not substantial enough for the reduction in notifications to lead to large savings.

The impact of the rule change is to create a level playing field, allowing all investment managers to disclose their vote holdings at the EU minimum threshold.

Whilst we do not know how many investment managers were affected by the rule change, we do know the FCA regulate 2,000 UK investment managers who might now make less vote holder notifications. The US investment managers were not affected by the rule change as they could already disclose at the EU minimum thresholds.

Please provide any additional information (if required) that may assist the RPC to validate the BIT Score.