

**Disclosure**

# Chapter 8

## Disclosure

## 8.1 Disclosure

- 8.1.1** **R** (1) Subject to (2) and (3), the requirements in this chapter apply to a *non-SNI MIFIDPRU investment firm*.
- (2) ■ MIFIDPRU 8.2 (Risk management objectives and policies), ■ MIFIDPRU 8.4 (Own funds) and ■ MIFIDPRU 8.5 (Own funds requirements) also apply to an *SNI MIFIDPRU investment firm* that has *additional tier 1 instruments* in issue.
- (3) ■ MIFIDPRU 8.6 (Remuneration policies and practices) applies to every *MIFIDPRU investment firm*.
- (4) ■ MIFIDPRU 8.7 (Investment policy) applies only to a *non-SNI MIFIDPRU investment firm* that does not fall within ■ MIFIDPRU 7.1.4R(1).
- 8.1.2** **G** The requirements in ■ MIFIDPRU 8.6 (Remuneration policies and practices) apply to all *MIFIDPRU investment firms*, with certain exceptions that are explained in that section.
- 8.1.3** **G** The basic conditions to be classified as an *SNI MIFIDPRU investment firm* are set out in ■ MIFIDPRU 1.2.1R. ■ MIFIDPRU 1.2.13R explains the circumstances in which a *non-SNI MIFIDPRU investment firm* will be reclassified as an *SNI MIFIDPRU investment firm*.
- 8.1.4** **R** Where a *non-SNI MIFIDPRU investment firm* is reclassified as an *SNI MIFIDPRU investment firm*, it must comply with the disclosure obligations that apply to a *non-SNI MIFIDPRU investment firm* in relation to the financial year in which it is reclassified.
- 8.1.5** **R** Where an *SNI MIFIDPRU investment firm* is reclassified as a *non-SNI MIFIDPRU investment firm*, it must comply with the disclosure obligations that apply to an *SNI MIFIDPRU investment firm* in relation to the financial year in which it ceased to be an *SNI MIFIDPRU investment firm*.
- 8.1.6** **G** Where an *SNI MIFIDPRU investment firm* is reclassified as a *non-SNI MIFIDPRU investment firm*, it may choose to comply with the higher disclosure requirements applicable to a *non-SNI MIFIDPRU investment firm* in relation to the financial year in which it is reclassified.

- Application: Level of application**
- 8.1.7 **R** A MIFIDPRU investment firm must comply with the *rules* in this chapter on an individual basis, unless the *firm* is exempt in accordance with  
 ■ MIFIDPRU 2.3.1R.
- Application: proportionality**
- 8.1.8 **R** In complying with the *rules* in this chapter, a MIFIDPRU investment firm must provide a level of detail in its qualitative disclosures that is appropriate to its size and internal organisation, and to the nature, scope, and complexity of its activities.
- 8.1.9 **G** By way of example, applying a proportionate approach to the qualitative disclosure requirements in ■ MIFIDPRU 8.6 (Remuneration policies and practices) means that the FCA would expect a *non-SNI MIFIDPRU investment firm* with a detailed *remuneration* policy to disclose more information than an *SNI MIFIDPRU investment firm*.
- Application: when?**
- 8.1.10 **R** As a minimum, a *firm* must publicly disclose the information specified in this chapter annually on:
- (1) the date it publishes its *annual financial statements*; or
  - (2) where it does not publish *annual financial statements*, the date on which its annual solvency statement is submitted to the FCA in accordance with requirements in ■ SUP 16.12.
- 8.1.11 **G** The FCA considers it would be appropriate for a *firm* to consider making more frequent public disclosure where particular circumstances demand it, for example, in the event of a major change to its business model or where a merger has taken place.
- 8.1.12 **G** A MIFIDPRU investment firm is reminded of the transitional provisions for disclosure requirements in ■ MIFIDPRU TP 12.
- Application: how?**
- 8.1.13 **R** A *firm* must publish the information required by this chapter in a manner that:
- (1) is easily accessible and free to obtain;
  - (2) is clearly presented and easy to understand;
  - (3) is consistent with the presentation used for previous disclosure periods or otherwise allows a reader of the information to make comparisons easily; and
  - (4) highlights in a summary any significant changes to the information disclosed, when compared with previous disclosure periods.

- 8.1.14** **G** A *firm* should consider the best way to make the disclosed information easy to understand, for example, by using tables, charts or diagrams, or cross-references to other information where relevant.
- 8.1.15** **R** A *firm* is not required to comply with **■ MIFIDPRU 8.1.13R** to the extent that compliance would breach the law of another jurisdiction.
- 8.1.16** **E** Making the disclosures required by this chapter available on a website will tend to establish compliance with the *rule* in **■ MIFIDPRU 8.1.13R**.
- 8.1.17** **G** Whilst the *FCA's* expectation is that a *firm* will use a website for the purpose of complying with **■ MIFIDPRU 8.1.13R**, if a *firm* does not maintain a website, or cannot use a website to publish some or all of the information required without breaching the law of another jurisdiction, it must nonetheless ensure that the alternative method of disclosure used complies with the overarching requirement in **■ MIFIDPRU 8.1.13R**.



## 8.2 Risk management objectives and policies

- 8.2.1** **R** A *firm* must disclose its risk management objectives and policies for the categories of risk addressed by:
- (1) ■ MIFIDPRU 4 (Own funds requirements);
  - (2) ■ MIFIDPRU 5 (Concentration risk); and
  - (3) ■ MIFIDPRU 6 (Liquidity).
- 8.2.2** **R** The risk management objectives and policies for each of the items listed in ■ MIFIDPRU 8.2.1R must include:
- (1) a concise statement approved by the *firm's governing body* describing the potential for harm associated with the business strategy; and
  - (2) a summary of the strategies and processes used to manage each of the categories of risk listed in ■ MIFIDPRU 8.2.1R and how this helps to reduce the potential for harm.
- 8.2.3** **G** In complying with ■ MIFIDPRU 8.2.2R, a firm may consider that information drawn from the *ICARA process* is a relevant and useful way of disclosing:
- (1) the *firm's* approach to risk management by reference to its risk management policies;
  - (2) details of the *firm's* risk management structure and operations, for example, the *senior management* responsible for each area of risk (where applicable), and any relevant committees and their responsibilities;
  - (3) how the *firm* sets its risk appetite; and
  - (4) a summary of how the *firm* assesses the effectiveness of its risk management processes.

## 8.3 Governance arrangements

### 8.3.1

**R**

A non-SNI MIFIDPRU investment firm must disclose the following information regarding internal governance arrangements:

- (1) an overview of how the *firm* complies with the requirement in ■ SYSC 4.3A.1R to ensure the *management body* defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the *firm*, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interests of *clients*;
- (2) subject to ■ MIFIDPRU 8.3.2R, the number of directorships (executive and non-executive) held by each member of the *management body*;
- (3) where relevant, whether the *FCA* has granted a modification or *waiver* of ■ SYSC 4.3A.6R(1)(a) or ■ (b) in order to allow a member of the *management body* to hold additional directorships;
- (4) a summary of the policy promoting diversity on the *management body*, including explanations of:
  - (a) the objectives of the policy and any target(s) set out in the policy; and
  - (b) the extent to which the objectives and any target(s) have been achieved; and
  - (c) where the objectives or target(s) have not been achieved:
    - (i) the reasons for the shortfall; and
    - (ii) the *firm's* proposed actions to address the shortfall; and
    - (iii) the proposed timeline for taking those actions;
- (5) whether the *firm* has a risk committee; and
- (6) whether the *firm*:
  - (a) is required by ■ MIFIDPRU 7.3.1R to establish a risk committee; or
  - (b) would have been required by ■ MIFIDPRU 7.3.1R to establish a risk committee, but that obligation has been removed as a result of a *waiver* or modification granted by the *FCA*.

- 8.3.2** **R** The following directorships are not within the scope of **■ MIFIDPRU 8.3.1R(2)**:
- (1) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
  - (2) executive and non-executive directorships held within the same group or within an undertaking (including a *non-financial sector entity*) in which the *firm* holds a *qualifying holding*.
- 8.3.3** **G** When deciding what information to disclose to satisfy the obligations in **■ MIFIDPRU 8.3.1R(1)**, a *firm* may find it helpful to consider:
- (1) the requirements in **■ SYSC 4.3A.1R(1)** to **■ (7)** regarding the responsibilities of the management body; and
  - (2) the requirements in **■ SYSC 4.3A.3R** regarding the necessary skills and attributes of members of the *management body*.



## 8.4 Own funds

### 8.4.1

**R**

- (1) Subject to (2), a *firm* must disclose the following information regarding its *own funds*:
- (a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the *own funds* of the *firm*;
  - (b) a reconciliation of (a) with the capital in the balance sheet in the audited *financial statements* of the *firm*; and
  - (c) a description of the main features of the *common equity tier 1 instruments*, *additional tier 1 instruments* and *tier 2 instruments* issued by the *firm*.
- (2) A *firm* that is not required to publish annual *financial statements* is only required to disclose the information specified at (1)(a) and (c).

### 8.4.2

**R**

A *firm* must use the template available at ■ MIFIDPRU 8 Annex 1R in order to disclose the information requested at ■ MIFIDPRU 8.4.1R.

## 8.5 Own funds requirements

- 8.5.1** **R** A firm must disclose the following information regarding its compliance with the requirements set out in ■ MIFIDPRU 4.3 (Own funds requirement):
- (1) the *K-factor requirement*, broken down as follows:
    - (a) the sum of the *K-AUM requirement*, the *K-CMH requirement* and the *K-ASA requirement*;
    - (b) the sum of the *K-COH requirement* and the *K-DTF requirement*; and
    - (c) the sum of the *K-NPR requirement*, the *K-CMG requirement*, the *K-TCD requirement* and the *K-CON requirement*; and
  - (2) the *fixed overheads requirement*.
- 8.5.2** **R** A firm must disclose its approach to assessing the adequacy of its *own funds* in accordance with the *overall financial adequacy rule* in ■ MIFIDPRU 7.4.7R.

## 8.6 Remuneration policy and practices

### Application: general

- 8.6.1** **R** The *rules* in this section apply to all *MIFIDPRU investment firms*, unless otherwise specified.

### Qualitative disclosures

- 8.6.2** **R** A *MIFIDPRU investment firm* must disclose a summary of:
- (1) its approach to *remuneration* for all staff ("staff" interpreted according to ■ SYSC 19G.1.24G);
  - (2) the objectives of its financial incentives;
  - (3) the decision-making procedures and governance surrounding the development of the *remuneration* policies and practices the *firm* is required to adopt in accordance with the *MIFIDPRU Remuneration Code*, to include, where applicable:
    - (a) the composition of and mandate given to the *remuneration* committee; and
    - (b) details of any external consultants used in the development of the *remuneration* policies and practices.

- 8.6.3** **G** In complying with ■ MIFIDPRU 8.6.2R(1), a *firm* may consider it appropriate to disclose:
- (1) the principles or philosophy guiding the *firm's remuneration* policies and practices;
  - (2) how the *firm* links variable *remuneration* and performance;
  - (3) the *firm's* main performance objectives; and
  - (4) the categories of staff eligible to receive variable *remuneration*.

- 8.6.4** **R** A *non-SNI MIFIDPRU investment firm* must disclose the types of staff it has identified as *material risk takers* under ■ SYSC 19G.5, including any criteria in addition to those in ■ SYSC 19G.5.3R that the *firm* has used to identify *material risk takers*

- 8.6.5** **R** A MIFIDPRU investment firm must disclose the key characteristics of its remuneration policies and practices in sufficient detail to provide the reader with:
- (1) an understanding of the risk profile of the firm and/or the assets it manages; and
  - (2) an overview of the incentives created by the remuneration policies and practices.

- 8.6.6** **R** For the purpose of **■** MIFIDPRU 8.6.5R, a firm must disclose at least the following information:
- (1) the different components of remuneration, together with the categorisation of those remuneration components as fixed or variable;
  - (2) a summary of the financial and non-financial performance criteria used across the firm, broken down into the criteria for the assessment of the performance of:
    - (a) the firm;
    - (b) business units; and
    - (c) individuals.
  - (3) for a non-SNI MIFIDPRU investment firm:
    - (a) the framework and criteria used for ex-ante and ex-post risk adjustment of remuneration, including a summary of:
      - (i) current and future risks identified by the firm;
      - (ii) how the firm takes into account current and future risks when adjusting remuneration; and
      - (iii) how malus (where relevant) and clawback are applied;
    - (b) the policies and criteria applied for the award of guaranteed variable remuneration; and
    - (c) the policies and criteria applied for the award of severance pay.
  - (4) for a non-SNI MIFIDPRU investment firm not falling within **■** SYSC 19G.1.1R(2):
    - (a) details of the firm's deferral and vesting policy, including as a minimum:
      - (i) the proportion of variable remuneration that is deferred;
      - (ii) the deferral period;
      - (iii) the retention period;
      - (iv) the vesting schedule; and
      - (v) an explanation of the rationale behind each of the policies referred to in (i) to (iv).

Where the firm's deferral and vesting policy differs for different categories of material risk takers, the information should be presented and sub-divided accordingly.

- (b) a description of the different forms in which fixed and variable remuneration are paid, for example, whether paid in:
  - (i) cash;
  - (ii) share-linked instruments;
  - (iii) equivalent non-cash instruments;
  - (iv) options; or
  - (v) short or long-term incentive plans.

8.6.7

G

In complying with ■ MIFIDPRU 8.6.6R(1), a firm is reminded of the rules and guidance in ■ SYSC 19G.4 on categorising fixed and variable remuneration.

### Quantitative disclosures

8.6.8

R

- (1) Subject to (7), a MIFIDPRU investment firm must disclose the quantitative information required by (2) to (6) for the financial year to which the disclosure relates.
- (2) An SNI-MIFIDPRU investment firm must disclose the total amount of remuneration awarded to all staff, split into:
  - (a) fixed remuneration; and
  - (b) variable remuneration.
- (3) A non-SNI MIFIDPRU investment firm must disclose the total number of material risk takers identified by the firm under ■ SYSC 19G.5.
- (4) A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management, other material risk takers, and other staff:
  - (a) the total amount of remuneration awarded;
  - (b) the fixed remuneration awarded; and
  - (c) the variable remuneration awarded.
- (5) A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management and other material risk takers:
  - (a) the total amount of guaranteed variable remuneration awards made during the financial year and the number of material risk takers receiving those awards;
  - (b) the total amount of the severance payments awarded during the financial year and the number of material risk takers receiving those payments; and
  - (c) the amount of the highest severance payment awarded to an individual material risk taker.
- (6) A non-SNI MIFIDPRU investment firm not meeting the conditions in ■ SYSC 19G.1.1R(2) must disclose the following information, split into categories for senior management, and other material risk takers:
  - (a) the amount and form of awarded variable remuneration, split into cash, shares, share-linked instruments and other forms of

*remuneration*, with each form of *remuneration* also split into deferred and non-deferred;

- (b) the amounts of deferred *remuneration* awarded for previous performance periods, split into the amount due to vest in the financial year in which the disclosure is made, and the amount due to vest in subsequent years;
- (c) the amount of deferred *remuneration* due to vest in the financial year in respect of which the disclosure is made, split into that which is or will be paid out, and any amounts that were due to vest but have been withheld as a result of performance adjustment;
- (d) information on whether the *firm* uses the exemption for individual *material risk takers* set out in ■ SYSC 19G.5.9R, together with details of:
  - (i) the provisions in ■ SYSC 19G.5.9R(2) in respect of which the *firm* relies on the exemption;
  - (ii) the total number of *material risk takers* who benefit from an exemption from each provision referred to in (i); and
  - (iii) the total *remuneration* of those *material risk takers* who benefit from an exemption, split into fixed and variable *remuneration*.

- (7) (a) For the purposes of (4), (5)(a), (5)(b) and (6), a *non-SNI MIFIDPRU investment firm* must aggregate the information to be disclosed for *senior management* and other *material risk takers*, where splitting the information between those two categories would lead to the disclosure of information about one or two people.
- (b) Where aggregation in accordance with (a) would still lead to the disclosure of information about one or two people, a *non-SNI MIFIDPRU investment firm* is not required to comply with the obligation in (4), (5)(a), (5)(b) or (6).

**8.6.9** **R** A *non-SNI MIFIDPRU investment firm* that relies on ■ MIFIDPRU 8.6.8R(7) must include a statement in the main body of its remuneration disclosure that:

- (1) explains the obligations in relation to which it has relied on the exemption; and
- (2) confirms that the exemption is relied on to prevent individual identification of a *material risk taker*.

**8.6.10** **G** The purpose of the exemption referred to in ■ MIFIDPRU 8.6.8R(7) is to avoid *firms* having to disclose information:

- (1) that would enable a *material risk taker* to be identified; or
- (2) that could be associated with a particular *material risk taker*.

**8.6.11** **G** (1) When considering the exemptions in ■ MIFIDPRU 8.6.8R(7), the *non-SNI MIFIDPRU investment firm* should apply the conditions to each information item separately. Where the information contained in at

least one of the categories of *senior management* and other material risk takers relates to one or two *material risk takers*, the *non-SNI MIFIDPRU investment firm* is exempt from the requirement to split the information into these categories, and should aggregate the information. Where the aggregated information still relates to only one or two individuals, the *non-SNI MIFIDPRU investment firm* is exempt from the requirement to disclose that information.

- (2) The *guidance* in (1) is illustrated by the following example:
- (a) Firm A does not meet the conditions in ■ SYSC 19G.1.1R(2). It has identified eight material risk takers under ■ SYSC 19G.5.
  - (b) In relation to the information items required in ■ MIFIDPRU 8.6.8R(4), five of the *material risk takers* are *senior management*, and three are other *material risk takers*. Firm A cannot rely on the exemption in ■ MIFIDPRU 8.6.8R(7) because neither of the categories of *senior management* and other *material risk takers* contains one or two individuals. It must disclose the *remuneration* information required at ■ MIFIDPRU 8.6.8R(4) broken down into the categories of *senior management*, other *material risk takers*, and other staff.
  - (c) In relation to the information items required in ■ MIFIDPRU 8.6.8R(5)(a), Firm A has awarded guaranteed *remuneration* to two material risk takers. Both are also *senior management*. The information in the category of *senior management* therefore relates to only two individuals. If Firm A aggregates the information from the *senior management* and other *material risk taker* categories in line with ■ MIFIDPRU 8.6.8R(7), the figure is still two. Therefore, Firm A can rely on the exemption in ■ MIFIDPRU 8.6.8R(7). It is exempt from the requirement to disclose the information on guaranteed *remuneration* required at ■ MIFIDPRU 8.6.8(5)(a).
  - (d) In relation to the information items required in ■ MIFIDPRU 8.6.8R(5)(b), Firm A has awarded severance payments to four *material risk takers*, of which three are members of *senior management* and one is another *material risk taker*. Because the category of other *material risk takers* relates only to one individual, Firm A can rely on the exemption in ■ MIFIDPRU 8.6.8R(7). It should aggregate the total for both categories and disclose the information on severance payments required at ■ MIFIDPRU 8.6.8(5)(b) as a single item. Firm A cannot rely on the exemption in ■ MIFIDPRU 8.6.8R(7) because the aggregated total of *senior management* and other *material risk takers* is more than two.
  - (e) Firm A is not in scope of the disclosure requirements in ■ MIFIDPRU 8.6.8R(6) because it meets the conditions in ■ SYSC 19G.1.1R(2).

## 8.7 Investment policy

- 8.7.1** **R** A non-SNI MIFIDPRU investment firm not meeting the conditions in ■ MIFIDPRU 7.1.4R must disclose:
- (1) the proportion of voting rights attached to the shares held directly or indirectly by the *firm*, broken down by country or territory; and
  - (2) a complete description of voting behaviour in the general meetings of *companies* the shares of which are held in accordance with ■ MIFIDPRU 8.7.4R, including:
    - (a) an explanation of the votes; and
    - (b) the ratio of proposals put forward by the administrative or *governing body* of the *company* that the *firm* has approved; and
  - (3) an explanation of the use of proxy adviser firms; and
  - (4) a summary of the voting guidelines regarding the *companies* in which the shares referred to in (1) are held with links to supporting non-confidential documents where available.
- 8.7.2** **R** A *firm* must use the template available at ■ MIFIDPRU 8 Annex 2R in order to disclose the information requested at ■ MIFIDPRU 8.7.1R.
- 8.7.3** **R** The disclosure requirements in ■ MIFIDPRU 8.7.1R(2) do not apply if the contractual arrangements of all shareholders represented by the *firm* at the shareholders' meeting only authorise the *firm* to vote on their behalf when express voting orders are given by the shareholders after receiving the meeting's agenda.
- 8.7.4** **R**
- (1) To the extent that any data item required by ■ MIFIDPRU 8.7 is treated as proprietary information in accordance with (2), or confidential information in accordance with (3), a *firm* may refuse to disclose it, noting on the template available at ■ MIFIDPRU 8 Annex 2R which item has not been disclosed and why.
  - (2) A *firm* may only treat information as proprietary information if sharing that information with the public would have a material adverse effect upon its business.
  - (3) A *firm* may only treat information as confidential information if there are obligations to customers or other counterparty relationships binding the *firm* to confidentiality.

- 8.7.5** **R** Where a *firm* refuses to disclose information in reliance on **■ MIFIDPRU 8.7.4 R(2)**, the *firm* should record why the information is considered proprietary and make that information available to the *FCA* if requested.
- 8.7.6** **R** A *firm* referred to in **■ MIFIDPRU 8.7.1R** must comply with that *rule*:
- (1) only in respect of a *company* whose shares are admitted to trading on a *regulated market*;
  - (2) only where the proportion of voting rights that the *MIFIDPRU investment firm* directly or indirectly holds in that *company* is greater than 5% of all voting rights attached to the shares issued by the *company*; and
  - (3) only in respect of shares in that *company* to which voting rights are attached.
- 8.7.7** **R** The voting rights referred to in **■ MIFIDPRU 8.7.6R(2)** must be calculated on the basis of all shares to which voting rights are attached, even if the exercise of any of those voting rights is suspended.
- 8.7.8** **G** For the purpose of complying with **■ MIFIDPRU 8.7.1R** and **■ MIFIDPRU 8.7.6R**:
- (1) reference to “directly or indirectly” held shares means that:
    - (a) a *firm* directly holds the shares on its balance sheet or the balance sheet of another group member; or
    - (b) the *firm* may exercise a voting right attaching to a share in a fiduciary capacity;
  - (2) in the circumstances described in (1), the disclosure requirement will apply where the voting rights are attached to shares held in the name of the *firm* and to shares held by clients where the *firm* exercises those voting rights;
  - (3) the fact that a *firm* has voting rights but chooses not to exercise them doesn’t remove its obligation to comply with **■ MIFIDPRU 8.7.1R** and **■ MIFIDPRU 8.7.6R**; and
  - (4) “greater than 5% of all voting rights” means that the *firm* holds at least 5% of shares with voting rights plus one share, and the requirement is triggered when the *firm* meets this threshold at any point during the course of the year.

---

**Disclosure template for information required under MIFIDPRU 8.4.1 R  
in respect of own funds**

[*Editor's note:* The form can be found at this address:[MIFIDPRU8\\_Annex1R\\_20220101.pdf](#) ]



---

**Disclosure template for information required under MIFIDPRU 8.7.1R  
in respect of voting rights**

[*Editor's note:* The form can be found at this address: [MIFIDPRU8\\_Annex2R\\_20220101.pdf](#) ]

