

Prudential requirements of investment firms

2017/0359(COD) - 16/04/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 534 votes to 70, with 45 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the prudential requirements of investment firms and amending Regulations (EU) No 575/2013, (EU) No 600/2014 and (EU) No 1093/2010.

The European Parliament's position adopted at first reading under the ordinary legislative procedure amended the Commission's proposal as follows.

Subject matter

As a reminder, the draft Regulation aims to establish an effective and proportionate prudential framework to ensure that investment firms authorised to operate in the Union operate on a sound financial basis and are managed in an orderly way, in the best interests of their clients. To this end, it establishes capital requirements, minimum capital levels, concentration risk, liquidity, reporting and publication.

Under the amended text:

- investment firms that provides "bank-like" services, such as dealing on own account or underwriting financial instruments, and whose consolidated assets exceed EUR 15 billion would automatically be subject to CRR/CRD4;
- investment firms engaged in "bank-like" activities with consolidated assets between EUR 5 and 15 billion could be requested to apply CRR/CRD4 by their supervisory authority, in particular if the firm's size or activities would involve risks to financial stability;
- competent authorities could allow to continue applying banking requirements to certain firms, on a case by case basis, to avoid disrupting their business models. Such an option will be framed with a safeguard preventing regulatory arbitrage, in particular through the application of lower capital requirements under CRR/CRD4 as compared to IFR in a disproportionate manner.

When part of an insurance group, small non-interconnected investment firms - whose total balance sheet and off-balance sheet items of the firm are less than EUR 100 million - could benefit from an exemption from the concentration, publication and reporting requirements. They would only be required to provide information on liquidity requirements where applicable.

Remuneration policy and practices

The proposed Regulation requires investment firms to disclose the following information regarding their remuneration policy and practices, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on investment firm's risk profile.

Investment policy

Member States shall ensure that investment firms disclose: (i) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector; (ii) the complete description of voting behaviour in the general meetings of companies the shares of which are held.

Third countries

The amended text strengthens the equivalence regime that would apply to third country investment firms. It sets out in greater detail some of the requirements for giving them access to the single market and grants additional powers to the Commission.

In particular, the Commission is charged with assessing capital requirements applicable to firms providing bank-like services to make sure that those are equivalent to those applicable in the EU.

ESMA may temporarily prohibit or restrict a third-country firm from providing investment services or performing investment activities with or without any ancillary services where the third country firm has failed to comply with any prohibition or restriction imposed by ESMA or EBA or by a competent authority or with a request from ESMA in due time and manner, or where the third country firm does not cooperate with an investigation or an on-site inspection carried.