

INVESTMENT SERVICES RULES FOR INVESTMENT SERVICES PROVIDERS

PART B: STANDARD LICENCE CONDITIONS

Appendix 4

Technical Criteria on the Disclosure Requirements for Investment Services Licence Holders

This Appendix lays down the disclosures which Licence Holders and Consolidated Groups are required to make in order to ensure compliance with the requirements set in SLCs 7.78 to 7.83 of Part BI of the Investment Services Rules for Investment Services Providers.

1.0 Disclosure requirements for Licence Holders

In terms of SLC 7.78 of Part BI of the Investment Services Rules for Investment Services Providers, a Licence Holder is required to make public the information referred to in Part Eight of the CRR, which includes information on the Licence Holder's:

- a. own funds;
- b. risk components;
- c. risk management and the internal capital adequacy assessment process, including governance arrangements; and
- d. remuneration policy and practices.

1.1 Own Funds Disclosures

The Licence Holder shall disclose the information regarding its Own Funds as provided for in article 437 of the CRR.

Provided that for the period 1 January 2014 to 31 December 2021 the requirements of article 492 of the CRR shall be applied.

For the purposes of complying with the regulatory disclosures specified in this article, the Licence Holder shall make use of the standard templates published by EBA in the [Final draft Implementing Technical Standards on disclosure for own funds](#).

1.2 Risk Components Disclosures

The Licence Holder shall explain the risk components to which it is exposed, by taking into account all the disclosure requirements specified in articles 435, 438, 439, 445, 446, 448 and 452 to 455 of the CRR. Such explanation shall be made in the manner outlined in the paragraphs below.

1.2.1 Credit/Counterparty Risk Components

The Licence Holder shall disclose the method it has adopted for the calculation of its credit/ counterparty risk component, that is, either the Standardised Approach or the Internal Ratings Based Approach, in accordance with article 438 of the CRR.

Licence Holders which calculate the credit/ counterparty risk component through the Standardised Approach, shall disclose the total amount of its Credit/Counterparty Risk Component for each of the exposure classes specified in article 112 of the CRR.

Licence Holders which calculate the credit/counterparty risk component through the Internal Ratings Based Approach are advised to contact the MFSA for guidance on the type of information which is to be included.

1.2.2 Trading Book Business - Risk Components

The Licence Holder shall disclose the total amount of the risk components which form part of its trading book business risk, these being: **[i]** position risk component; and **[ii]** the counterparty credit risk component. By way of a note, the Licence Holder shall also disclose a breakdown of this total amount, risk component per risk component, in accordance with articles 438, 439 and 445 of the CRR.

1.2.3 Commodities Instruments Risk Components

The Licence Holder shall disclose the total amount of its commodities instruments risk, in accordance with articles 438 and 445 of the CRR.

1.2.4 Large Exposures Risk Components

The Licence Holder shall disclose the total amount of its large exposures, in accordance with article 438 of the CRR.

1.2.5 Foreign Exchange Risk Components

The Licence Holder shall disclose the total amount of its foreign exchange risk component. The Licence Holder shall also disclose the currencies to which it is exposed, in accordance with article 438 and 445 of the CRR.

1.2.6 Operational Risk

The Licence Holder shall disclose the total amount of its operational risk component, in accordance with article 438 and 446 of the CRR.

The Licence Holder shall disclose the method it has adopted for the calculation of its operational risk component, that is, either the Basic Indicator Approach, or Standardised Measurement Approach, or the Advanced Measurement Approach.

Licence Holders which calculate the operational risk component by using the Advanced Measurement Approach shall include an explanation on how this method is being applied by the Licence Holder. Prior to preparing such explanation, the Licence Holder shall contact the MFSA for guidance on the type of information which is to be included.

1.2.7 Settlement Risk

The Licence Holder shall disclose the total amount of its settlement risk, in accordance with article 438 and 445 of the CRR.

1.2.8 Credit Valuation Adjustment (CVA) Risk

The Licence Holder shall disclose the total amount of its CVA risk, in accordance with article 438 of the CRR.

1.3 Risk Management and the Internal Capital Adequacy Assessment Process Disclosures

The Licence Holder shall disclose a summary of its Risk Management and Internal Capital Adequacy Assessment Process, in accordance with articles 435 and 438 of the CRR. Such summary shall include a brief description of all the risks to which the Licence Holder is exposed and an explanation on the manner in which the Licence Holder is managing these risks.

1.4 Remuneration policy and practices disclosure requirements

The following information at least shall be disclosed to the public regarding the remuneration policy and practices of Licence Holders for those categories of staff whose professional activities have a material impact on their risk profile, in accordance with article 450 of the CRR:

- a. information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration

- committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;
- b. information on the link between pay and performance;
 - c. the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;
 - d. the ratios between fixed and variable remuneration set in accordance with Appendix 10 of these Rules;
 - e. information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
 - f. the main parameters and rationale for any variable component scheme and any other non-cash benefits;
 - g. aggregate quantitative information on remuneration, broken down by business area. Licence Holders shall moreover submit to the Authority information on the number of natural persons that are remunerated EUR 1 million or more per financial year, in pay brackets of €1million, including data on their work responsibilities, the business area involved and the main elements of their salary, including bonuses, long-service awards and pension contributions. The Authority is required to provide this information to the EBA which shall disclose the information on an aggregate Home Member State basis in a common reporting format;
 - h. aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Licence Holder, indicating the following:
 - i. the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;
 - ii. the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;
 - iii. the amounts of outstanding deferred remuneration, split into vested and unvested portions;
 - iv. the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;

- v. new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments; and
- vi. the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person.
- i. the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 1 million;
- j. upon demand from the Authority, the total remuneration for each member of the management body or senior management.

For Licence Holders that are significant in terms of *SLC 1.55 or SLC 1.58* of Part BI, the quantitative information referred to in this point shall also be made available to the public in respect of members of the management body.

For the purposes of determining whether a Licence Holder is to be considered significant, the Authority shall apply SLCs 1.55 to 1.58 inclusive of Part BI.

Licence Holders shall comply with the requirements set out in *Section 1.4 of this Appendix* in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the Data Protection Act (Cap. 440).

In order to identify categories of staff whose professional activities have a material impact on its risk profile, the Licence Holder is required to make reference to [EBA's Final draft regulatory technical standards](#) in this regard.

2.0 Disclosure requirement for Consolidated Groups

2.1 Scope of application

The Licence Holder shall ensure that the Consolidated Group discloses the following information, in accordance with article 436 of the CRR:

- i. the names of the company/companies which form part of the Consolidated Group;
- ii. an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are:

- a. fully consolidated;
 - b. proportionally consolidated;
 - c. deducted from own funds;
 - d. neither consolidated nor deducted.
- iii. any current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;
- iv. the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries; and
- v. if applicable, an explanation of the circumstances being relied on in order to avail of the provisions of articles 7 and 9 of the CRR.

2.2 Governance

Parent undertakings shall ensure that a description of the legal structure, governance and organisational structure of the Consolidated Group is publicly disclosed at least on an annual basis.

2.3 Country-by-country reporting

Licence Holders which form part of a Consolidated Group should publicly disclose annually, on a consolidated basis, by country where they have an establishment for the financial year:

- a. their name(s), nature of activities and geographical location;
- b. turnover;
- c. number of employees on a full time equivalent basis;
- d. profit or loss before tax;
- e. tax on profit or loss;
- f. public subsidies received;

The information listed at (a) - (c) above shall be disclosed commencing from 1 July 2014. The information listed at (d) - (f) above shall be disclosed commencing 1 January 2015.

The information referred to in this sub section shall be subject to audit and shall be published where possible, as an annex to the annual financial statements or where applicable, to the consolidated financial statements of the Licence Holder concerned.

By 1 July 2014, all global systemically important institutions authorised within the Union, as identified internationally, shall submit to the European Commission the information referred to in (d) - (f) above on a confidential basis.