

3 May 2021

## The Investment Firms Regulation and Directive – 3<sup>rd</sup> Briefing

### 1. Introduction

On 26 June 2021, the Investment Firms Regulation and Directive (together “the IFRD Package”) become applicable. In this respect, the industry should ensure it continues familiarising itself with the IFRD Package to be prepared for this major development in the prudential supervision of Investment Firms.

The MFSA has created [a section on its website](#) dedicated to IFRD Package circulars and has also disseminated information regarding the K-Factors to the industry through EBA documents and through the [1st](#) and [2nd](#) briefings.

The purpose of this briefing is to delve deeper into the prudential reporting requirements under the IFRD package and its applicability.

### 2. Prudential reporting requirements

The prudential reporting framework currently applicable will be reshaped under the new regime, to the extent that Investment Firms subject to the IFRD Package will no longer be required to submit the Appendix 2a or Appendix 2c to Part BI of the Investment Services Rules for Investment Services Providers as currently applicable.

The EBA shall soon be publishing the [3.1 Reporting framework](#), applicable as of September 2021, to Investment Firms subject to the IFRD Package. The [Implementing Technical Standards on reporting and disclosure requirements for Investment Firms](#) provide a standardised set of templates (Annexes, as further outlined below) covering reporting and disclosure requirements under the IFRD Package. By adopting such reporting framework the MFSA ensures that a consistent approach is taken and that any changes brought forward by the EBA going forward are applied in the local framework.

In this respect, class 2 firms are required to submit Annex I on a quarterly basis to cover their reporting requirements in terms of Own Funds, Concentration Risk, Liquidity requirements and thresholds monitoring. Class 3 firms are instead required to submit Annex III on an annual basis to cover their reporting requirements in terms of Own Funds, Liquidity Requirements (where applicable) and thresholds monitoring.

Both Class 2 and 3 firms will have to submit the applicable disclosures of own and on group capital text, where applicable, on an annual basis as per Annexes VI and VIII respectively.

The format in which Investment Firms will have to report the applicable annexes is through XBRL returns. These returns will be submitted by the Licence Holder to the MFSA through the MFSA Licence Holder Portal and ultimately uploaded to the European Banking Authority.

Maltese Investment Firms are also informed that other reporting requirements towards the Central Bank of Malta ("CBM") and the Conduct Supervision function within the MFSA continue to apply. Further guidance on changes the submission methodologies will be issued in due course.

The relevant stakeholders are encouraged to refer to the Implementing Technical Standards on reporting and disclosure requirements for Investment Firms and the Investment Firms Regulation for full details on the reporting methodology to be adopted.

### 3. Applicability

The IFR package applies to Investment Firms authorised and Supervised under Directive 2014/65/EU ("MiFID II"). In this regard, it is important to note that the IFR package does not apply to Credit Institutions, even when these offer MiFID II services, UCITS Management Companies and Alternative Investment Fund Managers. Conversely, it applies to *deminimis* fund managers providing MiFID II services.

### 4. Conclusion

This is an informative briefing, it should not be treated as a comprehensive summary and/or advice of any nature. The Authority actively encourages the Licence Holders to continue analysing the IFR Package and the Technical Standards thereof. The MFSA will keep Licence Holders updated as developments arise.

Should you have any queries in relation to the IFR Package do not hesitate to contact the Investment Firms Team within the Securities and Markets Supervision Function on [investmentfirms@mfsa.mt](mailto:investmentfirms@mfsa.mt).