

6 August 2025

# Compliance with SRD II Requirements applicable to Proxy Advisors

## 1.0 Background

Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement entered into force 10 June 2017.

The scope of SRD II is to bring about more long-term focus in corporate governance and addresses the following main shortcomings:

1. Short-termism in the investment universe;
2. Insufficient oversight into directors' pay;
3. Insufficient oversight of related party transactions;
4. Ineffective interaction between companies and shareholders in cross-border situations.

One of the main pillars and drivers of the SRD II rests on the extensive transparency requirements surrounding institutional investors (Article 3g and Article 3h), asset managers (Article 3g and Article 3i) and proxy advisors (Article 3j). Specifically, the objective of this Circular is to announce the transposition and implementing provisions of the SRD II relating to proxy advisors, through new Capital Markets Rules.

## 2.0 Definition

The Financial Markets Act, transposing the SRD II, defines the term proxy advisors as follows:

*'a legal person that analyses, on a professional and commercial basis, the corporate disclosure and, where relevant, other information of listed companies with a view to informing investors' voting decisions by providing research, advice or voting recommendations that relate to the exercise of voting rights, providing such services to shareholders with respect to shares of companies which have their registered office in a Member State or EEA State, and the shares of which are admitted to trading on a regulated market situated or operating in a Member State or EEA State.'*

Proxy Advisors that are subject to a code of conduct effectively report on their application of that code. They should also disclose certain key information relating to the preparation of their research, advice and voting recommendations and any actual or potential conflicts of interest or business relationships that may influence the preparation of the research, advice and voting recommendations.

### **3.0 Scope**

The scope is wide to cover services provided by proxy advisors to shareholders with respect to shares of companies which have their registered office in a Member State (not necessarily Malta) and the shares of which are admitted to trading on a regulated market situated or operating within a Member State (not necessarily Malta). The Authority would be required to monitor proxy advisors which have their registered office/head office/establishment in Malta.

### **4.0 The Implementation of a Set of Capital Markets Rules**

In view of the important role proxy advisors have in the field of corporate governance and this is through their research, voting recommendations and advice, the Authority along with this Circular is announcing the publication of a set of Capital Markets Rules applicable to proxy advisors. These Capital Markets Rules are in accordance with the requirements listed in the SRD II, specifically Article 3(j).

### **5.0 Effective Date**

These Capital Markets Rules shall come into force within immediate effect.

### **6.0 Next Steps**

The MFSA expects proxy advisors having their registered office/head office/establishment in Malta to abide with the new set of Capital Markets Rules as published. The MFSA will monitor the application of these Capital Markets Rules in alignment with the requirements of SRD II.

## 7.0 Contacts

Should you have any queries relating to the above, kindly contact the Authority on [transparency@mfsa.mt](mailto:transparency@mfsa.mt).