

FCA Publishes Policy Statement and Final Rules on the Shareholder Rights Directive II and Related Party Transactions

Sunday, June 16, 2019

On May 31, the UK Financial Conduct Authority (FCA) published its policy statement titled “Proposals to Promote Shareholder Engagement: Feedback to CP19/7 and Final Rules” (PS19/13), which implements aspects of the Shareholder Rights Directive II (SRD II).

PS19/13 follows the FCA’s consultation on its draft rules relating to SRD II. The FCA states that PS19/13 provides additional clarifications to aid asset managers and life insurers in interpreting the policy intent of the new rules.

The final rules require asset managers and asset owners to make disclosures about their engagement policies and investment strategies:

- Life insurers and asset managers must publish an engagement policy and annual information on how it has been implemented, or publicly explain why they are not doing so;
- Life insurers must disclose, on an annual basis, their arrangements with asset managers, how the main elements of their equity investment strategy are consistent with the profile and duration of their liabilities, and how these elements contribute to the medium- to long-term performance of their assets; and
- Asset managers must provide information to asset owners, including on how their investment strategies contribute to the medium- to long-term performance of the assets.

While the above rules are a close copy-out of relevant SRD II requirements, the FCA proposed that the rules should apply to investments in shares traded not only on markets in the European Economic Area (EEA), the minimum requirement of SRD II, but also comparable markets outside the EEA.

Asset managers and life insurers will have to publish their engagement policy, or explain why they have not done so, by June 10, the date that the final rules go into effect. However, the FCA has acknowledged that the rules become effective quickly after publication and therefore, for an initial period, a firm can comply with the relevant rule by explaining what it is doing to develop an engagement policy. This may include, for example, simply explaining that it is developing one, or considering whether or not to have one.

PS19/13 also contains changes to the proposals in CP19/7 relating to the rules on related party transactions (RPTs) for issuers. The FCA states that it has reduced the materiality threshold at which issuers will be required to disclose their RPTs and have them approved, to give investors greater transparency and protections.

PS19/13 is available [here](#).

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