Solutions *Atlantic*

Contact: Anna Monteiro
+1.203.637.3004
info@solutions-atlantic.com

SOLUTIONS ATLANTIC'S RRS READY TO MEET THE CHALLENGE OF COMPLYING WITH AMENDED TRANSPARENCY DIRECTIVE MANDATES

Boston - 7-December 2015 - First introduced in November 2013, the Amended Transparency Directive (TDA) provided EU member countries two years to conform their regulations to those adopted by the EU Commission. With the deadline having come and gone, the TDA is in a confused state with only a handful of countries meeting the 26 November effective date and the remaining in various states of delay. Some countries have yet to put forward draft legislation.

You might think that the large economy countries are the ones that have complied and met the deadline but you would be mistaken. Several countries of considerable size and market stability have missed the deadline. Countries such as: Belgium, Netherlands and Sweden to name just a few have missed the deadline and may not comply until well into 2016. The whys and wherefores are as various as the 28 member states, but the effect is a nightmare for Compliance.

So what are the underpinnings of the Amending Transparency Directive:

1. Harmonize requirements relating to information about issuers whose securities are trading on EU regulated markets.
2. Provide transparency as to the ownership structure of an issuer.
3. Address the issue of disclosure regime for new types of financial instruments that expose investors to economic risk.

What changes have been implemented to meet the objectives of the TDA:

1. Financial Instruments – The scope of financial instruments which are disclosable have been expanded. It now also includes financial instruments with similar economic effect to shares and entitlements to acquire shares, including if they are cash settled.
2. Baskets, indices and ETFs – These instruments are now in scope when an individual component meets a minimum concentration level.
3. Rights to recall lent securities – Lent shares must now be included as a financial instrument
4. Delta adjusted calculation - When calculating a holding in an instrument with similar economic effect that is purely cash settled, a delta adjusted method must be used.
5. Standardization of exemptions for Trading Book, Market Makers, Client-serving transactions and Stabilization.
6. Initial disclosure threshold set at 5%.

7. Standardization of disclosure requirements including disclosure deadlines (T+4) and disclosure content including providing a breakdown of financial instruments held by category. ESMA has published a new TR-1 disclosure form which provides the standard for disclosure.

On top of these changes, member states have the right to implement more rigorous requirements, i.e. "Gold Plating" as it relates to the disclosure thresholds, the timing to disclose and the laws controlling the change in ownership of a company. And so it is these very issues that EU member countries are struggling with - do they simply apply the TDA as written or do they implement a more rigorous and tailored requirement.

To date, 14 countries have "more or less" met the deadline: Austria, Croatia, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Luxembourg, Portugal, Spain and United Kingdom. Ireland announced that the TDA came into effect in Ireland as of 26 November, but only adopted the amending legislation on 1 December. Poland has published draft regulations, but no definitive effective date has been announced. Luxembourg and Portugal were delayed, but have added to the confusion by issuing statements informing investors that they may apply the new shareholding disclosure provisions set out in the TDA when making notifications while neither jurisdiction have yet to formally enter these provisions into national law. Looking at those that have implemented their national requirements we can see that all but one have imposed more stringent thresholds and most have implemented stricter notification periods. Even worse, there are subtle differences in what is considered a relevant interest (requiring disclosure) and what can be excluded, and the categorization of Financial Instruments as (i) an entitlement to acquire shares or (ii) an instrument with similar economic effect.

So, if you are still with me, this all boils down to an extended horror show for compliance officers who are trying to comply with TDA and national implementation. First, it will mean more work in monitoring the national regulators to see when they will release their revised regulations. This can be quite a burden for an organization that is holding shares in several different markets. Second, once the revised regulations have been released then the real work begins to understand the new obligations and apply them accurately to your organization's structure and investment strategy. Quite a feat for even the most seasoned compliance professional. That's why so many financial institutions from hedge funds, to asset managers to investment banks are relying on the Regulatory Reporting System from Solutions Atlantic to manage their substantial shareholding disclosure reporting obligations for them.

The Regulatory Reporting System (RRS) is an enterprise installed solution with a web-based user interface that uses a consolidated feed to generate threshold alerts and disclosure filing forms. It identifies disclosure obligations for large positions, short positions, takeovers, foreign investment and sensitive sectors. RRS is uniquely positioned to handle the complexities that can arise as a result of the TDA implementation. RRS gives customers the control over critical functions including introducing and adapting disclosure rules, updating the legal entity hierarchy and generating the required disclosure document.

Solutions *Atlantic*

By using multiple sources to keep a watchful eye when member countries release their national requirements Solutions Atlantic is readily prepared to adapt rules to meet the new regulatory obligations head on. Upon release of the implemented rules, Solutions Atlantic looks to aosphere LLP's Rulefinder for the regulatory interpretation of the rule to best understand the necessary changes to the existing rule in RRS. RRS has a library of more than 85 jurisdictions, and covers the all of the EU member countries. Solutions Atlantic has been adapting current EU member rules as released to reflect the implemented TDA requirements. Solutions Atlantic has also released a canonical rule, a basic copy out of the EU TDA requirement so that its customers can test rules that they may be building themselves using RRS RuleBuilder. Finally, Solutions Atlantic has released support for the ESMA TR-1 disclosure form which has become the form many of the EU countries are accepting for disclosures.

Having been in the business of substantial shareholding disclosure automation since 2001, the team at Solutions Atlantic prides itself on being the most experienced team delivering the most purpose built solution – the Regulatory Reporting System. Whether you're concerned with keeping pace with the Amended Transparency Directive changes or the broader responsibilities of substantial shareholding disclosure reporting, the team at Solutions Atlantic is ready to assist. eMail (info@solutions-atlantic.com) today to get your demo of the most complete solution on the market - the Regulatory Reporting System.

Solutions *Atlantic is the market leading provider of shareholding disclosure solutions to the global financial services industry. For more than a decade, its Regulatory Reporting System (RRS) has been at the forefront of global shareholding disclosure obligations and currently supports a client base having over $4.0 trillion in assets under management. With regulatory rules for over 85 jurisdictions, RRS leads the way in complete workflow automation including; monitoring, alerting and disclosure document generation.* Solutions *Atlantic is headquartered in Boston, MA.*