

UKLA Technical Note

Trading book exemption

Ref: UKLA / TN / 550.12 Guidance Consultation

DTR 5.1.3R(4) There is a capped partial-exemption from notification for voting rights held in the trading book of credit institutions and investment firms (DTR 5.1.3R(4)). However, we re-emphasise that to benefit from the exemption, the credit institution or investment firm must ensure that the voting rights attached to shares held, or shares underlying financial instruments falling within DTR 5.3.1R(1) –held, in the trading book by a credit institution or investment firm, are not exercised or otherwise used to intervene in the management of an issuer.

The following examples illustrate how the exemption should work in practice.

- In example A, the exempted trading book holding increases from 4% to 5% but this does not exceed 5%, and so no disclosure is required.
- In example B, the trading book holding increases from 4% to 5% but does not exceed 5% and the non-exempted interest of 6% has already been disclosed.
- The trading book holding then increases by 1% (from 5 to 6%), triggering a disclosure obligation. The disclosure should be 12% (6% Trading Book holding plus 6% non-exempted holding).

These examples are summarised in the table below:

Credit institutions and investment firms: Trading book exemption

	Trading book holding covered by the exemption	Other interest, not covered by an exemption	Disclosure obligation
Example A	4%	0%	No disclosure required:
	Original holding 4% Change in holding +1% Total holding 5%	Original holding 0% Change in holding 0% Total holding 0%	No disclosure required as trading book holding does not exceed 5%:
Example B	4%	6%	6% interest to be disclosed only: – exempted holding need not be disclosed:
	Original holding 4% Change in holding +1% Total holding 5%	Original holding 6% Change in holding 0% Total holding 6-%	No disclosure required – exempted holding need not be disclosed: – the 6% holding has already been disclosed: and the exempted holdings do not exceed 5%

Credit institutions and investment firms: Trading book exemption

	Holding 5% Change in holding +1% Total holding 6%	Holding 6% Change in holding 0% Total holding 6%	12% – once the exempted holdings have breached 5% a disclosure is required of the new aggregated total:
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- In example A, the exempted trading book holding increases from 4% to 5%;; this does not exceed the 5% threshold so no disclosure is required.
- In example B, the trading book holding increases from 4% to 5%, but does not exceed 5% and the non-exempted interest of 6% has already been disclosed.
- The trading book holding increases by 1% (from 5% to 6%), triggering a disclosure obligation. The disclosure should be aggregated to 12% (6% trading book holding plus 6% non-exempted holding).