



December 2019

## New Regulatory Framework for Investment Firms signed into Law

### Background

At the beginning of the year the Council of the European Union (the “**Council**”) announced its endorsement of a package of measures, comprised of the proposed Investment Firms Regulation (“**IFR**”) and the proposed Investment Firms Directive (“**IFD**”), which are designed to make “the rules applicable to investment firms more proportionate and more appropriate to the level of risk which they take” (see our Article of January 2019 [here](#)).

The IFR and the IFD will, for most existing investment firms, replace the existing prudential requirements for investment firms set out in the Capital Requirements Regulation (575/2013) (“**CRR**”) and Directive 2013/36/EU (“**CRD IV**”), and will also amend the Markets in Financial Instruments Directive (2014/65/EU) (“**MiFID II**”) and the Markets in Financial Instruments Regulation (600/2014) (“**MiFIR**”).

Under the new proposed regulatory regime, certain systemically relevant investment firms which engage in “bank-like” activities and services will be reclassified as “credit institutions” (Class 1) and will be fully subject to the prudential requirements laid down in CRR and CRD IV. All other investment firms which are not considered systemic (Classes 2 and 3) will be subject to a new tailored regime with bespoke and lighter prudential requirements.

In addition, the new proposed regime will tighten the requirements around equivalence decisions taken in relation to third country (i.e. non-EU) investment firms and will grant additional powers to the European Commission in this regard.

### Next Steps

The new rules were signed by European co-legislators on 27

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November 2019 and the IFD and the IFR were published in the Official Journal of the European Union on 5 December, both are expected to come into force 18 months after the 20<sup>th</sup> day of their publication in the Official Journal.

Therefore the new regime is likely to come into force in late June 2021. Further details in respect of the new regime will continue to emerge by way of technical standards and guidance which the European Banking Authority is mandated to provide.

The final text of the [IFR](#) can be accessed here and the final text of the [IFD](#) can be accessed here.

If you have any queries relating to the information contained in this article, please contact one of the writers or your usual contact in Dillon Eustace.

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