



EUROPEAN PRINCIPAL
TRADERS ASSOCIATION

Enabling the Transition

FIA EPTA member's commitment to supporting the transition toward sustainable capital markets

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“We must all work together to build a more sustainable and climate-resilient world. Sustainable Finance is the essential tool to achieve this, through unlocking the investment capital that is needed to support the green transition and protect our planet’s future. Through our Sustainable Finance Principles, FIA EPTA members are committed to supporting and accelerating the uptake of ESG products and practices in European capital markets that will help to fight climate change and mitigate its impact.”

Mark Spanbroek, Chairman, FIA EPTA

The risks posed by climate change are real and urgent, and in addition to the primary environmental risks, there are financial and economic risks with major social implications. These include extreme weather such as droughts, floods and hurricanes; environmental degradation and loss of biodiversity threatening infrastructure as well as the homes and livelihoods of citizens. FIA EPTA members are independent market makers and liquidity providers (Principal Trading Firms) trading on own account; they are committed to supporting the transition towards a sustainable financial sector that supports the common goals of climate neutrality in 2050.

FIA EPTA members believe that a mature and healthy secondary markets ecosystem of ‘green’ exchange-traded derivatives (ETDs, i.e., listed futures and options) and exchange-traded funds (ETFs), needs to be developed alongside the primary and secondary markets for sustainable shares and bonds. This will help foster a liquid market for sustainable investment and risk management which is needed to ensure that Sustainable Finance is fully embedded into mainstream financial markets.

FIA EPTA members are committed to supporting the transition towards a sustainable financial sector that supports the common goals of climate neutrality in 2050.

The key for a successful green transition are the secondary markets because they enable asset holders to buy or sell ESG products on behalf of end-investors, insurance holders, or pension participants. Market makers provide liquidity and choice to investment managers to adjust their portfolios, pursue their trading & investment strategies and manage their risk, at low cost and with ease globally.

That is why FIA EPTA members are concerned by unintended consequences under SFDR in the EU where we fear that the draft technical standards by ESMA will restrain the use of ETDs by market participants and as a consequence restrict the amount of capital that can be made available for the sustainable transition. In the RTS, ETDs would not be recognised as contributing to Taxonomy-aligned investment activities. However, ETDs are becoming a core component of sustainable investment strategies, especially since the availability of liquid and transparent derivatives significantly reduces funding and financing costs and helps to manage risk exposures.

To be fully accepted by market participants, ESG products need to be handled equally to traditional products, it is important that investors can access sufficient liquidity in these assets. As the demand for sustainable products is growing, and more investors choose to invest in sustainable products the market as a whole should adjust to offer these new products. In our 2021 survey, 60% of FIA EPTA members are already active and two-thirds are looking to start or expand their liquidity provision in ESG products.

The key for a successful green transition are the secondary markets.

For now, ESG research products have not yet reached a sufficient level of maturity and comparability to allow investors to fully understand the products. FIA EPTA members believe ESG ratings are extremely relevant as investors base their decisions on internal reviews in combination with available ESG data. This was also the conclusion from a research paper that FIA EPTA published in June 2022 based on feedback from 35 buy-side participants.

As ESG is an ever-growing concept of which more and more characteristics are part; FIA EPTA members believe that it should be clear on which ESG characteristics an ESG rating is based to make meaningful investment decisions. This is also recognised by regulators such as [ESMA](#) and the [FCA](#) who are working on greater clarity, and FIA EPTA members strongly support this.

As the voice of Europe's leading market making firms, FIA EPTA will continue to support the development of an effective sustainable finance framework.

End investors are facilitated by FIA EPTA members by offering the opportunity to buy or sell on a continuous basis while at the same time maintaining tight bid and ask spreads, contributing to price discovery across products and asset classes and

Long-term investors are supported by market makers, who provide the liquidity in ESG products that allow them to buy or sell financial instruments at all times, without having to wait for another long-term investor looking to do the opposite. From this, liquidity provision by market makers results in lower transactional costs and reduces risk for end investors. As a consequence, via increasing price transparency and reducing search costs market makers enable asset managers to more efficiently navigate the sustainable investment market, and lowering the costs for end-investors.

FIA EPTA members have the ability to support investors with the migration toward a green portfolio by supplying liquidity in sustainable products and making sure there remains a counterparty to buy their 'brown' products/assets. Converting out of brown assets needs to be done over time as there are not yet enough alternatives to support a faster transition. To help, FIA EPTA members believe that traditional ('brown') companies should be incentivised to green their products and by introducing new products and the needed liquidity the transition will be speeded up.

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As market makers, FIA EPTA members are well placed to support the transition by working with policy makers and market stakeholders. Our industry has a rich tradition of innovation and problem-solving. As the voice of Europe's leading market making firms, FIA EPTA will continue to actively contribute to public discussions and support the development of an effective sustainable finance framework.

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1. Draft Regulatory Technical Standards with regard to the content and presentation of disclosures pursuant to Article 8(4), 9(6), and 1(5) of Regulation (EU) 2019/2088 (JC/2021/50).
 2. FIA EPTA letter to the EC on treatment of exchange-traded derivatives in the draft RTS methodology, January 2022: <https://www.fia.org/epta/resources/fia-epta-letter-ec-treatment-exchange-traded-derivatives-draft-rts-methodology>
 3. FIA EPTA member survey on Sustainability and ESG, Q4 2021: <https://wearemarketmakers.com/two-thirds-of-european-market-makers-plan-to-expand-esg-liquidity-provision/>
 4. Redefining Value in ESG: The Myriad of Paths to the Summit, June 2022, <https://wearemarketmakers.com/redefining-value-in-esg-download-the-report/>

About FIA EPTA

The FIA European Principal Traders Association (FIA EPTA) represents 24 independent European Principal Trading Firms (PTFs) which deal on own account, using their own money for their own risk, to provide liquidity and immediate risk-transfer in exchange traded and centrally-cleared markets for a wide range of financial instruments, including shares, options, futures, bonds and ETFs. Our members are independent market makers and providers of liquidity and risk transfer for exchanges and end-investors across Europe. FIA EPTA's members are based in the Czech Republic, Germany, Ireland, The Netherlands and the UK.

Since 2019, FIA EPTA has been actively working with its member firms to explore how market makers and liquidity providers can contribute to the green transition. This work is supported by FIA EPTA's Sustainable Finance and ESG Committee which brings together experts from these firms. FIA EPTA actively engages with both public and market stakeholders on Sustainable Finance to support the transition toward sustainable capital markets. In 2021 FIA EPTA published Principles to showcase this commitment and monitors this with yearly member surveys.



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