

15 December 2023

FIA EPTA response to the European Commission Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR)

FIA EPTA members welcome the opportunity to respond to the European Commission's (EC) [Targeted consultation](#) on the implementation of the Sustainable Finance Disclosures Regulation (SFDR).

The European Principal Traders Association (FIA EPTA) represents Europe's leading Principal Trading Firms. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, listed derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.

FIA EPTA members believe the European Union has taken a leadership role in creating a global baseline for regulatory initiatives to support the transition. In particular, the EU has developed a regulatory framework to enhance transparency and harmonisation in sustainable investment based on an agreed green taxonomy. SFDR is an important part of the EU's promise of promoting sustainable investing.

Building a full capital markets ecosystem of new taxonomy-aligned investment products will be of pivotal importance. However, FIA EPTA members believe that the EU's regulatory framework disadvantages the secondary markets and especially exchange-traded derivatives (ETDs) as they are not recognised for their important function in the transition. The role of ETDs are not part of this consultation by the EC, nonetheless, FIA EPTA members believe this should be the case and would urge the EC to do so.

Currently, SFDR would unduly disincentivise the use of ETDs in the affected financial products since any exposures to ETDs could not be counted toward the taxonomy-alignment ratio. This would make it more difficult for end-users to use ETDs for managing their financial risks and in the process undermine the goal of having safe, liquid, and efficient markets that can support the green transition.

ETDs are versatile financial instruments that can serve various purposes, including risk management and asset allocation. A mature and healthy secondary markets ecosystem of ‘green’ ETDs, i.e., listed futures and options, needs to be developed alongside the markets for sustainable shares and bonds.

FIA EPTA members appreciate the European Commission consideration of our comments herein and welcome the opportunity to discuss further and provide additional input as required.

Question 1.1: The SFDR seeks to strengthen transparency through sustainability-related disclosures in the financial services sector to support the EU’s shift to a sustainable, climate neutral economy. In your view, is this broad objective of the regulation still relevant?

1	2	3	4	5	Don't know
				X	

Question 1.2: Do you think the SFDR disclosure framework is effective in achieving the following specific objectives (included in its Explanatory Memorandum and mentioned in its recitals)

	1	2	3	4	5	Don't know
Increasing transparency towards end investors with regard to the integration of sustainability risks					X	
Increasing transparency towards end investors with regard to the consideration of adverse sustainability impacts					X	
Strengthening protection of end investors and making it easier for them to benefit from and compare among a wide range of financial products and services, including those with sustainability claims			X			

Channelling capital towards investments considered sustainable, including transitional investments ('investments considered sustainable' should be understood in a broad sense, not limited to the definition of sustainable investment set out in Article 2(17) of SFDR)	X					
Ensuring that ESG considerations are integrated into the investment and advisory process in a consistent manner across the different financial services sectors						X
Ensuring that remuneration policies of financial market participants and financial advisors are consistent with the integration of sustainability risks and, where relevant, sustainable investment targets and designed to contribute to long-term sustainable growth						X

Question 1.3: Do you agree that opting for a disclosure framework at EU level was more effective and efficient in seeking to achieve the objectives mentioned in Question 1.2 than if national measures had been taken at Member State level?

1	2	3	4	5	Don't know
				X	

Question 3.2.8: Do you believe that sustainability-related disclosure requirements at product level should be independent from any entity level disclosure requirements, (i.e. product disclosures should not be conditional on entity disclosures, and vice-versa)?

Yes	No	Don't know
X		

Please explain as necessary your replies to question 3.2.8:

FIA EPTA members believe that entity disclosures should be removed from SFDR for firms that don't have third-party clients (i.e., non-affiliate). For firms without third-party clients, the entity disclosures would only be a burden for firms without that it has benefits for end-investors.