

EFAMA Brief - 2020

EFAMA's Response to EU Consultations on MIFID, UCITS, and AIFMD Delegated Acts - Integration of Sustainability Factors (sustainability)

The European Fund and Asset Management Association (EFAMA) has published their response to the European Commission's consultations on delegated acts regarding practices related to UCITS, AIFMD and MIFID. The acts aim to incorporate sustainability risks and factors. EFAMA supports the Commission's efforts to integrate sustainability, claiming it encourages the provision of more ESG products to European investors.

EFAMA suggests several key adjustments. They insist that MIFID aligns with the Sustainable Finance Disclosures Regulation (SFDR) to ensure clarity in differentiating products based on their environmental and social features or sustainability investment objectives. They argue against creating specific sustainability risk requirements in the context of general organizational due diligence or conflict of interest provisions.

EFAMA also emphasizes the necessity for reliable information for effective sustainability risk management. Until the updated Non-Financial Reporting Directive (NFRD) is implemented, EFAMA requests asset managers be permitted to make qualitative assessments in setting their risk management frameworks. Their detailed response can be found through contact links.

The delegated acts discussed form the basis for an EU framework incorporating sustainability into the financial system, supporting the transformation to a greener, more resilient, circular economy in line with the European Green Deal objectives.

EFAMA Unveils Cyber Resilience Working Group for Security Enhancement in Investment Management (cybersecurity)

The International Investment Funds Association (IIFA) has recently partnered with various global investment fund associations to improve the cybersecurity program basics in investment management companies. This drive led to the updating of the 'IIFA cybersecurity program basics,' a guide outlining the major principles of cyber-prevention for investment management firms. The update comes as a response to increased cybersecurity concerns amidst the COVID-19 pandemic. The new best practices cover areas like business continuity planning, IT controls, secure configuration, and work from home considerations. As part of its robust cybersecurity campaign, EFAMA has established a dedicated Cyber Resilience Working Group to actively participate in important policy discussions on cybersecurity and operational resilience. This move also responds to the European Commission's recent proposal for regulations on digital operational resilience.

Integrating Sustainability in European Investment Products (esg)

The commission's efforts to embed sustainability considerations into everyday operations is seen by the association as a crucial step towards increasing the availability of Environmental, Social, and Governance (ESG) products to European investors. To this end, the association insists on the alignment of MIFID (Markets in Financial Instruments Directive) with the Sustainable Finance Disclosures Regulation (SFDR), separating products that promote ESG characteristics and products focusing on sustainability investments. The association expects

improvements in the availability and reliability of ESG data due to changes in the NFDR (Non-Financial Reporting Directive), although these may not be implemented in a timely manner for the updated UCITS (Undertakings Collective Investment in Transferable Securities) and AIFMD (Alternative Investment Fund Managers Directive) rules.

Aligning MIFID with SFDR for Sustainable Finance Disclosures (environment)

EFAMA insists on crucial adjustments for harmonizing MIFID with SFDR to enhance sustainable finance disclosures. Highlights include differentiating between products promoting environmental, social characteristics (i.e. ESG strategy products) and sustainability investment products. It is important to eliminate instances where a client expressing sustainability preferences can't be offered a product that at the same time can be promoted with particular environmental or social characteristics under SFDR.

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