EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL MARKETS UNION

The Director-General

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Dear Sirs,

Executive Vice-President Valdis Dombrovskis has asked me to thank you for your letter dated 3 June 2020 (Ares(2020)2859337) and to reply on his behalf. In your letter, you call for a general deferral to January 2022 of Regulation (EU) 2019/2088 on the sustainability-related disclosures in the financial services sector.

The urgency and acuteness of the challenges arising from climate change and the degradation of the environment and other sustainability matters require strong action and increased efforts from all actors, including the financial services sector. In order to mobilise end investors, we need to make it easier to identify adverse impacts of investments on sustainability. We also need to ensure credibility of sustainable investments and increase the awareness about sustainability risks. The Regulation is a crucial milestone towards achieving those objectives.

This is why the co-legislators agreed in March 2019 on the ambitious timeframe of the Regulation: the joint development by EIOPA, ESMA and EBA of most draft regulatory technical standards by 30 December 2020 and the application of most of the provisions of the Regulation as of 10 March 2021. It was clear already at the moment of the agreement that this choice of the co-legislators would make it very challenging to have the regulatory technical standards in place by 10 March 2021, given the time necessary for the adoption of the rules and scrutiny in accordance with the EIOPA, ESMA and EBA Regulations, and subsequent publication in the Official Journal.

The unprecedented economic and market stress caused by the Covid-19 sanitary crisis has led to the extension of deadline for the public consultation on draft regulatory technical standards under the Regulation. While the delay is unfortunate, we find it to be understandable and justified to guarantee stakeholder involvement given the current context. Giving stakeholders sufficient time to adequately respond is needed to allow the complex issues contained in the joint consultation paper to be addressed. At the same time, any delays in this consultation do not subtract from the central importance the Regulation has in making the European economy future-proof.

We understand that both Assogestioni and BVI seek more legal certainty by means of the regulatory technical standards. The standards will specify detailed requirements on the content and presentation of disclosed information, and, as regards transparency of adverse impacts at entity level, the relevant mandate, in addition to the content and presentation of the disclosed information, foresees standards on underpinning methodologies. The standards will thus lay down detailed requirements, leading to further standardisation and convergence across financial services sectors and will bring further accountability, discipline and efficiency to financial markets, comparability to end-investors as well as data and information to supervisors. In terms of substance, however, the application of the Regulation is not conditional on the formal adoption and entry into force or application of the regulatory technical standards.

The Regulation lays down at Level 1 general principles of sustainability-related disclosures in three distinct areas. As regards the integration of sustainability risks in investment decision- making processes, financial market participants, in accordance with applicable sectoral legislation, have to consider already now sustainability risks in their internal processes. The Regulation requires transparency in this respect, with no further details in regulatory technical standards. As regards financial products that qualify as those referred to in Articles 8 and 9 of the Regulation, in accordance with applicable sectoral legislation, their manufacturers have to already now describe in product documentations how the bespoke levels of sustainability are achieved. Therefore, the manufactures should already now comply with the disclosure principles set out in Articles 8 and 9 of the Regulation, respectively. As regards transparency of adverse sustainability impacts, numerous financial market participants already now comply with the non-financial reporting requirements under Directive 2013/34/EU or adhere to international standards and might consider using that information. In our meeting with representatives of several umbrella Brussels-based trade associations, including EFAMA, on 5 November 2019, we called for the support of the implementation efforts by the industry such as sharing best practices. In our meeting of 10 September 2020, the associations explained the actions that they have already taken by now.

In the absence of the regulatory technical standards, nothing prevents financial market participants and financial advisers from complying with the level 1 requirements laid down in the Regulation. Therefore, all application dates are maintained, as laid down by the Regulation. In consequence, in 2021, financial market participants and financial advisers subject to the Regulation will need to comply with its high level and principle-based requirements. In order to provide financial market participants and financial advisers as well as supervisors with time for implementation, the Regulatory Technical Standards will become applicable at a later stage.

I count on your support to accelerate the efforts of all financial market actors to achieve tangible positive impacts on the society, climate and environment. The Commissions stands, of course, ready to assist the financial services sector along the way.

Yours faithfully,

(e-signed)

John BERRIGAN

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