

For the attn. of
Mr. João Leão
Minister of State and Finance
Portuguese Republic

Letter sent by e-mail

Brussels, 23 December 2020

Dear Mr. Leão,

I am writing to you on behalf of EFAMA, the European Fund and Asset Management Association. EFAMA is the voice of the European investment management industry, representing more than EUR 23 trillion of assets managed on behalf of millions of savers and investors, through its 28 national associations and 60 corporate members.

The European investment management industry is helping savers achieve their financial goals and build up retirement savings. Investment management is a vital part of the European economy, providing funding for companies and infrastructure projects and contributing to economic growth and job creation across all Member States.

As Portugal prepares to take the Presidency of the Council of the EU, at a critical juncture for Europe and in very challenging circumstances, we would like to bring to your attention a few priorities which, we believe, will be crucial to support the recovery of our economy and to foster the transition towards a more sustainable approach to conducting business.

1. A well-functioning CMU to serve citizens better

Now more than ever, Europe needs well-functioning and integrated capital markets to support its economic recovery and provide alternative sources of financing for enterprises, while putting the financial well-being of European citizens at its center. The European Commission's renewed CMU Action Plan provides a clear roadmap for the necessary revitalisation of the CMU project. We fully support the ambitions of this Action Plan, in particular its emphasis on the **need to increase retail investor participation in capital markets by:**

- stimulating adequate pension coverage across all Member States;
- empowering citizens by engaging them in financial matters; and
- ensuring that investors benefit from high-quality, reliable and fair advice, so as to promote confidence and trust in the functioning of capital markets.

Fix the PRIIPs KID Flaws - Trust starts by providing investors with accurate and meaningful information. A solution should be found as soon as possible to fix the current shortcomings of the PRIIPs KID, before the end of the UCITS exemption (31 Dec. 2021). This exemption should be prolonged until a viable solution has been found and should include sufficient lead-time for the industry to implement it. We appreciate that this matter is to be addressed primarily by the European Commission but hope that, under your leadership, the Council will help solve this matter in a way that will be beneficial to retail investors.

Give PEPP a chance – EFAMA regrets the European Commission’s recent decision to endorse EIOPA’s proposal to include the initial cost of advice under the 1% fee cap for the Basic PEPP¹. We are very concerned that **this approach will lead to the failure of the PEPP** by preventing potential providers from developing an economically viable business model for the PEPP, thereby jeopardising its take-up.

To prevent this from happening, **we urge the co-legislators to exclude the initial cost of advice from the fee cap at least until the first review of the fee cap.** We are indeed convinced that the PEPP Regulation allows to separate the advice process from the cost of the Basic PEPP.

If the PEPP remains a fine idea without a future, the real losers will be the citizens of Europe, in particular those with inadequate future retirement income, who will not be able to reap the initially intended benefits of the PEPP in terms of product choice, quality of advice and value for money.

2. Keeping the focus on implementing the EU Sustainable Finance Action Plan

European asset managers are **fully committed to their role in support of a fair and sustainable recovery** and have high expectations for the forthcoming Renewed Sustainable Finance Strategy.

As a matter of priority, **we rely upon the NFRD review to narrow down the existing gap in the availability of ESG data.** The lack of meaningful, comparable, reliable and public ESG data remains a major impediment to the realisation of the full potential of sustainable finance.

Closely intertwined with the NFRD is the upcoming sustainable corporate governance proposal, which will complement the reporting requirements with explicit corporate and director duties. The initiative should also **aim at providing decision-useful information on how companies integrate ESG considerations in their business and perform due diligence across the supply chain.**

Until the availability of information from investee companies improves, we believe **the Sustainable Finance Disclosure Regulation (SFDR) and its regulatory technical standards should be implemented gradually and carefully calibrated to ensure end-investors are provided only with reliable, comparable and accessible information.** Without balance between ambition and pragmatism, we fear that the implementation costs will be transferred to end-investors who, in turn, will not benefit from better disclosures.

We are convinced that **a balanced and well-specified EU Green Bond Standard (EU GBS) holds great potential for sovereign and corporate issuers investing in Taxonomy-aligned, sustainable economic activities.** To ensure it achieves a substantial market penetration and leads to lower funding costs of green activities, the EU GBS should ensure flexibility and introduce incentives for issuers and investors, including possible public guarantees or fiscal stimuli.

I look forward to engaging with your Ministry and the Portuguese Permanent Representation to the European Union on the above priorities as well as on other files featuring prominently on the agenda of

¹ See <https://webgate.ec.europa.eu/regdel/#/delegatedActs/1629>

your Presidency, such as initiatives forming part of the Digital Finance Strategy or the review of the Anti-Money Laundering Directive.

I wish you a merry Christmas and a very successful EU Presidency.

Yours sincerely,

Tanguy van de Werve
Director General

CC:

HE Nuno Brito, Ambassador, Permanent Representative of Portugal to the European Union
Mr. André Oliveira, Ms. Sara de Oliveira Epifânio, Mr. João Pinto Lopes, Presidency Coordination
Mr. Rui Henrique Alves, Economic and Financial Affairs Unit
Ms. Gabriela Figueiredo Dias, Chair of the CMVM