



1. EFMLG meetings Q2 and Q4 2022.

On 3 June 2022, the EFMLG discussed in hybrid format in Frankfurt the review of the EU Macroprudential Framework and the PRIIPs Regulation along with the potential postponement of the CSRD, the EIOPA Guidelines on clients' ESG investments and the ESAs' Joint Consultation Paper on Sustainability Disclosures for STS Securitisations, among others.

On 16 September 2022, the EFMLG discussed in hybrid format in Paris the European strategic autonomy, the extraterritoriality of European Union law, the EU draft Deforestation Regulation and the difficulties that, in principle, credit institutions would encounter under the draft Corporate Due Diligence Directive. The relocation of euro derivatives clearing in the EU was also discussed.

2. EFMLG's letter to the ESMA on product governance under MiFID II.

In its letter to ESMA of 7 October 2022 on the review of the guidelines for MiFID II product governance requirements, the EFMLG expressed support for the EU sustainable finance strategy including the goal of reorienting investment toward compliance with the EU Climate Law and the Paris Agreement.

Further, the EFMLG highlighted the lack of a common understanding on the definition of "sustainable investment" or on concepts like "principal adverse impacts".

The EFMLG expressed its concerns regarding the implementation timelines of the EU's ESG legislation. In this respect, it noted that the quantitative data on the EU Taxonomy will only become gradually available starting as of January 2023. Therefore, it will be difficult for financial institutions to manufacture and distribute financial instruments that could meet client's sustainability preferences because

of the lack of sufficiently reliable ESG related data.

In the same vein, the EFMLG questioned the obligation of such manufacturers to provide information on sustainability-related objectives as of 22 November 2022, given that the Consultation on the final guidelines for certain aspects of the MiFID II Suitability Requirements was ongoing and was expected to conclude in Q1 2023 only.

3. EFMLG meeting Q1 2023.

On 3 February 2023, the EFMLG met in Frankfurt in hybrid format and discussed, among others, the EU legislative amendments related to instant credit transfers and the recovery and resolution of European banks.



The EFMLG also evaluated various sustainable finance issues including the potential challenges to interoperability between the EU and the UK sustainability disclosure regimes, the questions on Article 8 of the Taxonomy Regulation arising from the Corporate Sustainability Reporting Directive and the final exclusion of financial institutions from the EU Deforestation Regulation.

4. EFMLG ad-hoc report on non-bank lending and alternative investment funds.

On 8 February 2023, the EFMLG submitted to the European Commission

and the EBA an Ad-hoc Report on non-bank lending and alternative investment funds. The EFMLG had prepared its report against the background of the EBA report of 8 April 2022, which presented findings and advice on digital finance.

In its report the EFMLG emphasizes that the current market situation and trends, combined with the digitalization of services acting as a catalyst for financial innovation, are favouring the development of non-bank lending.

While this reality cannot be ignored, non-bank lending remains largely unharmonized across the EU. Also, non-bank lending includes a variety of activities and supervisory practices regarding authorization and registration in each Member State.

The EFMLG suggests that EU legislation should address non-bank lending by means of a regulation establishing minimum common requirements.

This can be achieved through the amendment of:

(i) the AIFMS Directive to ensure that loan origination is clearly and comprehensively defined and confined to AIFs managed by regulated entities, and of:

(ii) the ELTIFs Regulation regarding the scope of eligible assets and investments, the portfolio composition and diversification requirements, the borrowing of cash and other fund rules, as well as requirements pertaining to authorisation.

5. Upcoming meetings.

EFMLG: 5 May 2023 in Lisbon (hybrid); Autumn meeting (date to be confirmed). Quadilateral meeting with FRBNY and FSB (BOJ), hosted (hybrid) by the FMLC (Bank of England): September-October 2023 (date to be confirmed).