ALFI RESPONSE

TO THE EUROPEAN COMMISSION
CALL FOR EVIDENCE ON
THE REVISION OF SFDR

association of the
luxembourg fund industry

Luxembourg, 30 May 2025

ALFI Position

We thank the European Commission (EC) for the opportunity to participate in its call for evidence on the review of the SFDR and welcome the EC's ambition to simplify and streamline the SFDR.

There remain diverging views in the market, however, as SFDR has contributed to increased transparency, investors have become accustomed to the current regime and financial market participants (FMPs) have invested substantial resources on the implementation of SFDR, we reiterate our preference for the current SFDR regime to be maintained, with **targeted amendments,** including:

- Focussing on meaningful disclosures that address retail and professional investors, that are clear, simple and concise, and are thoroughly tested by the market prior to adoption (including compatibility of cross-border impacts).
- Regarding art. 8 SFDR, the concept of "promotion" should be reviewed as it relates to marketing, rather than the intention of the investment policy and key performance indicators.
- While the current definition of sustainable investments (under Article 2(17) of SFDR) should be subject to further review and industry consultation, flexibility should be maintained to reflect market practices.
- Transition investments should be accommodated, recognising both transitioning assets, and transition enablers.
- The entity-level PAI disclosure regime should be clarified and simplified or be removed in its entirety. At the very least, article 4 SFDR should be aligned with the scope of omnibus CSRD.
- In general, the meaningfulness of entity-level disclosures to investors should be further reviewed.
- In respect of AIFs and AIFMs, the entity and product-level website disclosures conflict with the AIFMD and other global regimes that restrict the marketing of AIFs. The requirement for website disclosures should be reviewed and streamlined accordingly.
- The treatment of derivatives should be clarified.

In the alternative, if SFDR 2.0 introduces a **categorisation system** for financial products, there is also support in the industry for such system. However, we are of the view that:

- thorough consultation and market testing throughout the value chain is essential, prior to the launch of any such system;
- any such system should be voluntary;
- the requirements of marketing regulations and the diverse features of asset classes (e.g. alternatives, sovereigns, etc.) and product structures (e.g. fund of funds) should be accommodated (e.g., marketing restrictions, illiquidity of assets, limited data availability, etc);
- at least 3 categories (sustainable, transition, ESG basics) would be required to broadly cover existing products and maintain a large product choice;

- Taxonomy alignment should be optional, not mandatory (and reflect any changes made by the omnibus CSRD/Taxonomy);
- where categories set exclusion criteria, these should be linked to exclusions that are sufficiently credible and compatible across asset classes;
- appropriate grandfathering and transition provisions should be provided.

It is critical that the SFDR is interoperable with the relevant wider regulatory frameworks that apply to FMPs and financial products, to ensure consistency and avoid duplication, conflicts and disproportionate regulatory burden (e.g., taking into account the Omnibus, MiFID investor preferences, AIFMD, etc.). We therefore propose that the EC awaits the outcome of the Omnibus negotiations prior to proceeding with the SFDR proposals. We also emphasise the need for regulatory stability following the implementation of changes to the SFDR and for no further changes to be made to the SFDR RTS in the interim, to avoid short term uncertainty and unnecessary costs.