

MEMO# 32871

October 28, 2020

Call Summary -- With Central Bank of Ireland on the Sustainable Finance Disclosure Regulation

[32871]

October 28, 2020 TO: EU ESG Disclosure Regulation Working Group RE: Call Summary -- With Central Bank of Ireland on the Sustainable Finance Disclosure Regulation

We spoke with a team at the Central Bank of Ireland on 21 October to discuss implementation issues under the Sustainable Finance Disclosure Regulation (SFDR). Our overall impression is that the CBI team seems sincerely interested in arriving at pragmatic implementation solutions for the SFDR and that they are interested in working with the industry on this process.

Some takeaways:

- **Review process.** For the initial round of disclosures, they are still looking at options along a spectrum—from a ‘self-certification’ process, to a middle ground where they perform checks on some but not all documentation, to a full review. They intend to communicate more on this process by the end of the month.
- **Timing.** On the question of whether the documents must be approved or submitted for approval by 10 March 2020, they have not fully decided but are interested to know whether the funds will be comfortable with the documents if they are not approved by 10 March. They are keen to provide process certainty where they can and will notify the industry in advance of their decision on the dates. We emphasized the importance of communicating this to industry as soon as possible.
- **Article 4.** On disclosing PAI indicators – since there is no Level 2 to comply with, they will apply a principles-based approach at this time and will not be looking for specific indicators.
- **Article 6.** We asked for their thinking on the required prospectus disclosure around likely impact of sustainability risks on financial product returns (*i.e.*, performance attribution) and conveyed member concerns. They indicated that they were surprised they haven’t heard much yet from industry on this. No answers for us at this point, but they understand our concerns. As you have your own conversations with the CBI, we would encourage you to emphasize the concerns around this disclosure item.

- **Articles 8/9 - product categorization.** For the initial compliance deadline, they highlighted that what's key is that asset managers are making the initial determination about whether a product falls into the Article 8 or 9 category (with corresponding disclosure). After they review the initial round of disclosure, they anticipate an 'evolutionary process' where they will develop their thinking, including any issues they're seeing on product classification, and then will follow up with asset managers. They seem to be pragmatic about their approach and they plan to evolve along with the industry.
- **Articles 8/9 - location of disclosure.** Their preliminary understanding was that the ESAs' templates are envisioned as mandatory appendices but they seem to be receptive to our arguments that it may make sense to allow funds the flexibility to incorporate the SFDR disclosure into prospectuses. They want to do more thinking on this aspect.

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