BIPAR, on another note

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In this issue:

1. EIOPA's 2024 IORP market report

On 11 February 2025, EIOPA published its 2024 "IORPs in Focus" report (and a Factsheet) on the latest developments in Europe's occupational pension fund market (both domestic and cross-border IORPs (Institution for Occupational Retirement Provision) this time – the previous years EIOPA focused on cross-border IORPs only).

The main findings of the report are:

- a continued shift from defined benefit to defined contribution plans,
- a rebound in assets under management (AuM)
- a continuing decrease in the number of IORPs (by 1.7%, illustrating ongoing consolidation).

In terms of investment strategies, IORPs continue to rely on **investment funds**, especially on those invested in **equities and debt**. There are significant differences in the investment approaches across the Member States, which illustrates the relevance of local factors in shaping investment decisions.

Despite the IORP II Directive's aim to deepen market integration, **cross-border IORPs** operate in only 8 Member States, with the total number declining to 28, following stagnation in the growth of the number of IORPs since 2010.

There is also an increasing number of **multi-employer IORPs**, now making up the majority in most Member States.

There are currently **1419 IORPS**, with **71,6 million members and beneficiaries** (this represents a 30 % increase over the past 3 years, largely driven by growth in France) and **€2720 bn in assets**, with the largest IORPS located in the Netherlands, Sweden, Germany and France.

2. ESMA announces support and contribution to simplification and burden reduction

On 7 February 2025, ESMA published a statement, supporting the European Commission's objective to "simplify and reduce the reporting burden in the financial sector". It announces that it will look across its entire remit, including data, policy and supervision, to identify ways to ensure that the measures applicable to market participants are proportionate.

The first areas on which ESMA has focused are the following:

- **Transparency and volume cap regimes**
ESMA has introduced changes in the transparency framework under the MiFIR Review that will contribute to a significant reduction in the reporting burden for market participants.

- **Transaction reporting**
Other initiatives under the MiFIR Review aiming to reduce or ease the reporting burden include the consolidation and alignment of reference data for the purpose of transaction reporting and transparency and the alignment of specific requirements related to transaction data with other reporting regimes, such as EMIR.

- **Digitalising sustainability and financial disclosure**
In the corporate reporting area, ESMA is currently consulting on proposals, in accordance with the European Single Electronic Format (ESEF), to digitalise sustainability disclosures in a phased way to spread the reporting burden over a number of years. The consultation also points at easing the burden associated with electronic disclosures of the notes to the financial statements.

ESMA will continue to engage with stakeholders to identify areas where further simplification and burden reduction could be achieved. This and other future initiatives will help to reduce cost and complexity for companies, saving time that can be redirected towards other business activities.

Verena Ross, ESMA Chair, said: *"At ESMA we aim to play our part in simplifying the regulatory framework and in reducing unnecessary reporting burdens where feasible. This work should not be about deregulation but about avoiding duplications and streamlining some of the reporting requirements for market participants".*
"A concrete example is the proposed change related to data reporting for transparency purposes under the MiFIR regime. The reuse of already reported transaction data allows for the removal of duplicative reporting obligations and related IT-systems that have been used to make these calculations so far."

3. The EU PSF published a report on simplifying the EU Taxonomy to foster Sustainable Finance

On 5 February, the European Platform on Sustainable Finance (EU PSF, an advisory body to the EC), published its report on "Simplifying the EU Taxonomy to foster Sustainable Finance". This is directly linked to the push coming from the Commission to reduce reporting and administrative burdens (as Taxonomy is one of the Directive in the scope of the upcoming simplification omnibus package).The aim is to refine the **"do no significant harm" (DNSH)** criteria and reporting obligations and also to develop a voluntary and simplified approach for SMEs in order to integrate the Taxonomy requirements into some disclosures (such as the ones under **SFDR (Sustainable Finance Disclosures Regulation)** or **CSRD (Corporate Sustainability Reporting Directive)).**

As stated by the EU PSF: *"Simplification requires the review of the Taxonomy Regulation Disclosures Delegated Act and its Climate and Environmental Delegated Act, which are already scheduled for evaluation. Addressing key operational hurdles through these updates is essential* *for reducing the reporting burden on companies. Our report presents specific proposals to revise the Taxonomy Disclosures Delegated Act, leading to a reduction of over a third in the reporting burden for non-financial companies and a significant simplification for financial institutions."*

The report proposes 4 main measures to simplify Taxonomy reporting:

1. to introduce a materiality principle applicable to all entities, materiality thresholds for all nonfinancial company key performance indicators (KPIs).
2. to allow for estimates and proxies for reporting, in conjunction with safe harbours to protect against greenwashing allegations
3. to refine the DNSH assessment and reporting obligations.
4. to develop simplified and voluntary approaches for small and medium sized enterprises (SMEs), as well as for banks and investors, to integrate taxonomy into their disclosures (under CSRD and SFDR, for example).

Reminder

The EU Taxonomy focuses on six environmental objectives and is a fundamental cornerstone of the EU's sustainability policy architecture. Together with other regulations such as the CSRD, SFDR and the Corporate Sustainability Due Diligence Directive (CSDDD), Taxonomy helps companies and financial institutions identify opportunities, set transition targets, manage risks and ultimately reorient capital towards a more competitive, equitable and prosperous net-zero economy.

Quid for intermediaries?

Intermediaries are not directly in the scope of the Taxonomy Regulation, **but** they are indirectly impacted as they will have to use it when selling and providing advice on products that are taxonomy-aligned (in compliance with disclosure requirements under SFDR), or when advising clients who need to comply with the Taxonomy Regulation.

4. The EU PSF published its draft report on preliminary recommendations for the review of the Climate Delegated Act and the addition of activities to EU Taxonomy

On 8 January 2025, the **Platform on Sustainable Finance** (the **EU PSF**, an advisory body to the EC) published a draft report on preliminary recommendations for the review of the Climate Delegated Act and the addition of activities to the EU taxonomy. The draft report presents a set of recommendations for revision of technical screening criteria of activities included in the Taxonomy Climate Delegated Act and for the addition of new activities to the EU Taxonomy.

Review of criteria and analysis for the Climate Delegated Act:

- Usability improvements for the generic climate change adaptation criteria.
- Consistency and usability improvements for selected activities under the Climate Change Mitigation and Adaptation objectives, including through harmonising activity titles and descriptions.
- Adjustment to scientific results and technological developments of selected substantial contribution and "do no significant harm" (DNSH) criteria under the Climate Change Mitigation objective.
- General recommendations for updating substantial contribution and DNSH criteria under the Climate Change Mitigation objective.
- Mapping of activities with inconsistent or insufficiently considered DNSH criteria.

New activities mandated by the European Commission:

- Refining substantially contributing to Climate Change Mitigation.
- Mining substantially contributing to Climate Change Mitigation.
- Close to Market Research, Development and Innovation substantially contributing to all four objectives of the Environmental Delegated Act.
- Digital Solutions and Services substantially contributing to all four objectives of the Environmental Delegated Act.

The EU PSF reminds us that the draft report is a working document with preliminary recommendations on the technical screening criteria that do not represent a final view of the Platform. It is neither an official Commission document nor an official Commission position. Nothing in this document commits the Commission nor does it preclude any policy outcomes.

It is also interesting to note that, based on the resources, workload and time available, the EU PSF could not finalise its recommendations on all activities that were mandated by the Commission. In this context, it is important to note that the non-inclusion of an activity in the present draft report does not imply that the activity will not be considered for inclusion in the EU Taxonomy.

5. Mortgage Credit Directive - European Commission sends reasoned opinion to France for incorrect transposition

The European Commission has decided to take a next step in the infraction procedure against France for incorrect transposition of the Mortgage Credit Directive (MCD Directive 2014/17).

The infraction procedure regards two aspects of the MCD:

1) The credit intermediary passport: MCD requires that credit intermediaries can offer their services on a cross-border basis or by establishing a branch in France within a specific time frame. They should be able to operate based on the authorisation obtained in their home Member State and irrespective of any prior checks or registration by the French authorities. The Directive also requires that their supervision is carried out by the competent authorities of the home Member State and that supervision by French authorities needs to be limited in line with the Directive.
2) Remuneration of the staff of creditors, credit intermediaries or appointed representatives providing advisory services must not be contingent on sales targets.

The Commission already sent a letter of formal notice to France in February 2024, to which French authorities replied in April 2024. Nevertheless, the Commission considers that France has failed to correctly transpose these aspects of the MCD. Therefore, it has now decided to issue a reasoned opinion to France, which now has two months to reply and take the necessary measures. Otherwise, the Commission may decide to refer the case to the Court of Justice of the European Union.

6. ESMA and NCAs common supervisory action on UCITS and AIFM compliance and internal audit functions

On 14 February 2025, ESMA together with the national competent authorities, launched a Common Supervisory Action (CSA) to assess to what extent UCITS management companies and Alternative Investment Fund Managers (AIFMs) have established effective **compliance and internal audit functions** with the adequate **staffing, authority, knowledge, and expertise** to perform their duties under the AIFM and UCITS Directives.

These functions are designed to ensure that the internal control mechanisms to monitor, identify, measure, and mitigate any possible risks of non-compliance with the applicable rules are in place. Therefore, ensuring that the entities have robust internal controls is crucial to avoid investor detriment and preserve financial stability.

The work will be done using a common assessment framework developed by ESMA, which sets out the scope, methodology, supervisory expectations, and timeline on how to carry out a comprehensive supervisory action in a convergent manner.

During 2025, NCAs will share knowledge and experiences through ESMA to foster convergence in how they supervise the compliance of UCITS management companies and AIFMs with the relevant rules in the area.

ESMA will then publish a final report with the results of the exercise in 2026.