

Consultation Response

European Commission ESG ratings regulation proposal

1 September 2023

AFME welcomes the Commission's proposal for a regulation on the transparency and integrity of ESG ratings. As has been acknowledged by IOSCO, the EU authorities and in other jurisdictions, ESG ratings play an increasingly important role in financial markets. It is an important initiative to enhance trust and the reliability of ESG ratings and AFME supports the Commission's efforts to ensure that ESG rating activities are conducted in accordance with the principles of integrity, transparency, responsibility and good governance, and in accordance with the IOSCO Recommendations on ESG Ratings and Data Product Providers (the "IOSCO Recommendations"). As the Commission has recognised, it is also important not to unnecessarily stifle further innovation and development of the market.

Our views provide the perspective of our bank and asset manager members from a user, rated entity and regulated financial undertaking perspective.

AFME supports the proposal to introduce a regulatory regime for (currently unregulated) ESG ratings providers with the objective of enhancing the transparency and integrity of ESG ratings products. We support this being aligned with the IOSCO Recommendations including through the introduction of transparency and governance requirements.

In summary, our key recommendations are the following:

- **Clarify the scope** to ensure that it does not unintentionally capture products or activities of regulated financial undertakings, as they are already subject to authorisation and regulatory requirements under existing regulation;
- **Introduce transparency and governance requirements** for ESG ratings providers aligned with the IOSCO recommendations;
- **Support efficient and effective interactions** between ESG Ratings Providers and rated entities; and
- **Ensure that the third country regime is workable** in practice and that requirements are interoperable with similar requirements in third countries.

We will continue reviewing the details of the proposal during the political negotiations' phase, with the aim of developing targeted recommendations in support of the objectives of this regulation. Our focus will be on ensuring that its scope is the most appropriate, including as regards the activities of regulated financial undertakings as well as the provision of raw ESG data products. We look forward to engaging further and discussing more in detail these recommendations with authorities and policymakers.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.¹

¹ AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

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