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# TAXONOMY DISCLOSURE DELEGATED ACT

## EUROPEAN COMMISSION'S CONSULTATION

### AMAFI's answer

*AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.*

Following the publication of the EC's proposal of an Omnibus package (*Omnibus I* & *Omnibus II*) concerning the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D) and the EU Taxonomy Regulation, several consultations have been launched on proposed amendments to the Taxonomy Delegated Acts[1]. Among these, AMAFI is particularly focused on the proposed amendments to the Disclosure Delegated Act[2] and welcomes this consultation as an opportunity to provide its views.

AMAFI regrets that the EC has only proposed a postponment of the **KPIs on Fees & Commissions and the Trading Book**, and that this postponment is for one year only, especially considering that the CSRD reporting obligations are proposed to be deferred by two years[3]. In our view, the obligation to publish these KPIs should be removed, their relevance being questionable, as they **do not capture the contribution of credit institutions to sustainable finance**.

AMAFI also considers that the **inclusion of derivatives in the Taxonomy ratios** should be addressed.

In this context, our answer focuses on these two aspects.

[1] Taxonomy Delegated Acts – amendments to make reporting simpler and more cost-effective for companies, 26 February 2025.

[2] Commission Delegated Regulation (EU) 2021/2178

[3] *"Thirdly, this proposal would postpone by two years the entry into application of the reporting requirements for the second wave (large undertakings that are not public interest entities and that have more than 500 employees, as well as large undertakings with fewer than 500 employees) and the third wave (listed SMEs, small and non-complex credit institutions, and captive insurance and reinsurance undertakings). The objective of the postponement is to avoid a situation in which certain undertakings are required to report for financial year 2025 (second wave) or 2026 (third wave) and are then subsequently relieved of this requirement. Such a situation would mean that the undertakings in question incur unnecessary and avoidable costs."* (*2025/0044 (COD), Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements, Section 1*)

# I. Suppression of the KPIs on Fees & Commissions and the trading book

**AMAFI calls for the suppression of these KPIs** for the reasons set out below.

- **The Fees & Commissions KPIs**

  - **Limited relevance to sustainability**: these KPIs primarily measure the alignment of counterparties' activities rather than reflecting a credit institution's own sustainability strategy. As a result, they fail to capture the institution's actual contribution to sustainable finance.
  - **Reduced data scope**: with the recent simplification proposals, the scope of companies required to report Taxonomy information has been significantly reduced[4]. Consequently, fewer data points will be available, making the KPIs even less meaningful and their comparability across institutions more challenging.
  - **High implementation costs outweighing benefits**: the calculation of the Fees & Commissions KPIs for services other than lending—such as payments, custody, and clearing—requires extensive data collection and complex weighting based on the Taxonomy alignment rate of counterparties. This process is extremely resource-intensive and costly. Moreover, as previously mentioned, these KPIs may not effectively reflect a credit institution's sustainability efforts. Therefore, the substantial implementation costs are not justified by the limited benefit they provide.

**In summary, removing the obligation to report the Fees & Commissions KPIs from the Disclosure Delegated Act will better serve the objectives of sustainable finance by avoiding unnecessary reporting burdens and focusing on metrics that truly reflect a credit institution's impact.**

- **The Trading Book KPI**

After discussions with DG FISMA, AMAFI understands that the Trading Book KPI was originally conceived to capture the trading activity of credit institutions as some, despite having limited banking book activity, could take significant trading positions on their own account. However, such a scenario should be backed by factual evidence, as for example in France it is severely restrained by applicable law. This justification is key given how little relevance this KPI actually has:

  - **Misalignment with sustainability objectives**: trading activities are primarily driven by market demand rather than a strategic commitment to sustainable finance. As a result, this KPI does not effectively measure a bank's contribution to the green economy, since such activities rarely align with long-term sustainability goals or directly support sustainable capital flows.
  - **Risk of misinterpretation:** relying on this KPI may mislead stakeholders on the true sustainability performance of credit institutions. It reflects short-term market

[4] Large companies with less than 1,000 employees and turnover below €450 million will no longer be obliged to report EU Taxonomy KPIs, though they may opt in voluntarily.

activities rather than core sustainable finance initiatives, potentially obscuring the institution's actual environmental impact.

- **High complexity and cost compared to benefits:** similar to the Fees & Commissions KPIs, the Trading Book KPI requires extensive data collection on short-term trading activities such as market-making, client hedging, and responses to market conditions. These processes are resource-intensive and costly. Given the limited insights provided by this KPI into a bank's sustainability efforts, the substantial implementation costs are not justified.

## II. INTEGRATION OF DERIVATIVES IN TAXONOMY RATIOS

Even though this topic is not addressed in the consultation, **AMAFI underscores the importance of integrating derivatives that provide exposure to equity and credit underlying into the numerator of Taxonomy ratios** to accurately reflect their contribution to sustainable finance.

AMAFI has emphasised in several consultation responses and position papers[5] the need for consistent inclusion of credit and equity derivatives in sustainable finance metrics, both at the entity and product level. The sustainable characteristics of these financial instruments can be assessed by examining the attributes of their underlying assets, and accounting for both long and short positions would provide a complete view of a financial market participant's commitment or disengagement with the underlying companies.

Currently, the Disclosure Delegated Act explicitly excludes derivatives from the numerator of financial institutions' KPIs[6] while including them in the denominator. At the product level, under SFDR, only short positions in derivatives can be accounted for in the numerator, acknowledging their potential impact but only in a negative sense.

This asymmetry fails to recognise the positive contributions that derivatives with equity and credit underlying can make toward sustainability objectives, leading to an incomplete representation of financial institutions' efforts to channel capital toward sustainable investments[7].

The exclusion of derivatives from the numerator of Taxonomy ratios presents several challenges:

- **Underrepresentation of sustainable activities:** by not accounting for long positions on derivatives with equity and credit underlying, the current methodology underrepresents financial institutions' engagement in sustainable finance.

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[5] *AMAFI / 21-47, AMAFI / 23-03, AMAFI / 23-13, AMAFI / 23-54, AMAFI / 23-89, AMAFI / 24-85, AMAFI / 25-07,* and *AMAFI / 25-11.*

[6] *"2. Derivatives shall be excluded from the numerator of key performance indicators of financial undertakings."* (*Commission Delegated Regulation (EU) 2021/2178, Art. 7 (2)*)

[7] *"Derivatives are not addressed for similar reasons. It should further be noted that, under the draft SFDR RTS (JC, 2023), exposures achieved through derivatives should not be included in the numerator to calculate the proportion of Taxonomy-aligned investments. In addition, any future outputs derived from the Platform´s work on derivatives working group will be monitored and integrated as appropriate"*, page 41, EU Platform on Sustainable Finance, Financing a Clean and Competitive Transition Monitoring Capital Flows to Sustainable Investments Methodology March 2025.

- **Distorted incentives**: the asymmetrical treatment of derivatives may discourage their use in funds and sustainable financial products, potentially hindering innovation and cost-efficient techniques in green finance.

Even if derivative positions may represent only a small share of total exposures contributing to entity-level KPIs (such as the Green Asset Ratio and Green Investment Ratio), including them in the numerator would establish the principle that these financial instruments can play a meaningful role in supporting sustainability objectives, and this contribution deserves to be recognised.

This remains valid even if, in practice, the introduction of a 10% materiality threshold may still limit their inclusion. Recognising derivatives at entity-level would also strengthen the case for their inclusion at the product level, given the interdependence between both levels – a linked clearly underlined by the Platform on Sustainable Finance in its recommendations to simplify the Taxonomy framework[8].

Accordingly, **AMAFI recommends amending the Disclosure Delegated Act to allow the inclusion of derivatives exposures, when they demonstrably contribute to sustainability objectives, in the numerator of the Taxonomy ratios.**

[8] *"At the time of writing, derivatives are excluded from the numerator of Taxonomy KPIs and may be integrated post review of the Taxonomy Disclosures Delegated Act."*, EU Platform on Sustainable Finance, Simplifying the EU Taxonomy to Foster Sustainable Finance Report on Usability and Data, section "Treatment of derivatives', page 31, February 2025.