

## Joint Trade Association response to the European Commission's call for evidence on the simplification of administrative burden in environmental legislation

As representatives of the financial sector, our associations strongly supports the European Commission's overarching objective of reducing unnecessary administrative burden while ensuring that environmental objectives remain intact. Simplification and better implementation of EU rules are crucial to safeguard competitiveness, reduce costs for businesses and ensure more effective policy outcomes.

To that end, we underline the importance of **regulatory coherence**: simplification initiatives should address and prevent **duplication, inconsistencies or overlaps with the existing sustainable finance framework** that already applies to financial market participants.

### 1. Avoiding duplication and ensuring focus on the real economy

The EU has already introduced a comprehensive set of obligations for financial products and services in the field of sustainability. The **SFDR**, the **Taxonomy Regulation**, the **CSRD**, and sectoral rules (CRR/CRD, UCITS, AIFMD, MiFID, IDD, Solvency II) provide detailed standards on disclosure, reporting, and marketing of ESG-related product characteristics.

This framework is reinforced by **supervisory guidance from ESMA and NCAs** and the extensive **greenwashing assessment by the ESAs**, which together provide strong safeguards against misleading sustainability claims and ensure climate due diligence obligations.<sup>1</sup>

Against this background, we stress that any environmental simplification initiative must:

- **Maintain a full exemption for financial products and services** from the scope of the Green Claims Directive, so as to avoid unnecessary duplication with the EU's sustainable finance rulebook.
- Ensure that **financial market participants are not subject to double reporting or double due diligence duties** that are already comprehensively addressed under sustainable finance rules and sectoral legislation.
- **Maintain focus on the real economy**: this approach mirrors our support for the CSDDD simplification. By excluding financial institutions' downstream activities from additional due diligence obligations, the legislation avoids duplicative burdens and aligns responsibilities with actors who genuinely manage supply chain impacts. Simplification of real economy legislation is therefore essential, not just for the industry, but to enhance the quality of information and facilitate effective, sustainable finance.

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<sup>1</sup> See, inter alia: (i) the SFDR regulatory framework with standardised templates for precontractual and periodic disclosures; (ii) ESMA's supervisory briefing on sustainability risks and disclosures in investment management (2022) and its 2025 Thematic Note on sustainability claims; (iii) the ESAs' 2024 greenwashing reports, which found little evidence of actual greenwashing while confirming that NCAs already prioritise supervision of sustainability related claims.

## 2. EUDR: ensure due diligence is imposed at the right level (lead operators), not downstream financial services

*Article 34(4) of the EUDR* foresees an impact assessment to “*evaluate the role of financial institutions in preventing financial flows that contribute directly or indirectly to deforestation and forest degradation and assess the need to provide for any specific obligations for financial institutions in Union legal acts in that regard.*”

This review clause suggests that EUDR due diligence obligations could be envisaged for financial institutions. However, extending such obligations would **duplicate** duties that already fall on the investee or financed companies operating with EUDR-listed products. Such duplication would not only be unnecessarily **burdensome but unworkable**: general-purpose investments provide access to information at the **corporate** level, not at the **commodity-specific** level required under the EUDR.

Moreover, the financial sector is already comprehensively regulated under the EU’s sustainable finance framework, including the SFDR, the Shareholders’ Rights Directive, AIFMD, and UCITS. The ongoing CSDDD discussions have already rightly recognised this, with the Commission’s proposal suggesting the deletion of the review clause on downstream financial services. The EUDR should not take a different approach and expand the scope to financial institutions. We support the Commission’s intention to simplify and reduce administrative burden in the implementation of the EUDR. This appears particularly important in order to avoid a multiplication of duties along entire industry value chains, which would not contribute to strengthening the fight against deforestation.

### *Clarifying scope: avoiding unintended capture*

As currently worded, the EUDR risks capturing any actor who “makes available” relevant materials or products on the market, even when they are far removed from the actual sourcing of commodities. As a result, certain downstream users like (financial) services firms may view themselves within the scope, e.g. by providing legal and marketing documents to clients that are printed on paper, even if commissioning them from EU printing companies that source paper from EU suppliers.

### *Our recommendation*

Due diligence requirements should be **explicitly clear to be limited to “lead operators or traders”**, i.e. those first placing commodities or products on the EU market, whether by import or EU sourcing. Downstream actors, including financial institutions, should be able to **rely on the due diligence statements of these lead operators**, rather than repeating assessments that add no value. This would ensure a proportionate framework that imposes obligations at the right level, namely those with actual responsibility for commodity sourcing, and would avoid multiplication of duties and the creation of large repositories of duplicative data without strengthening the fight against deforestation.

## About AFME

The Association of Financial Markets Europe (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.

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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## About EFAMA

**EFAMA** is the voice of the European investment management industry, which manages around EUR 33 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the EFAMA Fact Book. More information is available at [www.efama.org](http://www.efama.org)

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## About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 76 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.



Information about ISDA and its activities is available on the Association's website: [www.isda.org](http://www.isda.org). Follow us on [LinkedIn](#) and [YouTube](#).

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