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A European Financial Regulator expects stricter and more detailed SFDR disclosures are expected from the investment fund industry

The Luxembourg financial regulator, the [Commission de Surveillance du Secteur Financier \(CSSF\)](#), published [a report delineating its observations and recommendations on the implementation of sustainability-related provisions in the investment fund industry](#). The report covers advancements in the implementation of the Sustainable Finance Disclosure Regulation (SFDR) and its accompanying Regulatory Technical Standards (RTS), the Taxonomy Regulation and the ESMA Fund Name Rule. In its report, the CSSF clarifies how entities should disclose, stressing the need to provide “sufficiently detailed product-level information”. Interestingly, in addition to providing guidance and expectations, the CSSF provides cases that do not satisfy the disclosure requirements and that it considers insufficient:¹

The reference to a global policy adopted by the entity, applicable to all funds managed, without any concrete elements on specific actions and/or engagements for each individual fund is not sufficient.	Insufficiently detailed explanation of the methodology and the underlying assumptions entities have applied to carry out their assessment of sustainable investments, including how they determine that investee companies meet the “good governance practices” requirement.
Excessive use of hyperlinks in marketing communications rather than one hyperlink which points to all the sustainability-related information.	No indication of a commitment (different from 0%) for the environmental and/or social objectives selected for Article 9 funds.
Lack of a clearly-titled principal adverse impacts (PAI) statement for considering or not considering PAI of investment decisions on sustainability factors.	A mere repetition of how PAI is considered at entity level without detailed explanation of the consideration of PAI which relates to the individual fund under consideration.
Too general descriptions of environmental/social characteristics or sustainable objectives pursued by a given fund in the precontractual disclosures that are not clearly stated and sufficiently explained.	Use of technical jargon that does not allow investors to make an informed judgement about any limitations to the methodologies and the data sources.

¹ Luxembourg stock exchange is a [popular place](#) for listing investment funds that are marketed globally.

Cybersecurity takes the spotlight in the U.S. calling to new developments

This month witness two significant cybersecurity developments in the U.S.:

(1) The U.S. Securities and Exchange Commission (SEC) adopted [new rules regarding Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure governing cybersecurity disclosures by publicly traded companies](#). The SEC rules require every publicly-traded company, including foreign private issuers, to describe in their annual reports:

1. The processes for the assessment, identification, and management of material risks from cybersecurity threats;
2. Whether any risks from cybersecurity threats have materially affected or are reasonably likely to materially affect the company (including its results of operations and or financial condition);
3. The board’s oversight of risks from cybersecurity threats; and²
4. The management’s role and expertise in assessing and managing material risks from cybersecurity threats.

Material cybersecurity incidents are required to be reported within four business days by public companies that report on U.S. domestic SEC forms.

(2) The National Institute of Standards and Technology (NIST)’s [released](#) its latest [Cybersecurity Framework 2.0](#). The draft Framework expands the focus from critical infrastructure entities to all organizations, regardless of type or size, and emphasizes the rigor of an organization’s cybersecurity risk governance.

² The SEC seems to have decided that disclosure of Board members’ specific cybersecurity expertise is someplace it doesn’t want to go. Issuers will not be required to disclose specific cybersecurity expertise.

New amendments by Egypt’s Financial Regulatory Authority aim to address the inadequate adherence to corporate governance principles

Late this month, Egypt’s [Financial Regulatory Authority](#) (FRA) [amended](#) the Authority’s decision No. 1 for 2017 regarding the standards for financial evaluation of enterprises. The new changes include methodologies, models and standards for start-ups, to encourage clearer valuation by investors and greater access to funding by start-up companies. Among the considerations for evaluating start-ups are the nature of the company’s activity and sector, the qualifications of its team, analysis of its strengths and weaknesses, review of the opportunities that the company may face and the extent of its adherence to governance principles. Commitment to governance principles will also be highlighted in the amendments to the Capital Market Law No. 95 of 1992, as [ordered](#) by Egypt’s Prime Minister in a recent decision.