Readout of the telephone conversation between President Charles Michel and President of Ukraine Volodymyr Zelenskyy

A phone call between the President of the European Council Charles Michel and President of Ukraine Volodymyr Zelenskyy took place on Thursday 15 April 2021.

President Charles Michel expressed deep concern with regard to the large ongoing build-up of Russian military forces on Ukraine’s border and in illegally-annexed Crimea. Such large-scale military movements represent threatening and destabilizing activities.

The President of the European Council conveyed the EU’s unwavering support to Ukraine’s independence, sovereignty and territorial integrity in its internationally recognised borders. The EU is united in its solidarity with Ukraine.

President Michel reiterated his call on Russia to uphold the OSCE principles and commitments on transparency of military movements.

He also recalled the EU’s full support to efforts in the Normandy Format and the Trilateral Contact Group and called for the full implementation of the Minsk Agreements as the way forward towards a lasting settlement.

The ministers of Foreign Affairs of the EU will exchange views on Ukraine on Monday. The ministers will also hold an informal exchange with the Minister for Foreign Affairs of Ukraine, Dmytro Kuleba.

President Michel reiterated his thanks for President Zelenskyy ‘s invitation to the Crimea Platform Summit planned on 23 August, which he accepted during his visit to Ukraine on 2 March. President Michel looks forward to attending.

ESMA highlights need for increased efforts on EMIR and SFTR data quality

The Report is the first review of data quality since the introduction of the EMIR and SFTR reporting regimes. It also reviews the quality of data reported by trade repositories and gives an overview of actions taken by both ESMA and the NCAs to improve data quality.

Anneli Tuominen, Interim Chair, said:

“The publication of the first ESMA Data Quality report provides transparency to stakeholders on ESMA’s and NCAs’ activities aimed at improving the quality of data reported by trade repositories. While progress has been made, the Report also identifies the need for increased efforts by ESMA, NCAs, trade repositories and reporting entities to ensure good quality data that facilitates the monitoring of systemic risk and financial stability.

“High quality data is necessary to enable the effective use of data. Stakeholders need to be aware of the progress made towards better data quality and this annual report provides them with an important tool to monitor improvements to data quality.’’

EMIR Data Quality

Good progress has been made in recent years in improving the quality of EMIR data which allows it to be used for regulatory and supervisory purposes. ESMA and the NCAs have worked closely to achieve this and carried out numerous activities to improve data quality. However, the analysis of reported data indicates that there are a significant number of derivatives that are being reported late, not in line with the EMIR format and content rules, as well as derivatives that do not reconcile or are not reported altogether. The report shows that:

i.based on early 2021 data, around 7% of daily submissions are being reported late by counterparties;

ii.up to 11 million of open derivatives did not receive daily valuation updates;

iii.according to ESMA estimates, there tend to be between 3,2 and 3,7 million of open non-reported derivatives on a given reference date during 2020; and

iv.around 47% of open derivatives (totalling circa 20 million open derivatives) are unpaired.

The report also contains jurisdictional breakdowns of several data quality issues.

SFTR Data Quality

ESMA, in view of the fact that the SFTR reporting regime was only launched recently, presents a limited overview of SFTR data quality in terms of key data quality indicators, such as rejection rates, as well as an overview of the data reporting landscape. In view of the complexity and scale of SFTR reporting, it is important that all relevant stakeholders – counterparties, TRs, NCAs and ESMA – set aside sufficient resources to monitor data quality thoroughly.

Like EMIR, Brexit has also had a significant impact on the SFTR reporting landscape. There has been nearly 50% decline in the number of open SFTs immediately following Brexit. However, the number of open SFTs has had an increasing trend since.

ESMA will publish its Data Quality Report annually.

Retail clients continue to lose out due to high investment products costs

The European Securities and Markets Authority (ESMA), the EU securities regulator, today publishes its third annual statistical report on the cost and performance of European Union (EU) retail investment products. In the report ESMA finds that the costs of investing in key financial products, such as UCITS funds, retail alternative funds, and structured investment products (SRPs) remain high and diminish the investment outcome for final investors.

Clear and understandable information about the impact of costs on the returns that retail investors can expect to receive is key to allowing investors to make informed investment decisions. Ensuring this information is made available is a key element in meeting ESMA's investor protection objective.

The main findings in the report are the following:

- **Fund costs:** UCITS costs only marginally declined over time. For one-year investments they were 1.4% in 2019 compared to 1.5% in 2018 on average across asset classes;
- **Volatile returns**: Average gross UCITS fund performance depends on market developments and varies significantly over time. It amounted to 7.7% in 2019, while it reached no more than +0.2% in 2018 for a one-year investment. The market impact of COVID-19 falls outside the reporting period;
- **Retail investors:** Retail clients pay on average around 40% more than institutional investors across asset classes. A ten-year investment of EUR 10,000 in a portfolio composed of equity, bond and mixed funds led to a gross value of around EUR 21,800 and EUR 18,600 after costs. Around EUR 3,200 in costs were paid by the investor;
- **Risks**: Higher risk exposures entailed higher costs irrespective of the asset class;
- **Active and passive funds:** The evidence on cost structure showed that costs were higher for active equity and bond UCITS compared to passive and UCITS ETFs, ultimately implying net underperformance of active equity and bond UCITS, on average, compared to passive and UCITS ETFs. Top-25% active equity UCITS overperformed compared to the top-25%

passive and related benchmarks, at shorter horizons. However, the cohort of UCITS changes over time making it complicated for investors to consistently identify outperforming UCITS;
- **ESG funds:** ESG outperformed non-ESG equity UCITS mostly due to sectoral factors. According to the evidence, actively managed ESG funds showed lower costs than non-ESG, not supporting the view that there is systematic greenwashing by ESG funds;
- **Retail AIFs:** Retail AIFs, similar to UCITS, showed high return volatility. While being negative in 2018, gross annualised returns in 2019 were 12% for Fund of Funds (FoFs) and 9% for the residual category "Others" that includes investment primarily focused on equity and bonds. Net returns confirm what has been observed for gross returns, being 11% for FoFs and 7% for Others;
- **SRPs:** The analysis on costs and performance scenarios for SRPs showed that total costs were largely attributable to entry costs and varied substantially by country and payoff type. Moreover, there was little difference in simulated returns between moderate and favourable performance scenarios; and
- **Transparency:** There is limited comparability across Member States. Heterogeneity and data availability issues persisted, as well as lack of harmonisation in national regulation.

This report aims at facilitating increased participation of retail investors in capital markets by providing consistent EU-wide information on cost and performance of retail investment products. It also demonstrates the relevance of disclosure of costs to investors, as required by the MiFID II, UCITS and PRIIPs rules and the need for asset managers and investment firms to act in the best interest of investors, as laid down in MiFID II, and the UCITS and AIFM Directives.

Next steps

EIOPA has also published today its report on **insurance-based investments products and personal pension products**. A joint ESMA-EIOPA event to share the findings of both reports will take place on 21 April 2021. During this webinar you will see a presentation of the reports, which will be followed by a Q&A session.

Webinar on ESMA and EIOPA's ASRs on cost and performance

ESMA and EIOPA have published their third reports on the cost and past performance of retail investment products, insurance-based investments products and personal pension products.

A joint ESMA-EIOPA event to share the findings of both reports will take place on 21 April 2021. During this webinar you will see a presentation of the reports, which will be followed by a Q&A session.

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