Answers to the consultation

Q1.Do you agree with the need to introduce quantitative thresholds to assess funds' names?
Yes, introducing quantitative thresholds helps to objectify the nature of the fund and therefore limit any *"ESG-washing"* behaviors. Such a threshold could reduce the information asymmetry in the financial markets.

Q2.Do you agree with the proposed threshold of 80% of the minimum proportion of investments for the use of any ESG-, or impact-related words in the name of a fund? If not, please explain why and provide an alternative proposal.
Yes, but ESMA should clarify the definition of *"investments should be used to meet the environmental or social characteristics or sustainable investment objectives".* The idea of a quantitative threshold holds only if the definition of what can be included in the minimum proportion of investments is clear.

Q3.Do you agree to include an additional threshold of at least 50% of minimum proportion of sustainable investments for the use of the word "sustainable" or any other sustainability-related term in the name of the fund? If not, please explain why and provide an alternative proposal.
No, I don't get the rationale about differencing the two terms and the thresholds. The 80% threshold should apply for all commitments.

Q4.Do you think that there are alternative ways to construct the threshold mechanism? If yes, please explain your alternative proposal.
Yes, a 90% threshold could be an alternative solution, referring to the concept of statistical significance of 10% used by quantitative analysts or econonomists.

Q5.Do you think that there are other ways than the proposed thresholds to achieve the supervisory aim of ensuring that ESG or sustainability-related names of funds are aligned with their investment characteristics and objectives? If yes, please explain your alternative proposal. If yes, please explain your alternative proposal.
Yes, random audits of funds by ESMA and sanctions for *"ESG-washers"* could greatly reduce these questionable practices.

Q6.Do you agree with the need for minimum safeguards for investment funds with an ESG- or sustainability-related term in their name? Should such safeguards be based on the exclusion criteria such as Commission Delegated Regulation (EU) 2020/1818 Article 12(1)-(2)? If not, explain why and provide an alternative proposal.
Yes.

Q7.Do you think that, for the purpose of these Guidelines, derivatives should be subject to specific provisions for calculating thresholds?
I am not an expert of the derivative market.

Q8.Do you agree that funds designating an index as a reference benchmark should also consider the same requirements for funds' names as any other fund? If not, explain why and provide an alternative proposal.
Yes

Q9. Would you make a distinction between physical and synthetic replication, for example in relation to the collateral held, of an index?
Yes.

Q10. Do you agree of having specific provisions for "impact" or impact-related names in these Guidelines?
No, I think that a fund name should not deceipt or mislead investors, whatever the investment theme.

Q11. Should there be specific provisions for "transition" or transition-related names in these Guidelines? If yes, what should they be?
No, I think that a fund name should not deceipt or mislead investors, whatever the investment theme.

References

Candelon, B., Hasse, J. B., & Lajaunie, Q. (2021). Esg-washing in the mutual funds industry? from information asymmetry to regulation. *Risks*, 9(11), 199.

El Ghoul, S., & Karoui, A. (2021). What's in a (green) name? The consequences of greening fund names on fund flows, turnover, and performance. *Finance Research Letters*, 39, 101620.

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