

Circular

ESMA consults in measures to promote sustainability in EU capital markets

Background

Sustainability has long been at the heart of the European project. Following the adoption of the 2016 Paris agreement on climate change and the United Nations 2030 Agenda for Sustainable Development, the Commission has expressed in the ‘Action Plan: Financing Sustainable Growth’ its intention to clarify so-called fiduciary duties and increase transparency in the field of sustainability risks and sustainable investment opportunities with the aim to:

- reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
- assess and manage relevant financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
- foster transparency and long-termism in financial and economic activity.

On 24 May 2018, the Commission adopted a package of measures on sustainable finance. The package included proposals aimed at establishing a unified EU classification system of sustainable economic activities ('taxonomy'); improving disclosure requirements on how institutional investors integrate environmental, social and governance (ESG) factors in their risk processes; creating a new category of benchmarks which will help investors compare the carbon footprint of their investments.

European Securities and Markets Authority (ESMA) has launched a public consultation on sustainable finance initiatives to support the European Commission's (EC) Sustainability Action Plan in the area of securities trading. This consultation seek stakeholders' input on draft technical advice for the integration of sustainability risks and factors into the Markets in Financial Instruments Directive II (MiFID II). The consultation focuses on environmental, social and good governance considerations with regards to investment firms.

This [Consultation Paper](#) is primarily of interest to competent authorities and firms that are subject to Directive 2014/65/EU of the European Parliament and of the Council (MiFID II). In particular, this paper is addressed to investment firms and credit institutions performing investment services and activities and their staff. This paper is also important for trade associations, investors, and consumer groups, because the guidelines seek to implement

enhanced provisions to ensure investor protection with potential impact for anyone engaged in the dealing with or processing of financial instruments.

This [Consultation Paper](#) covers the topics on which the Commission has requested ESMA to provide technical advice, namely: organisational requirements; risk management; product governance. It also includes suggested amendments to the ESMA guidelines on MiFID II product governance requirements and the ESMA guidelines on certain aspects of the MiFID II suitability requirements.

Responding to the Consultation Paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex I. Comments are most helpful if they:

1. respond to the question stated;
2. indicate the specific question to which the comment relates;
3. contain a clear rationale; and
4. describe any alternatives ESMA should consider.

ESMA will consider all comments received **by 19 February 2019**.

All contributions should be submitted online by opening this [link](#). Kindly also send your contributions to the under-mentioned email addresses.

Next steps

The European Commission requested ESMA to provide technical advice on the integration of sustainability risks and factors MiFID II by 30 April 2019. ESMA, along with the consultations, will hold an open hearing on 4 February 2019 and will use the consultation feedback to finalise its draft advice to the EC. The Consultation Paper on credit ratings has a three-month consultation period with a view to publishing the final report before the end of July 2019.

Contacts

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