

29 July 2021

ESMA Public Statement Highlighting Areas for Improvement in Compliance with MiFID II Suitability Requirements

Introduction

On 7 February 2020, MFSA issued a Circular informing the industry about the launch of ESMA's Common Supervisory Action (CSA) with national competent authorities on the application of MiFID II suitability rules across the European Union. In this light, the Conduct Supervision Function conducted a number of focused on-site inspections during 2020 at a sample of investment firms to assess the application of suitability rules adopted by the selected firms.

In view that the CSA was co-ordinated with ESMA, MFSA was required to submit, on an anonymous basis, the findings which were collated following the completion of the on-site inspections. ESMA has collated the findings which were identified by all participating National Competent Authorities and the results have been published and presented by ESMA in a [Public Statement](#) on 21 July 2021.

Main Findings

The statement highlights key findings and areas of improvement on several areas of suitability requirements. The shortcomings and areas of improvement have been noticed in relation to new requirements which were introduced by MiFID II. These relate to the requirement to consider cost and complexity of equivalent products, the costs and benefits of switching investments and suitability reports.

More information is provided [here](#).

Way Forward

In 2021/2022, ESMA will update its guidelines on suitability to address those areas where a lack of convergence has emerged and/or to clarify further some of the new MiFID II requirements. This review will also aim to align the suitability guidelines to the guidelines on appropriateness and execution-only and to the revised MiFID II Delegated Regulation on the topic of sustainable finance.

MFSA is undertaking follow-up action with the selected Firms, on an individual basis, to ensure that any regulatory breaches, shortcomings or weaknesses identified are remedied. Firms are reminded that they should abide with all the relevant MiFID II regulatory requirements at all times. In this respect, the MFSA expects that the Compliance function of those Firms which were not subject to the review on the application of MiFID II suitability rules are required to take note of the content of the statement and implement necessary action to ensure compliance with the MiFID II regulatory requirements **on suitability in line with ESMA's statement.**