

18 April 2023

The European Securities and Markets Authority (ESMA) has issued a [Supervisory Briefing](#) on Copy-Trading Services, Assessing the Application of the Relevant MiFID II Rules

Background

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, published on 30 March 2023 a [supervisory briefing](#) on firms offering copy trading services, in an ongoing endeavor to promote and enhance investor protection and establish a common supervisory approach with the National Competent Authorities (NCAs) throughout the European Union space.

This supervisory briefing further delves into and broadens the topics surrounding investor protection with services such as copy trading, automated execution of trades or signal providing. ESMA has been dealing with the afore mentioned topics by issuing documents, such as (but not limited to) the 2012 [ESMA Q&A in the area of investor protection and intermediaries](#) (ESMA/2012/382) and other relevant publications.

Scope

This briefing includes guidance on the qualification of copy trading services as an investment service and it sets out supervisory expectations with regard to MiFID II requirements on:

- Information requirements (including marketing communications and costs and charges)
- Product Governance
- Suitability and Appropriateness Assessment
- Remuneration and Inducement
- Qualifications of traders whose trades are being copied

The supervisory briefing sets out the supervisory expectations of both ESMA and NCAs and raises indicative questions when assessing firms' approaches to the application of the relevant MiFID II rules.

Target Audience

This circular is addressed to all Investment Firms and Credit Institutions that provide investment services activities, with the emphasis of offering or planning to offer a copy trading and/or automated trading services, predominantly to retail clients.

Way Forward

The Authority will continue to monitor developments around copy trading, automated trading and signal providing to ensure such services are being provided in line with the applicable MiFID II requirements and in the best interest of the client.

Contacts

Should you have any queries regarding the above, please do not hesitate to contact: csuinvestments@mfsa.mt.