

22 June 2023

ESMA launches a Call for Evidence on Sustainability in Suitability and Product Governance

Background

The EU Commission has long embarked on the project of sustainable economies, by introducing an Action Plan for the Financing of Sustainable Growth. Recently, sustainability has taken a prominent role, as the EU Commission's main aim is to incorporate the concept of sustainability into the EU's financial system.

With the introduction of new regulations on sustainable finance, both suitability requirements and the product governance have attained an additional role in MiFID II. In fact, the European Securities and Markets Authority (referred herein as "ESMA") has updated the [Guidelines on Suitability](#) and the [Guidelines on MiFID II Product Governance Requirements](#), earlier on this year.

On 16th June 2023, ESMA launched a [Call for Evidence](#) to assess how investment firms are integrating the sustainability-related requirements into the suitability assessments and product governance arrangements under MiFID II. This *Call for Evidence* assists ESMA in ensuring consistent implementation and application of EU regulation to ensure investor protection, amongst other objectives. The publication includes:

- a) a background information on ESMA's *Call for Evidence*,
- b) an overview of the salient aspects of sustainability in suitability assessment and product governance arrangements; and
- c) an annex outlining the summary of specific questions related to sustainability.

Target Audience

This circular is addressed to all investment firms and credit institutions that provide investment services activities which are subject to MiFID II (Directive 2014/65/EU). Nevertheless, this circular is also relevant to UCITS management companies and external Alternative Investment Fund Managers (AIFMs) when providing investment services, namely investment advice or individual portfolio management.

Scope

Investment services license holders play a major role in the transition to a new sustainable economy, as they stand right at the start of the investment chain to identify their client's preference. Hence, the scope of this *Call for Evidence* is to gather industry feedback that will help better understand the evolution of the market and how license holders will apply the new MiFID rules on sustainability.

Response

ESMA invites comments on all matters in relation to this [Call for Evidence](#) and in particular on the specific questions summarised in Annex 1. The contribution should be submitted online through the [ESMA's portal](#) by Friday 15th September 2023 and such contribution would be useful if the licence holders:

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

In addition, the Authority appreciates if any feedback that is sent to the ESAs in response to this *Call for Evidence* is also sent to the Conduct Supervision Function on csuinvestments@mfsa.mt.

Way Forward

Both ESMA and the National Competent Authorities will continue to monitor closely investment firms to ensure supervisory convergence on the topics that the topics of suitability and product governance to ensure supervisory convergence across the board.

Contacts

Any queries or requests for clarifications on the contents of this Circular should be addressed to Conduct Supervision on csuinvestments@mfsa.mt.