

19 October 2023

ESMA Publishes its Common Supervisory Action (CSA) for 2024

Background

The European Supervisory Authorities (ESAs) supervisory priorities will continue to focus heavily on the importance of sustainable finance. On 3 October, the European Securities Market Authority (ESMA) has published its [Common Supervisory Action \(CSA\)](#) for 2024.

Scope

The main scope of upcoming CSA is to assess the progress undertaken by the investment service providers with respect to the application of the key sustainability requirements in both the suitability assessment and the Product Oversight and Governance (POG) arrangements. The upcoming CSA will cover the following aspects:

- a) How the investment services licence holders are collecting information on their clients' "sustainability preferences".
- b) The necessary arrangements put in place by the investment services licence holders to understand and correctly categorise the investment products with sustainability factors for the purpose of carrying out a suitability assessment.
- c) How the investment services licence holders are ensuring that the suitability of an investment with respect to sustainability (including the use of a "portfolio approach").
- d) The specifications of the sustainability related objectives of a product, as part of the Target Market Assessment

ESMA highlights that the upcoming CSA will ensure the consistent application of the EU sustainable finance framework and the enhancement of the investor protection. Furthermore, ESMA has also published the final reports relating to the ESMA Guidelines on [MiFID II Suitability Requirements](#) and [MiFID II Product Governance Requirements](#), which are applicable as from 3 October 2023.

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).

Way Forward

In line with the MFSA's [Circular dated 29 July 2022](#), the Authority would like to remind all investment services licence holders to ensure that both the suitability assessment (client fact find) and all relevant policies and procedures are updated in line with the applicable Delegated Acts, namely:

- a) [Commission Delegated Directive \(EU\) 2021/1269 of 21 April 2021 amending Delegated Directive \(EU\) 2017/593 as regards the integration of sustainability factors into the Product Governance Obligations.](#)
- b) [Commission Delegated Regulation \(EU\) 2021/1253 of 21 April 2021 amending Delegated Regulation \(EU\) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain requirements and operating conditions for investment firms.](#)

Contacts

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