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ESMA Publishes its Common Supervisory Action (CSA) for 2026

Background

The European Securities and Markets Authority (ESMA), in cooperation with National Competent Authorities (NCAs), continues to prioritize supervisory convergence and investor protection across the EU financial markets. On the basis of identified supervisory risks in the distribution of financial instruments to retail clients, ESMA has announced a [Common Supervisory Action \(CSA\)](#) to be conducted during 2026 focused on conflicts of interest requirements under MiFID II.

Scope

The main scope of the upcoming CSA is to assess how investment firms comply with MiFID II conflicts of interest requirements when distributing financial instruments to retail clients, and to ensure that organisational and control arrangements effectively protect clients' best interests.

The CSA will focus on:

- The possible impact of staff remuneration and inducements on what products are offered to investors.
- The role of digital platforms in directing investors towards certain products, and whether this serves their best interests.
- The ways firms manage potential conflicts between their own profits and the needs of retail investors.

ESMA highlights that the upcoming CSA will ensure consistent application of MiFID II conflicts of interest requirements across Member States and enhance investor protection by promoting a harmonized supervisory approach to conflicts governance in retail distribution.

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), in particular those engaged in the distribution of financial instruments to retail clients.

Way Forward

Investment services licence holders should ensure that policies, procedures and control arrangements addressing conflicts of interest are fit for purpose and demonstrate compliance with the applicable requirements, including but not limited to the ones included in:

- [Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments](#)
- [Commission Delegated Regulation \(EU\) 2017/565 supplementing Directive 2014/65/EU as regards organisational requirements and operating conditions for investment firms](#)
- [Commission Delegated Directive \(EU\) 2017/593 supplementing Directive 2014/65/EU with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations, and the rules applicable to the provision or receipt of fees, commissions, or any monetary or non-monetary benefits](#)
- [European Securities and Markets Authority Guidelines on certain aspects of the MiFID II remuneration requirements](#)

Investment firms should review their current arrangements for identifying and managing conflicts of interest in the distribution process, paying particular attention to remuneration structures, incentive schemes, third-party inducements, and the use of digital tools or platforms in client engagement and product recommendation.

Contacts

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