3 August 2026

ESMA Presents the Results of the Common Supervisory Action on MiFID II Sustainability Aspects

Background

The European Securities and Markets Authority (ESMA) published a public statement outlining the main findings from the Common Supervisory Action (CSA) on the integration of sustainability requirements within firms' suitability assessment and product governance arrangements under MiFID II. The main scope of this 2024-2025 CSA was to assess how investment firms have implemented the sustainability-related requirements introduced through the amendments to the MiFID II Delegated Acts and the related ESMA Guidelines on suitability and product governance.[1]

Scope & Findings

The CSA focused on the collection of clients' sustainability preferences, product categorisation processes, the integration of sustainability considerations within suitability assessments, and the incorporation of sustainability-related objectives within product governance frameworks.

The findings published by ESMA are particularly relevant in the local context, as they reaffirm several observations, shortcomings and supervisory expectations previously communicated by the Malta Financial Services Authority (MFSA) in its Dear CEO Letter entitled *"MFSA Expectations in the Context of MiFID II Sustainability Requirements"*, issued on 21 May 2025. Although, it was noted that investment firms have made progress in integrating sustainability considerations within their suitability assessment and product governance frameworks, certain practices remain uneven, highlighting the need for further enhancements

ESMA's findings from the CSA identified several areas where deficiencies and supervisory concerns remain, including:

- the collection and assessment of clients' sustainability preferences particularly with regard to the granularity, neutrality and consistency of the questionnaires and processes used by firms;

[1] MiFID amending Delegated Acts related to the Commission Delegated Directive (EU) 2021/1269 and the Commission Delegated Regulation (EU) 2021/1253.
ESMA Guidelines on certain aspects of the MiFID II suitability requirements (2023) and ESMA Guidelines on MiFID II product governance requirements (2023) (hereinafter called the "ESMA Guidelines or ESMA Guidelines 2023").

- the provision of clear and understandable information to clients on sustainability-related concepts and preferences, enabling clients to make informed investment decisions;
- the categorisation and governance of financial instruments with sustainability-related characteristics and the methodologies adopted to match products with clients' sustainability preferences;
- the integration of sustainability preferences within suitability assessments, including the application of portfolio-based approaches and the handling of preference adaptations where suitable products are unavailable; and
- the adequacy of firms' record-keeping, controls and governance arrangements in relation to sustainability preferences, product matching and suitability assessments.

Target Audience

This circular is addressed to all investment firms and credit institutions that provide investment services and activities which are subject to MiFID II (Directive 2014/65/EU), in particular those providing investment advice and/or portfolio management services.

Way Forward

In light of the findings outlined in ESMA's public statement, the Authority expects all investment firms to undertake a thorough gap analysis of their existing arrangements against the observations and supervisory expectations highlighted by ESMA.

Investment firms should take any necessary remedial actions to address identified shortcomings and ensure that their policies, procedures and governance frameworks remain compliant with applicable regulatory obligations. Nevertheless, Investment firms are also encouraged to remain abreast of ongoing regulatory developments and to proactively adapt their frameworks to reflect evolving requirements and supervisory expectations.

Contacts

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