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20 May 2019

Publication by ESMA of technical advice on the integration of ESG risks and factors

The European Commission has made sustainable finance one of its priorities, with the launch of an Action Plan in March 2018. In this context, in early May ESMA published two sets of technical advice for investment services and asset managers on the integration of environmental, social and governance (ESG) risks and factors.

ESMA's position

This advice was sent to the European Commission which will then decide on changes on certain (level 2) texts implementing the MiFID 2, AIFM and UCITS directives. Regarding organisational requirements, ESMA has adopted a proportionate approach, allowing market participants time to adapt their organisation and resources and to take into account the specific features of their business and their organisation model, as well as the rapid changes seen in the market. For investment firms, another part of the advice concerns the rules applicable to product governance: this involves taking into account the changes introduced by the European Commission to take into account clients' ESG preferences, while watching out for any risks of mis-selling. ESMA also stresses the importance of clarifying the environmental, social and governance terminology used in order to permit consistent application of these new obligations.

The AMF involved in the European regulatory work

The AMF contributed to the drafting of this technical advice and is closely monitoring European regulatory work related to the European Commission's Action Plan for sustainable finance. The AMF will notably be involved in two projects in the coming months: discussions on the planned eco-label for financial products, and preparation, in conjunction with the other European regulators, of technical standards for the new European Regulation on disclosures relating to sustainable investments and sustainability risks. The Paris marketplace already has a significant lead in these areas, notably thanks to the existing labels (SRI and TEEC) and transparency practices implemented since 2016 by asset managers and institutional investors pursuant to Article 173 of the "LTEV" Act for energy transition and green growth. The AMF will work closely with the various stakeholders to accompany them in implementing the new provisions of the European texts.

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