



NEWSFLASH | ESMA - STRATEGY ON SUSTAINABLE FINANCE



Right by you in Luxembourg





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On 6 February 2020 the European Securities and Markets Authority (ESMA) published its [strategy on sustainable finance](#) (the "**Sustainable Strategy**"). Its aim is to explain methods in which ESMA will include sustainability at the core of its activities by embedding Environmental, Social, and Governance ("**ESG**") factors in its work and policies as well as how ESG matters will be communicated to stakeholders. The key points of the Sustainable Strategy are:

1. Single Rulebook

When developing technical standards or technical advice under specific empowerments received under financial regulations or directives (such as empowerments included in Regulation (EU) 2019/2088 (the "**Disclosures Regulation**")), ESMA will ensure the integration of sustainability factors in an effective and proportionate manner. The enhanced regulatory framework should ensure that the risk of "greenwashing" is reduced and that investors are sufficiently informed about the ESG credentials of their investments. ESMA has already submitted in April 2019 [technical advice](#) to the European Commission on integrating sustainability risks and factors in the UCITS Directive and AIFMD.

2. Supervisory Convergence

ESMA's goal is to ensure the consistent, efficient and effective application of the EU legislation. Given the pervasiveness of ESG factors across different areas of legislation, ESMA will focus on building common approaches for incorporating ESG factors in the supervisory practices of the national competent authorities (the "**NCA**s") through: (i) developing a mapping of local supervisory practices and requirements relating to the ESG factors, (ii) building awareness among the NCAs around the impact of the ESG factors, (iii) promoting the discussion of cases studies and supervisory practices regarding the ESG factors, and (iv) developing tools to foster supervisory convergence of the EU law in the ESG area.

3. Direct supervision

Given the lack of reference to the ESG factors or sustainability characteristics within the legal frameworks applying to the entities under ESMA's direct supervision, the most relevant task in the short term will be the implementation of ESMA's guidelines on disclosure practices for credit ratings. Furthermore, in the context of its direct supervision role under the Benchmarks Regulation regarding third country administrations providing climate related benchmarks ESMA will implement Regulation EU 2019/2089 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks and the related delegated acts. For further details on Regulation EU 2019/2089 please refer to our [previous newsletter](#).

4. Risk assessment

In order to identify market developments, trends and potential risks related to sustainable finance, ESMA will apply monitoring on an EU level based on quantitative and qualitative indicators. With the objective to develop a comprehensive analytical framework of tools to analyse ESG factors, ESMA plans to exploit regulatory data available from MiFID II, EMIR, commercial data providers, and public datasets. The analytical framework will cover areas such as green and social bonds, emission allowances, the ESG ratings of EU investment funds, climate-risk stress testing, and market efficiency.

5. Outreach and Communication

ESMA points out that sustainable finance is a new topic and requires a mix of expertise not traditionally found in financial market regulators. Communication on ESG needs to be a two-way exchange between ESMA and the Coordination Network on Sustainability, a network established by ESMA to foster the cooperation on sustainability among the NCAs. Both should seek external



expertise, as well as communicate on its planned work. On an intra-institutional level, ESMA plans to continue to work jointly with the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) and engage with the European Environment Agency and the European Union Agency for Fundamental Rights who have the relevant environmental and social expertise. It will also participate in the EU Sustainable Finance Platform which is to be established by the European Commission pursuant to draft [Regulation 2019/0178\(COD\)](#) on the Establishment of a Framework to Facilitate Sustainable Investment which is expected to be approved in the first half of 2020.



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Talented and multilingual, our teams of lawyers work side by side with our clients to help them reach their objectives and support them with tailor-made legal advice, creating in the process professional relationships based on mutual trust and respect.

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Building on the synergy of our different professional experiences and the richness of our diverse cultural background, we stand ready to meet our clients' legal needs, no matter how challenging they are.

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Contacts:

	<p>Isabel Høg-Jensen Counsel ihog-jensen@bsp.lu</p>
	<p>Evelyn Maher <i>Partner</i> emaher@bsp.lu</p>
	<p>Marta Gajos Associate mgajos@bsp.lu</p>



Right by you in Luxembourg

bsp.lu

2, rue Peternelchen | Immeuble C2
L-2370 Howald | Luxembourg
mail@bsp.lu