

**MEMO# 31553**

January 10, 2019

## **ESG Task Force: 15 Jan Call on ESMA Consultation & MiFID II DAs on Including ESG Preferences in Suitability**

[31553]

January 10, 2019 TO: ICI Global Members  
Global ESG Task Force SUBJECTS: Disclosure  
International/Global  
Investment Advisers

MiFID, EMIR, AIFMD, UCITS V RE: ESG Task Force: 15 Jan Call on ESMA Consultation & MiFID II DAs on Including ESG Preferences in Suitability

**Call on ESMA consultation.** We are having our next call on Tuesday, 15 January from 11-12 p.m. EST (4-5 p.m. GMT) to discuss our response to ESMA's consultation paper on potential amendments to delegated acts under UCITS and AIFMD.[\[1\]](#) I circulated a calendar invite to the Task Force with dial-in information and will send a more detailed agenda in advance of the call.

**MiFID II DAs on including ESG preferences in suitability.** Separately, the Commission recently published revised draft amendments to [MiFID II](#) and [IDD](#) Delegated Acts that would require investment firms to obtain clients' ESG preferences as part of the suitability assessment. As you may recall, the Commission published the initial draft Delegated Acts last summer. The final text is expected to be adopted during this Commission mandate (before Parliamentary elections in May).

The revised draft links the definition of ESG investments to the definition in the disclosure proposal, which is now in trilogue negotiations. The DAs therefore will not be officially adopted until after the disclosure regulation has been agreed on. The final text is expected to largely mirror this most recent draft.

The revised MiFID II DA has not changed significantly from the initial version. In particular, it still requires investment firms providing financial advice and portfolio management to assess a client's ESG preferences in a questionnaire. Firms would then take these ESG preferences into account, where relevant, in the investment and advisory process.

The draft does clarify that investment firms should first assess a client's investment objectives, time horizon, and individual circumstances, before assessing the client's potential ESG preferences. It also clarifies that recommendations to clients should reflect

both the financial objectives and, where relevant, the ESG preferences expressed by those clients. A new suitability assessment for existing contracts will generally not be necessary.

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**endnotes**

[1] See ICI Global Memorandum No. 31526, *available* at <https://www.iciglobal.org/iciglobal/pubs/memos/ci.memo31526.global>, for a summary of the ESMA consultation.

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