UNION STRATEGIC SUPERVISORY PRIORITIES

The European Securities and Markets Authority (ESMA) promotes consistent and effective supervision across the EU through supervisory convergence. ESMA uses a wide range of tools, including the **Union strategic supervisory priorities (USSPs)**, which focus on key common priorities and drive the supervisory agendas of national authorities across the EU.

USSPs AT A GLANCE

1. What USSPs are

USSPs are priorities set by ESMA at the EU level on strategic topics.

2. Why USSPs are important

USSPs drive supervisors' agendas. They ensure that supervisors across the EU coordinate their efforts on key risks that require EU-wide attention.

3. How USSPs function

Every three years, ESMA identifies up to two priorities that are relevant across the EU and reflect emerging developments and trends.

National competent authorities (NCAs) and ESMA in its direct supervision - as applicable - (all together, authorities) apply these priorities. This means that each year all authorities will work on the relevant USSP topic based on areas of focus and parameters established with ESMA.

ESMA takes stock once a year on the work done and possible areas of follow-up.

4. How USSPs progress over time

USSPs follow an incremental approach over time.

LAUNCH	START	ONGOING	CONSOLIDATE	CLOSE
Set targeted outcomes & focus	Set foundations	Deeper work performed	Embed progress	Phase out

Risk-based and outcome-focused

Through USSPs, ESMA prioritises the risks and potential harm that matter most and identifies the objectives to achieve through supervisory work.

CURRENT AND UPCOMING USSPs

INNOVATION WITH INVESTOR SAFEGUARDS
New USSP

CYBER & OPERATIONAL RESILIENCE
Ongoing USSP

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DISCLOSURES
Closing USSP

INNOVATION WITH INVESTOR SAFEGUARDS

New USSP
to start in 2027.

OBJECTIVE: harness rapid technological trends to optimise outcomes while ensuring investor protection.

WHY THIS NEW USSP?

- Digitalisation is rapidly reshaping financial markets.
- Firms are increasingly using AI and tokenised products in day-to-day financial services to gain market share.
- Technological innovation brings benefits but also risks.

HOW THIS USSP IS SHAPED

This USSP aims to equip supervisors with solid knowledge, understanding and supervisory approaches addressing new types of technologies in the financial markets.

The new USSP is flexible and forward-looking. To this end, it may look at different technologies and market practices across time.

ESMA'S ROLE

ESMA assesses the impact of technological innovation on financial markets, supporting opportunities for market developments where appropriate, while mitigating possible risks.

KEY OPPORTUNITIES FOR NEW TECHNOLOGIES

- **ACCESS**
  Easier access to information, financial products and services.
- **EFFICIENCY**
  Faster processes and lower operational costs.
- **NEW OPPORTUNITIES**
  New services, products for investors and business models.
- **INTEGRATION**
  More connected EU financial markets.

KEY RISKS TO WATCH OUT FOR

- **READINESS**
  Supervisors need the right skills and tools.
- **FAIRNESS**
  AI outputs may be biased, unclear or misleading.
- **INVESTOR PROTECTION**
  New products may be hard to understand or create new risks for investors.
- **OVER-RELIANCE**
  New technologies, such as AI, may create increased dependency on a limited number of third-party providers.

OUTCOMES TARGETED WITH THIS USSP

OUTCOME 1

SUPPORTING INNOVATION

- Fostering an innovative spirit when considering and deploying new technologies.
- Identifying and highlighting benefits for markets and investors.

OUTCOME 2

SUPERVISORY READINESS

- Developing supervisory capacity and ensuring cooperation for consistent, risk-based supervision.
- Developing common supervisory approaches and tools.
- Ensuring preparedness for new and emerging risks.

OUTCOME 3

GOVERNANCE, QUALITY AND CLIENT INTERESTS

- Ensuring firms have robust governance and client-aligned outcomes in their organisation when developing and deploying new technologies.
- Undertaking testing and data quality checks.
- Mitigating bias and ensuring reliable outputs.

NEXT STEPS

In 2027, authorities will focus on areas where AI, tokenisation and other emerging technologies may be used by supervised entities to deliver core activities.

SUPPORTING INNOVATION

- Engage with the market on potential benefits.
- Explore information that firms deliver to investors.
- Share among supervisors examples of use cases where innovation has made a positive difference to investor experiences and outcomes.

SUPERVISORY READINESS

- Identify where new technologies such as tokenisation are emerging in practice.
- Determine capacity needs and start building on them.
- Start identifying supervisory approaches and best practices.

GOVERNANCE, QUALITY AND CLIENT INTERESTS

- Map how firms already use or plan to use AI/tokenisation in processes and products that directly impact clients' outcomes (i.e. beyond back-office tasks).
- Run initial checks on a subset of the most impacted firms.

CYBER AND OPERATIONAL RESILIENCE

Ongoing USSP
ESMA launched the cyber and operational resilience USSP in 2025, and it is currently in its second year of implementation.

OBJECTIVE: establish robust founding elements to strengthen digital resilience and the proper functioning of securities markets.

Within the first two years of this USSP, authorities have made progress, carrying out progressively more and deeper controls across a range of areas.

However, the challenges and complexity of the topic require strong focus and coordination. The emergence of **highly advanced AI models with cybersecurity-related features** underscores the importance for firms to ensure compliance with the Digital Operational Resilience Act (DORA) [1] requirements and for authorities to promote highly effective and common supervisory approaches.

KEY TAKEAWAYS

OUTCOME 1

SUPERVISORY CAPACITY

Staffing

- Authorities are building expertise by training existing staff and also hiring new dedicated staff, in addition to experts hired in 2024–2025.

Tools

- To promote effective and efficient supervision of cyber risk, authorities are developing their risk-based approaches to ICT risks. For the time being, the efforts focus primarily on data analytics indicators, notably for incident reporting.

OUTCOME 2

SUPERVISORY CHECKS

Scope and depth

- Authorities have expanded their supervisory checks to cover a higher number of entities across all relevant sectors.
- Authorities are increasingly using more intrusive tools, in particular on-site inspections, alongside more exploratory and self-assessment tools used at the onset of DORA.

Topics

- Authorities worked equally on different key thematics under DORA (governance, incident management, testing and third-party risks).

OUTCOME 3

COOPERATION AND PEER LEARNING

Threat-led penetration testing (TLPT)

- Authorities continue to work on TLPTs launched in 2025 and have increased the number of TLPTs launched in 2026.

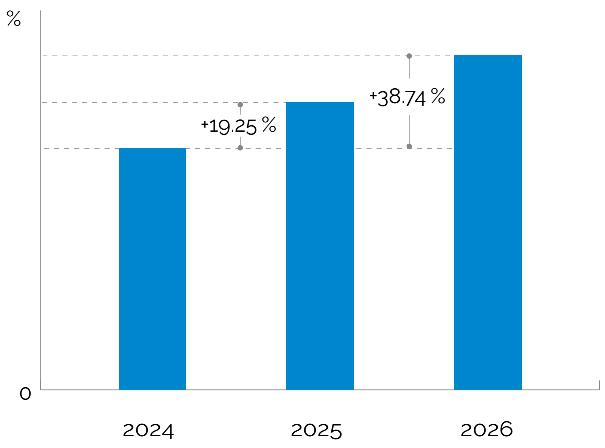
Cooperation

- All authorities report cooperation activities, mainly consisting of exchanging good practices and intelligence. Coordination happens through colleges, including ESMA's voluntary supervisory colleges.

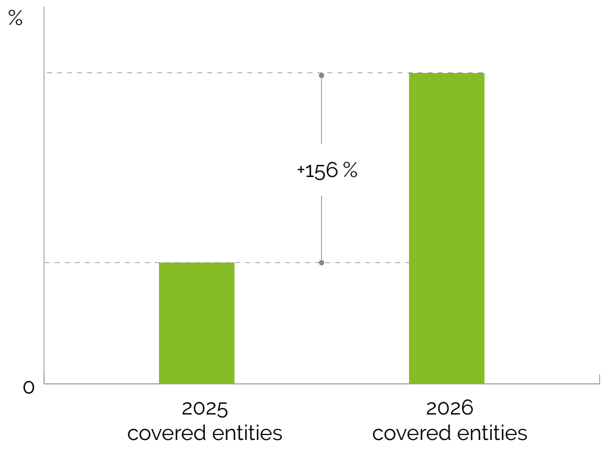
(1) Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333, 27.12.2022, pp. 1–79, ELI: http://data.europa.eu/eli/reg/2022/2554/oj).

EXAMPLES OF KEY PERFORMANCE INDICATORS

Number of ICT supervisors



Number of entities assessed under DORA



NEXT STEPS

In 2027, authorities are expected to build on the initiatives launched in 2026, further strengthening and deepening their supervisory efforts, with ESMA providing support where needed.

SUPERVISORY CAPACITY

- Further consolidate capacity building, ensuring comparable levels across authorities.
- Continue developing tools, data analytics and indicators through a risk-based approach.

SUPERVISORY CHECKS

- Monitor and harness the impact of new technologies (e.g. AI) on cyber and digital operational resilience.
- Ensure effective use of data and data quality, including registers of information and incidents.
- Further expand the number of entities covered by supervisory work, including smaller supervised entities and crypto-asset service providers (also via the relevant common supervisory action (CSA)).
- Continue increasing the use of intrusive tools, like on-site inspections.

COOPERATION AND PEER LEARNING

- Promote exchanges on approaches, lessons learned, outcomes, root-cause insights and good practices between NCAs.
- Broaden cooperation, coordination and information-sharing.

ESG DISCLOSURES

Closing
ESMA launched the ESG disclosures USSP in 2023 and will close it in 2026.

OBJECTIVE: empower retail investors to invest in suitable sustainable investments and participate in financing the transition.

In four years, this USSP has delivered important progress in the supervision of ESG disclosures.

In 2022, supervision of ESG disclosures faced key challenges: limited data, early-stage supervisory practices, low understanding among firms and investors and newly introduced requirements.

The USSP boosted NCAs' supervisory work and laid solid foundations for long-term progress.

KEY TAKEAWAYS FROM THE FULL USSP LIFECYCLE

OUTCOME 1

INFORMATION QUALITY

NCAs' supervisory capacity

- NCAs strengthened their expertise and capacity through hiring and training. ESMA supported this effort by launching a dedicated training platform, delivering over 21 trainings.
- With support of ESMA and through EU programmes such as the technical support instrument, NCAs developed new supervisory technology (SupTech) tools. These tools can improve the efficiency of ESG supervision in multiple areas, such as greenwashing detection and portfolio analysis.

ESMA coordinated actions

- ESMA ran CSAs, notably on sustainability risks and disclosures under the Sustainable Finance Disclosure Regulation [2].
- ESMA set out European common enforcement priorities covering key aspects of sustainability reporting.

Effective supervision and enforcement

NCAs gained considerable experience in the supervision of ESG disclosures.

- The CSA findings were overall satisfactory. The remediation of observed shortcomings is either completed or under way.
- ESMA guidelines on fund names had a clear positive impact, as reflected in fund indicators and market data.
- Many NCAs monitor transition and impact claims, and several are getting ready to conduct portfolio analysis.
- Sustainability reporting rules (Corporate Sustainability Reporting Directive [3] / European sustainability reporting standards, or CSRD/ESRS) and related ESMA Guidelines (*Guidelines on Enforcement of Sustainability Information*) entered their first years of supervision with the commitment to promote transparent sustainability reporting while ensuring proportionate measures for issuers (ESMA statement).
- A few NCAs sanctioned breaches. More may do so as the framework matures and stabilises, with ESMA facilitating the use of sanctions where appropriate.

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(2) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainabilityrelated disclosures in the financial services sector (OJ L 317, 9.12.2019, pp. 1–16, ELI: http://data.europa.eu/eli/reg/2019/2088/oj).

(3) Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, pp. 15–80, ELI: http://data.europa.eu/eli/dir/2022/2464/oj).

OUTCOME 2

INVESTOR UNDERSTANDING

ESMA and NCA engagement

- NCAs ran a wide range of educational activities (website publications, conferences, training sessions, games, surveys) using multiple interactive channels (podcasts, social media, TV, etc.).
- NCAs conducted national surveys to test perception, knowledge and interest in sustainable investing.
- ESMA also launched an Instagram account to provide educational content for investors.

Sector initiatives

- Firms show use of educational tools (e.g. leaflets, brochures, questionnaires) to support their clients.

Working together

- The three European supervisory authorities (the European Banking Authority, the European Insurance and Occupational Pensions Authority and ESMA) published a joint factsheet on sustainable investment available in all EU languages. Together with NCAs, they conducted a promotional campaign across the EU.
- ESMA published an opinion aiming to facilitate the investor journey for sustainable investments.
- ESMA launched a call for evidence to assess the retail investor journey and published its findings and follow-up actions.

OUTCOME 3

INTEGRATE SUSTAINABILITY CONSIDERATIONS INTO INVESTOR ADVICE

NCAs' supervisory capacity

- NCAs built important capacity in this area.

ESMA coordinated actions

- ESMA ran a CSA on sustainability aspects of suitability and product governance.

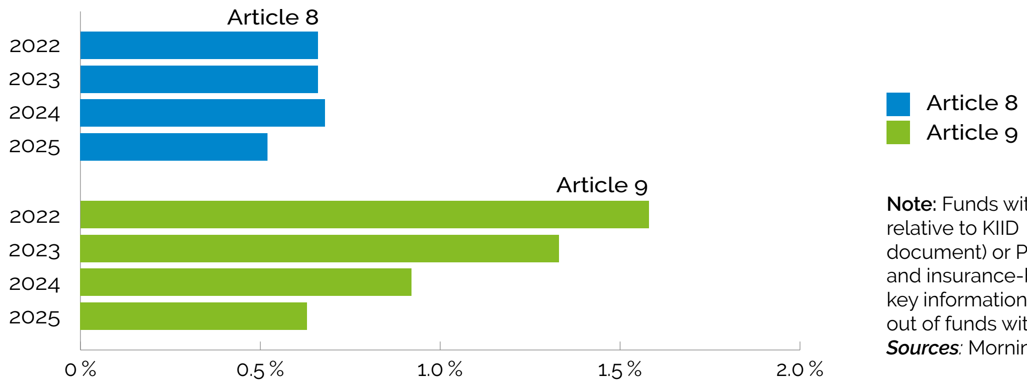
Effective supervision and enforcement

- The CSA overall showed continued progress since 2023 (see ESMA call for evidence), with room for improvement. Remedial actions are underway and at this stage are being prioritised over enforcement (see also ESMA public statement).
- The majority of NCAs also ran supervisory work on information provided to investors.

EXAMPLES OF KEY PERFORMANCE INDICATORS

Funds with inconsistent names compared with regulatory disclosure

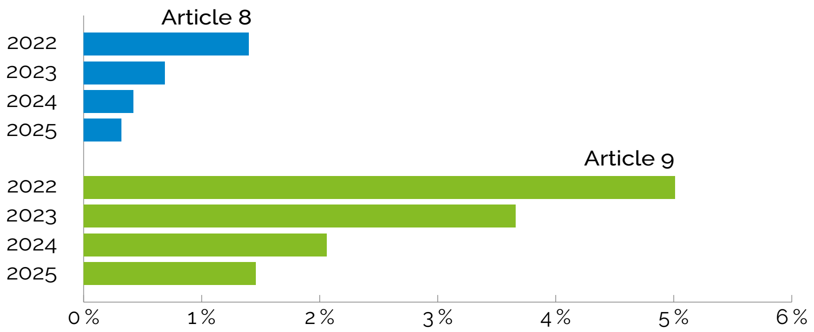
Decreasing trend for both Article 8 and Article 9 funds.



Note: Funds with inconsistent fund name relative to KIID (key investor information document) or PRIIP KID (packaged retail and insurance-based investment product key information document) (percentage out of funds with available data).
Sources: Morningstar, ESMA.

Funds with ESG-themed names which invest relatively little in companies with positive ESG impact

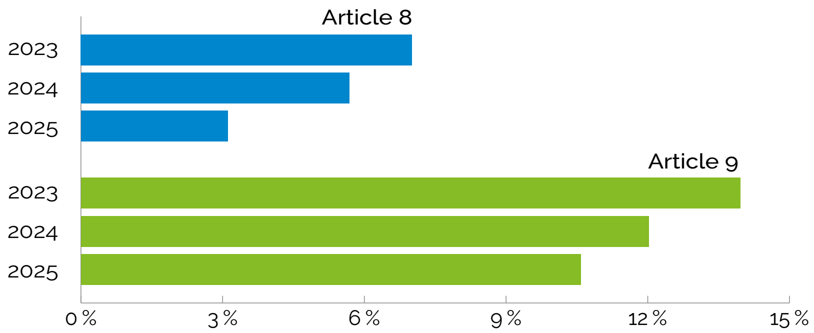
Continued decrease in the past four years.



Note: Funds that use ESG words in their name but hold a portfolio with low positive impact (percentage out of funds with available data).
Sources: Morningstar, ESMA.

Funds with ESG-themed names which underperform in avoiding negative impact

Downward trend in the past three years.



Note: Funds that use ESG words in their name but hold a portfolio with high negative impact (percentage out of funds with available data).
Sources: Morningstar, ESMA.

NEXT STEPS

- ESMA and the NCAs will maintain their efforts beyond this USSP to deliver its long-term ambition, adapting to the evolving regulatory framework along the way.
- ESG disclosures is a journey: the path to lasting impact across the entire ecosystem is long.
- Investor understanding of sustainable investing remains a long-term objective.
- ESMA will accompany market participants and NCAs transitioning to the simplified rulebook (Corporate Sustainability Reporting Directive, European sustainability reporting standards, revised Sustainable Finance Disclosure Regulation etc.).

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