

Milan, 19 February 2019

Prot. 05/19

**ESMA**

CS 60747  
103 rue de Grenelle  
75345 Paris Cedex 07  
France

**Re: ASSOSIM contribution to ESMA Consultation Paper on integrating sustainability risks and factors in MiFID II**

ASSOSIM<sup>1</sup> welcomes the opportunity to provide comments on the ESMA Consultation Paper (the “CP”) in subject as the matter of sustainable finance is of great interest also considering the objectives it pursues.

However, we do agree with the ESMA SMSG’s views reported in the CP according to which it is recognized that, also given the forward-looking character of sustainable finance topics, the market has not reached maturity in this respect yet.

Therefore, while we do welcome a principle-based approach in the matter at stake, in light of the aforementioned remarks we would ask ESMA to carefully assess the timing for the implementation of sustainable finance items in discussion also considering the very burdensome efforts/expenses borne by investment firms at the beginning of 2018 for the MiFID II go-live and the necessary adjustments which are still on-going.

\*\*\*\*\*

---

<sup>1</sup> *Associazione Intermediari Mercati Finanziari - ASSOSIM* is the Italian Association of Financial Markets Intermediaries, which represents the majority of financial intermediaries acting in the Italian Markets. Assosim has nearly 80 members represented by banks, investment firms, branches of foreign brokerage houses, active in the investment services industry, mostly in primary and secondary markets of equities, bonds and derivatives, for some 82% of the Italian total trading volume.

**Q1: Do you agree with the suggested approach and the changes to the Article 21 of the MiFID II Delegated Regulation on ‘general organisational requirements’? Please state the reasons for your answer**

Also in adherence with the mandate from the EU Commission, the proposed amendments should apply only with reference to the performance of portfolio management and investment advice services while ESMA suggests the insertion in art. 21.1 of the Delegated Regulation of a general provision applicable to all investment services.

**Q3: Do you agree with the suggested approach and the new recital on ‘conflicts of interest’? Please state the reasons for your answer. What would be specific examples of conflicts of interests that might arise in relation to sustainability considerations?**

We believe that an *ad hoc* recital is not necessary as the conflict of interests discipline can properly manage any conflict arising from ESG issues.

**Q5: Which existing market standards or “labels” are you intending to take into account or already taking into account for the consideration of ESG factors? Do you see any issues when relying on current market standards or “labels”? Please describe**

As per our understanding the Italian financial industry is not completely acquainted and used to deal with ESG related market standards or “labels” yet; such processes are in fact at an initial stage also in light of the fact that few companies provide clear and complete data on ESG aspects of their corporate activities and that, more in general, the formation of an ESG culture is still under way. However, it is worth mentioning that we acknowledged a relevant interest of Italian financial intermediaries in sustainable investments topics.

Therefore, while we observe that, at the moment, a clear picture of the Italian industry’s view regarding ESG factors market standards/“labels” cannot be currently provided mainly due to the reasons expressed above, we would like to stress that the implementation timing for the inclusion of ESG items in MiFID II processes should be set having very well considered the circumstance that EU financial operators have not reached a proper maturity on ESG items yet. In this respect we believe that an efficient implementation can only be accompanied by an acquired maturity with regard to ESG topics.

With respect to the envisaged issues in relying on market standards/“labels”, ASSOSIM shares the concerns expressed by the EU Commission in its Staff Working Document – Impact Assessment mentioned in footnote no. 6 of the CP with respect to the fact that “*existing market-*

*led initiatives and taxonomies used at the national level [...]” may leave “[...] room for the potential risks of growing inconsistencies and market fragmentation”.*

In fact, a harmonized categorization of ESG factors – on which the industry may rely on - is crucial for an efficient and consistent development of sustainable finance factors. According to our understanding and forecasts, most likely works at EU level in this respect will be still going on when sustainable finance items are included within MiFID II framework.

Therefore, even though we think that such inclusion should be postponed until an EU harmonized taxonomy is finalized, we deem that – as long as it will not be available – issuers should play an important role in detecting and illustrating their own ESG factors thus allowing investment firms to effectively represent them to investors and to include them in their internal processes (as better detailed in the answer to Q9 below).

**Q6: Do you agree with the suggested approach and the proposed amendments to the MiFID II Delegated Directive Articles on ‘product governance’? If not, please explain**

Yes, ASSOSIM supports a principle-based approach. Furthermore, we also agree with the proposal that a negative target market should not need to be specified.

**Q7: Do you agree with the proposed changes to the ESMA Guidelines on MiFID II product governance requirements and the addition of an additional case study? If not, please explain what changes should be made and why**

Yes, we agree (please, see Q6). Moreover, we believe that the proposed additional case study could be useful.

**Q8: Do you think extra guidance is needed on the elements listed in paragraph 15 above? If yes, please provide details**

No. At this preliminary stage, also considering the aforementioned principle-based approach, we would prefer not to have extra guidance as the elements listed in par. 15 of the CP should be dealt with by investment firms according to their own procedures.

**Q9: Please specify any approach you see to identify environmental, social and governance criteria separately from each other or as a single indicator. Please explain how the criteria would interact with each other and how the target market assessment and matching would be performed in such cases**

Without any prejudice to what mentioned above in relation with, in summary, the absence of a full awareness about ESG factors and the need of a proper timing for the inclusion of such

factors in MiFID II internal processes, we believe that the approach of a single indicator would be a better option than considering ESG criteria separately upon condition that:

- (i) Firms issuing alleged ESG financial instruments mandatorily provide the market with complete and specific ESG data and information<sup>2</sup> regarding their corporate activities;
- (ii) A methodology for the creation of an ESG single indicator is developed by relevant sectoral entities (e.g. industry associations or national labelling schemes) in order to standardize as much as possible ESG single indicator calculations;
- (iii) The ESG single indicator resulting from the application of the aforementioned commonly-agreed methodology is certified by a certification body (such as, by way of illustration, accounting firms).

Considering the above, the single indicator approach could be a goal not achievable in the short-term, so the target market assessment and the matching should be done in the meanwhile on a best effort basis.

**Q10: What current market standards or “labels” are you intending to take into account or already taking into account for the consideration of ESG factors? Do you see any issues when relying on current market standards or “labels”? Please describe**

Please refer to answer of Q5.

**Q11: Do you agree with the suggested approach and the amendments to paragraph 28 of the suitability guidelines? If not, do you have any suggestions for developing a more detailed approach with regard to (a) the collection of information from clients and (b) the assessment of ESG preferences with the assessment of suitability?**

Yes, we agree with the principle-based approach in suitability matter as proposed, in particular, in paragraphs 11 and 14 of the CP.

**Q13: Do you agree with the suggested approach and the amendments to paragraph 70 of the suitability guidelines?**

Yes, we agree that ESG considerations have to be taken into account by firms when classifying its products without prejudice to the abovementioned remarks on product governance.

---

<sup>2</sup> In this respect a useful reference could be the provisions set out by EU Directive 2014/95 of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

\*\*\*\*\*

We remain at your disposal for any further information or clarification.

Yours faithfully,



Gianluigi Gugliotta  
Secretary General