

30 July 2021

Circular on the application of Sustainable Finance Disclosure Regulation (SFDR) by the MFSA and Request for Information on operational and compliance readiness by Financial Market Participants and Financial Advisers

1. Background and Context

[Regulation \(EU\) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector](#) (hereinafter referred to as 'SFDR' or the 'Regulation'), is a regulatory measure that seeks to harmonise existing provisions on disclosures to investors of sustainability-related aspects pertaining to financial products. It imposes requirements on financial market participants ('FMP') and financial advisers ('FA') to disclose how they integrate Environmental, Social and Governance (ESG) factors in their investment decision making processes.

In addition, European Supervisory Authorities (ESAs) are developing detailed technical standards to aid the application of the Regulation.

The Authority has published [various circulars concerning the SFDR](#), its scope of application, requirements and [application timelines](#).

Notwithstanding the timelines originally foreseen by the Regulation for the adoption of the Regulatory Technical Standards (RTSs) under Articles 2a, (3), 4(6) and (7), 8(3), 9(5), 10(2) and 11(4) and their application by 1 January 2022, due to the length and technical detail of the RTSs, the late submissions to the Commission by the ESAs, and envisaged amendments, the Commission now plans to bundle all 13 of the regulatory technical standards in a single delegated act and defer the original dates of application (1 January 2022) by six months to 1 July 2022. The Authority will keep all licensed entities falling within scope of this Regulation informed of any further developments and progress.

2. Purpose of this Circular

During the year the Authority has been considering the possible approaches that could be adopted in order to fulfil its supervisory role under this Regulation. Amongst other things, the Authority is taking note of the various methodologies being adopted by other Member States and discussions held regularly within the European Supervisory Authorities' fora. While the approach to be adopted by the Authority will be the subject of a separate communication that will be issued in the short term, and before any firm proposals are made, it is essential for the Authority to assess the state of operational readiness and compliance status with the provisions of the SFDR.

For this reason, this Circular is accompanied by a '[formal Request for Information](#)', addressed and to be duly filled and submitted to the Authority by all Financial Market Participants (FMPs) and Financial Advisors (FAs) falling within scope of the Regulation. In order to assist FMPs and FAs to fill in the Request for Information, the Authority has put together the Guidance note which are included in the Annex [here](#). This note only seeks to guide interpretation and as such does not establish, at this stage, the Authority's expectations.

The Authority is requesting FMPs and FAs to determine where they stand on sustainable finance by asking themselves which sustainability and ESG issues would be material to their business and what their sustainable and ESG objectives should be. Furthermore, these entities would also be required to consider the steps necessary to apply and follow through these objectives in their day-to-day operations.

3. Submission of Replies to the Request for Information

FMPs and FAs are to take a best effort approach to fill in the request for information adjoined with this Circular. Responses are to be submitted by Friday 10 September 2021.

Any queries or requests for clarifications in respect of the above should be sent by email on sustainable.finance@mfsa.mt.