

18 June 2024

Publication of ESMA's Final Report on Guidelines on Funds' Names Using ESG or Sustainability-Related Terms

1.0 Introduction

On 14 May 2024 ESMA published its [final report](#) containing guidelines for investment funds using ESG or sustainability-related terms in their names ('the Guidelines'). The final report follows the [consultation](#) launched in November 2022 and the [public statement](#) issued in December 2023. The Guidelines introduce parameters for the use of certain fund names in order to mitigate against the risk of greenwashing.

This Circular is intended to bring this development to the attention of the fund management industry.

2.0 Main elements and implications

The purpose of the Guidelines is to specify the circumstances where the fund names using ESG or sustainability-related terms are unfair, unclear or misleading. Fund managers and internally managed funds that include ESG or sustainability-related terms in the names of the funds they manage must comply with the requirements included in the Guidelines.

ESMA believes that fund names, being the initial information investors encounter, can significantly influence their decisions. The Final Report Guidelines aim to establish clear criteria to address the perceived risk of greenwashing from the misuse of fund names.

The Guidelines must now be translated and will apply to all newly established funds three months after the date on which they are published on ESMA's website in all EU official languages. There is a further six-month transition period for existing funds.

3.0 Next Steps

The MFSA intends to, in due course, implement these Guidelines in the local regulatory framework and will update the industry accordingly.

In the interim, the MFSA draws the attention of the industry to the fact that fund managers would be expected to carry out an assessment to determine whether there are any gaps between the Guidelines and the actual names of the funds they manage and to ensure that the funds under management are compliant with the Guidelines by the applicability deadline mentioned above. The MFSA may request this assessment during the course of its supervisory interactions and may engage separately with fund managers on this matter.

New licence holders will eventually be required to ensure that the prospectus or offering documentation of the funds they manage contain clear disclosures reflecting the Guidelines as applicable to the fund in question.

Should you have any queries on the contents of this circular, please contact the Investment Services Supervision Function on isspolicy@mfsa.mt.