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Sustainable finance: the CSSF sets out its supervisory priorities and expectations

The Commission for the Supervision of the Financial Sector (CSSF), as the supervisory authority of the Grand Duchy's financial sector, has just rolled out a communiqué outlining its supervisory priorities in the area of sustainable finance and its expectations in the area for credit institutions, investment firms, actors of the asset management industry and issuers of securities.

The CSSF has set for itself an objective to support the transition of the financial sector towards sustainable finance, and to ensure the integration of ESG requirements in the CSSF's supervisory practice and will adopt a gradual approach to including the relevant changes in its supervision practices.



The document lists supervisory priorities for credit institutions, including in the categories of transparency and disclosures, risk management, and governance, and MiFID rules related to sustainability. The CSSF will seek to ensure the supervision of such obligations through the long form report, and additional off-site reviews of the SFDR website disclosures at entity and products level will be performed on a sample basis. The CSSF also plans to repeat its self-assessment exercise on climate related and environmental risks, and carry out on-site inspections specifically focused on climate-related and environmental risks.

For the asset management industry, the CSSF will continue to monitor investment fund managers' compliance (including UCITS management companies and AIFMs) with the sustainability-related provisions as set forth under SFDR, the SFDR RTS and the EU taxonomy regulation.

It is finally recalled that the primary responsibility of ensuring compliance with applicable requirements in the sustainable finance area lies with the supervised entities and their board members.

Full text of the communiqué is available for consultation at the CSSF website at <https://www.cssf.lu/en/2023/04/the-cssfs-supervisory-priorities-in-the-area-of-sustainable-finance/> (in English).

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