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EBA/2022/D/4093

John Berrigan
Director General
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union (FISMA)
European Commission
Rue de Spa 2
1049 Brussels
Belgium

24 October 2022

Subject: EBA report on incorporating ESG risks in the supervision of investment firms – Report complementing EBA/REP/2021/18

Dear Mr Berrigan,

In June 2021 the EBA published a report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18) in accordance with Article 98(8) of Directive 2013/36/EU (Capital Requirements Directive, CRD) and Article 35 Directive (EU) 2019/2034 (Investment Firms Directive, IFD). Amongst others, the said report was aimed at the supervision of credit institutions and those investment firms that are subject to Title VII of CRD but did not address the aspects of prudential supervision of investment firms in the scope of application of Title IV of IFD.

At the time of developing the Report of June 2021, the supervisory review and evaluation process (SREP) for investment firms was not yet fully established. For that reason, the EBA had postponed the section on the supervision of investment firms in the area of ESG risks until the SREP for investment firms is fully established. It is my pleasure today to submit to you this report fulfilling the mandate under point (d) of Article 35 of IFD and complementing the EBA report on management and supervision of ESG risks for credit institutions and investment firms.

The EBA report sets out the foundations for integration of the ESG considerations in the process of supervisory review and evaluation of investment firms in a proportionate manner. Integration of the ESG factors and risks is considered under all main SREP elements including, business model analysis, assessment of internal governance and risk management, and assessment of risks, covering risk to capital and liquidity risk.

The EBA report on incorporating ESG risks in the supervision of investment firms – Report complementing EBA/REP/2021/18 has been approved by the EBA’s Board of Supervisors and will be published on the EBA’s website.

Yours sincerely,

[signed]

José Manuel Campa

CC: Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs European Parliament
Claudia Lindemann, Head of ECON Secretariat
Zbyněk Stanjura, Czech Minister of Finance, Presidency of the rotating Council of the European Union
Tuomas Saarenheimo, Chair of Economic and Finance Committee, Council of the European Union
The Acting Secretary-General, Council of the European Union
Martin Merlin, Director Dir D, Banking, Insurance and Financial Crime, DG FISMA
Almoro Rubin de Cervin, Head of Unit D1, Banking regulation and supervision, DG FISMA
Martin Spolc, Head of Unit B2, Sustainable Finance, DG FISMA
Dominique Thienpont, Legal Counsellor to Dir D, DG FISMA

Encl: EBA report on incorporating ESG risks in the supervision of investment firms – Report complementing EBA/REP/2021/18