

# “Green MiFID” Checklist

A Guide to Integrate Your Clients’ Sustainability Preferences, in line with EU Regulations

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## Prepare for Upcoming Deadlines

Wealth managers operating in the EU should have been complying with the Green MiFID sustainability assessment rules since August 2022. To date, regulatory attention has been light given the delay in translation of the guidelines. Recently, the European Securities and Markets Authority (ESMA) announced an enhanced focus on regulating Green MiFID for wealth managers. ESMA will coordinate a [Common Supervisory Action \(CSA\)](#) on the integration of sustainability preferences in wealth management assessments.

To help managers bring their practices inline with the regulation, Clarity AI has created a straightforward Green MiFID checklist to get everything in order.

## Checklist

### Initial Operational Set Up

- Familiarize yourself and your team with the requirements of Green MiFID**
  - Collect clients' sustainability preferences for investments, in particular those aligned with the three key referenced regulations: [SFDR Principal Adverse Impact indicators \(PAIs\)](#), [SFDR Sustainable Investment \(SI\) criteria](#), and the [EU Taxonomy](#)
  - Classify your products based on SFDR PAIs, Sustainable Investment criteria and the EU Taxonomy alignment
  - Ensure a firm-wide understanding of Green MiFID by sharing the required information, outlined in the next step



**Deep-dive:** Since August 2, 2022, wealth managers and financial advisors operating in the EU must integrate sustainability into their investment processes. [Read more](#)

- Determine the questions that your firm will be asking to collect client sustainability preferences.** *As per the regulation, clients should be offered to express their preferences in terms of the three key regulatory concepts (SFDR PAI, SI, EU Taxonomy). Where clients struggle to express preferences in this manner, questionnaires can be simplified*
- Based on the criteria used in questions, align and classify your offered investment portfolio by each criteria**
  - You will need to understand the alignment to each of the three regulations. *For example, if clients want to invest a portion of their portfolio into funds with 10% or more alignment with the EU Taxonomy criteria you will need to know the EU Taxonomy percentage of each fund that you offer*
  - For clients that are not able to answer detailed questions about their sustainability preferences, it may be helpful to provide a higher level classification of sustainability.

- Integrate sustainability questions into existing client investment preference questionnaire software.** *This is typically done after existing MiFID II suitability questions around risk tolerance and ability to bear loss*
- Integrate the sustainability data into your portfolio selection applications.** *In the same way that a client with a certain risk tolerance should only see funds that match their stated risk levels, clients with a preference for 10% SI alignment should be recommended funds that help them achieve that desired SI alignment at a portfolio level*

### Client Outreach and Engagement

- Utilize sustainability preference questionnaires in all new client meetings and follow subsequent recording and recommending steps
- Create and send outreach materials to existing clients notifying them of the additions to their investment preference questionnaire
- Set up appointments with existing clients to obtain their sustainability preferences and make portfolio adjustment recommendations accordingly. *This must be done within a year of August 2022*
- Maintain a record of sustainability preferences and recommendations

### Required Periodic Actions

- Repeat questionnaire and portfolio alignment with clients annually, or as requested by clients

### Suggested Periodic Actions

- Review product offering alignment as a firm regularly (i.e. quarterly) with updated sustainability data
- Review questions annually to ensure any regulatory changes are accounted for and so that the questions adequately address client needs
- Should client preferences consistently fall outside of available offerings consider realigning portfolio offerings with additional funds

Check all of the boxes to **align with regulators' expectations**, enhance your customer investment experience and lead the way towards a more sustainable world. As the leading sustainability tech platform, Clarity AI can support your firm with tailored solutions.

Learn how our data, methodologies and tools can streamline this process, and find out how much time and effort we can save you.

Contact us if you have any questions or to request a demo

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