

# New ESMA CSA: Internal Audit

The European Securities and Markets Authority (“ESMA”), the overall European regulatory authority for financial services, recently announced details of a new Common Supervisory Action (“CSA”) to be conducted in conjunction with National Competent Authorities (“NCAs”) responsible for supervision and authorisation in each member state of the European Union. This will focus on the compliance and internal audit functions of both UCITS management companies and AIFMs.

### Background

ESMA periodically conducts CSAs to foster consistency across the EU amongst the different NCAs and reduce the potential for regulatory arbitrage. Previous CSAs conducted include a focus on undue costs and charges. Following the completion of each CSA, ESMA publishes guidance in a final report and then NCAs typically issue further guidance and instructions directly to the firms they regulate through “Dear Chair” letters.

### Scope of the new CSA

This CSA will seek to assess the extent to which both UCITS management companies and AIFMs have established effective compliance and internal audit functions. The investigations will focus in particular on levels of staffing, authority, knowledge and expertise of staff.

### Rational for the CSA

ESMA recognises that the compliance and internal audit functions are necessary to ensure an effective internal control environment to monitor, identify,

measure and mitigate compliance risks. As such they are essential for investor protection and financial stability and are specifically addressed in the underlying legislation. In addition, ESMA has previously expressed concern about levels of staffing in regulated firms and the potential risk of EU regulated firms becoming, “brass-plates”, in particular in the wake of Brexit, so this CSA is likely to focus on staffing capacity.

### Timing

The CSA will be conducted during 2025 with the results to be published in 2026. NCAs will likely issue further guidance shortly after this.

### How Clerkin Lynch Can Help

Clerkin Lynch’s financial services team can assist with queries on the interpretation of EU financial services legislation as well as compliance with new guidance from both ESMA and the NCAs. We can also assist with responses to questionnaires received as part of a CSA.

Contact us with questions or for more information.



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