

// ASSET MANAGEMENT & INVESTMENT FUNDS






Asset Management & Investment Funds Update

July 2025



Key Dates & Deadlines: Q3 / Q4 2025

The following are key dates and deadlines in Q3 / Q4 2025 along with possible impacts and action items arising for fund managers.

| Date | Source | Summary | Action/Impact |
|--------------------|---|---|--|
| July 2025 |  | ESMA CSA on sustainability disclosures ESMA expected to issue its report on the outcome of the CSA. | Managers and funds making SFDR disclosures should review the recommendations of the report. |
| 10 July 2025 |  | Central Bank of Ireland Fitness & Probity consultation Deadline for responses to CP 160. | The PCF functions have not changed as of July 2025 so firms do not have any actions to take currently. |
| July / August 2025 |  | ESMA standards and Guidelines on Liquidity Management Tools Scheduled date for entry into force of ESMA's Regulatory Technical Standards and Guidelines on Liquidity Management Tools for UCITS and AIFs. | Please see article on the topic in the May 2025 update for further details. |
| 29 August 2025 |  | CBI / ESMA survey on AI Submission deadline for AI survey for those firms who received the invitation to participate and confirmed to the CBI by 18 June that they would do so. | Please see article on the topic in this update. |
| 21 September 2025 |  | ESMA discussion paper on simplifying funds data reporting Date by which feedback should be given to ESMA on the questions raised in its discussion paper on simplifying funds data reporting. | Please see article on the topic in this update. |

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| October 2025 |  | ESG rating providers: ESMA final report Deadline by which ESMA is to publish the final report and submit the draft technical standards to the European Commission for adoption. | Please see article on the topic in the June 2025 update for further details. |
| Q4 2025 |  | SFDR update The European Commission's 2025 work programme has indicated that legislative changes to SFDR are scheduled for Q4 2025. | |
| December 2025 |  | ECB Regulation on investment fund statistics including money market funds The first reporting under the European Central Bank Regulation on statistics on investment funds, including money market funds, will be with a reference date of December 2025. | Please see article on the topic in the February 2025 update for further details. |
| 31 December 2025 |  | Sustainable Finance omnibus simplification package Date by which the European Commission has asked member states to implement the proposals delaying CSRD reporting for certain companies by 2 years and the effective date of CSDDD by 1 year. | Please see article on the topic in the May 2025 update for further details. |

UCITS eligible assets review: ESMA final report

ESMA released a final report on 26 June 2025 following its review of the UCITS Eligible Assets Directive (**UCITS EAD**). The report contains assessment of the feedback from respondents to the consultation process and suggested legislative changes to the UCITS Directive and the UCITS EAD. ESMA will now work with the European Commission in its review of the UCITS EAD.

Summary of key proposals

ESMA has proposed a look-through approach in the determination of eligible assets for UCITS. ESMA also proposes to permit some level of flexibility to gain limited indirect exposures (up to 10%) to alternative assets with a view to improving risk diversification and generating returns from uncorrelated asset classes. No additions are proposed to the list of eligible assets.

Transferable securities definition

ESMA has made proposals to clarify the eligibility criteria of transferable securities. In particular, the clarifications refer to criteria to be taken into account when assessing liquidity at asset level, what is meant by 'reliable valuation' being available, and linking the risk evaluation to the UCITS due diligence requirements in the selection and ongoing monitoring of investments.

UCITS exposures to alternative assets

ESMA's proposed amendments aim at ensuring a convergent application of a look-through approach to determine the UCITS eligibility of assets, while simultaneously broadening the 10% limit set out in the UCITS Directive to allow for some limited (up to 10%) indirect exposures to alternative assets.

ESMA sees one benefit of this as a clearer conceptual delineation between UCITS and AIFs. ESMA's analysis leads it to report that the proposals would concern a relatively small number of UCITS with large-scale exposures to alternative assets. For funds affected by this change, there will be a transition period to adapt

portfolios or make other necessary changes. Investment funds with significant exposures to alternative assets (beyond 10%) will be subject to the AIFMD. The report contains in-depth analysis of the expected costs, benefits and implications of this change.

UCITS investment in closed-ended AIFs

Investment in units or shares of closed-ended AIFs shall be allowed when the AIFs prove to have the same characteristics as transferable securities, meet the criteria of having an equivalent supervision and the target AIF cannot invest more than 10% of their assets in units or shares of other funds. In application of the look-through approach, UCITS shall not invest in AIFs providing exposures to ineligible asset classes, regardless of whether they are of the open-ended or the closed-ended type.

Money market instruments

ESMA proposes some recalibration of the criteria set out in the UCITS EAD, notably the risk management criterion and liquidity assessments. ESMA is of the view that the money market provisions in the UCITS EAD should not be viewed as an obligation to automatically classify an instrument with a maturity of no more than 397 days as a money market instrument. An effect of the recalibration would be a partial reduction of the financial instruments which may fall within the definition of money market instruments.

Financial indices

ESMA proposes some legal clarifications, notably on the application of the look-through approach. UCITS will benefit from a greater alignment with the Benchmark Regulation. Where index providers and their indices are included in the ESMA register under the Benchmark Regulation, certain UCITS criteria for financial indices will be automatically met.

Ancillary liquid assets

ESMA advises the European Commission to clarify in the text of the UCITS Directive that ancillary liquid assets are subject to the counterparty limits set out in the UCITS Directive, without prescribing a maximum amount of ancillary liquid assets that UCITS may hold.

Efficient portfolio management

There are clarificatory changes proposed to EPM techniques. ESMA recommends to the Commission to consider providing further clarity on EPM-related costs and fees including on the fee split models with a view to ensuring investor protection.

Financial derivative instruments

ESMA makes proposals to clarify the assessment of financial instruments embedding a derivative. The proposals include criteria that can be considered by a UCITS to assess if a transferable security or money market instrument can be regarded as embedding a derivative, and whether the derivative component must be considered to be a separate financial instrument.

Irish Funds sectoral anti-money laundering guidelines

Irish Funds has prepared and published sectoral guidance on Anti Money Laundering, Countering the Financing of Terrorism and Financial Sanctions. (**IF AML/CFT Guidance**). The IF AML/CFT Guidance is supplementary to the Central Bank of Ireland's (**CBI**) Anti-Money Laundering and Countering the Financing of Terrorism Guidelines for the Financial Sector. Those CBI guidelines were published first in 2019 and updated in 2021. Funds and financial service providers are required to comply with AML/CTF legislation.

Funds and AML/CTF compliance

The guidelines provide funds-specific guidance on particular points of practice that arise for Irish regulated investment funds in complying with AML/CFT legislation. This is particularly useful as fund structures have certain legal, regulatory, contractual and product features where such guidance will support robust AML/CTF compliance. Fund structures make use of outsourcing and funds often rely on third parties or intermediaries to comply with regulatory obligations, while responsibility for compliance rests with the fund. The fund has the direct customer relationship with the fund investor. Often, it is the fund administrator who provides AML/CTF

services to the fund to assist it to discharge its AML/CFT obligations. For ILPs, CCFs and Unit Trusts, responsibility for AML/CFT compliance rests with the board of the AIFM or UCITS Management company.

Topics covered in the guidance

The guidelines cover:

- risk management, including channel/distribution risk;
- customer due diligence (**CDD**), along with an appendix of suggested CDD documentation per investor type;
- governance, including roles and responsibilities of the fund board and beneficial ownership obligations and challenges;
- reporting of suspicious transactions;
- AML/CTF training; and
- international and domestic sanctions by reference to the fund and to each of the typical service providers to a fund including the fund AML/CTF compliance officer, also screening investors against sanctions lists.

Practical steps following publication of the IF AML/CTF guidelines

Funds should take the opportunity to review current AML/CTF policies and procedures by reference to the IF AML/CTF Guidance to ensure that best practice continues to be implemented and to make refinements and enhancements to those policies and procedures where appropriate.

Simplifying funds data reporting: ESMA requests feedback

ESMA released a discussion paper to gather feedback and input on how to integrate funds reporting, aiming to reduce the reporting burden for market participants. ESMA recognises the compliance burden on funds due to multiple data reporting requests at national and European level.

This aligns with the revisions to AIFMD and the UCITS Directive which present a key opportunity to advance the integration of supervisory reporting across the asset management sector. Existing prudential reporting frameworks for UCITS already implemented in some Member States could serve as a practical starting point to support the design and rollout of a future integrated reporting framework.

Feedback to the discussion paper is requested by 21 September 2025. Fund management companies and funds should take the opportunity to respond to the discussion paper. ESMA will perform an assessment following the consultation period, in cooperation with the relevant authorities. The conclusions and recommendations will be published in a final report, expected in April 2026.

Topics covered in the discussion paper

The discussion paper outlines options for improving different aspects of reporting, such as the scope of data, reporting processes and systems to ensure more efficient reporting and sharing of data between the authorities. Among the possibilities, there are proposals related to the integration of multiple reporting templates and the centralisation of reporting processes and infrastructures.

The discussion paper provides a preliminary stocktake of the current state of funds' and asset managers' reporting obligations at both the EU and national level. It then goes on to assess the overlaps and inconsistencies between the identified reporting frameworks. The main section then presents several options to further integrate the reporting obligations for fund managers under different regimes. The paper also presents a comparison of asset management reporting frameworks, a stocktake of share class reporting, details the current use of data standards and identifiers across reporting regimes and presents a summary of different reporting frequencies.

Updates on 2025 Central Bank of Ireland supervisory work

The CBI has provided updates to industry on various current and proposed fund and fund service provider supervisory engagements.

Management company delegation questionnaire

Approximately 20 firms received the third-party management questionnaire in April. The next phase will involve onsite reviews for 6 – 8 firms. This is expected to start in September and conclude by year end. The proprietary management company survey is to be completed by 30 June.

CSA on compliance and internal audit functions

The desk top reviews of approximately 20 firms in receipt of this survey have almost concluded. On site work has started and the CBI is scheduled to give its report to ESMA by the end of the year. It would be usual for ESMA and the CBI to issue reports once the review has ended.

Securities lending

The CBI will shortly begin to issue risk mitigation programme letters to some firms following its work on securities lending practices in 2024.

Fund service providers

The CBI will move to a thematic review approach for fund service providers, such as administrators and depositaries, using questionnaires and surveys. An example of this is the outsourcing review for compliance with Cross-Industry Guidance on Outsourcing. On site reviews have been completed with a view to issuing firm specific and broader industry findings in the second half of 2025.

Thematic reviews on (i) board effectiveness and (ii) client concentration risk are planned for the second half of 2025.

Central Bank of Ireland AI questionnaire

The CBI has issued a communication to firms inviting them to participate in an ESMA survey on Artificial Intelligence. The objective of the survey is for ESMA to better understand how financial entities are using AI.

Firms who received the invitation were asked to confirm to the CBI by 18 June whether they intended to complete the survey. A firm which was invited but does not intend to respond must confirm no-response and give a rationale why the survey may not be applicable to the firm.

Topics covered in the survey

The questions cover a range of topics, such as firms AI strategies and policies, governance and control frameworks, levels of investment in AI, specific use case details such as the AI technologies used, materiality, security and explainability.

Next steps

Once the survey has been completed, the CBI has asked firms to let their usual CBI supervisory contact know. ESMA will collate all responses to the survey and for published reporting, responses will be used in aggregated and anonymised form. ESMA will share the un-anonymised results with the firm's relevant national competent authority and the CBI may, on that basis, engage further with the firm.

Gender balance regulations for listed PLCs

Irish legislation implementing a European directive with gender balance regulations for listed PLCs were published on 30 May 2025. It applies to companies, other than a micro, small and medium sized enterprise or SME, having a registered office in Ireland with shares listed on a regulated market in at least one member state. Funds such as ETFs constituted as PLCs should therefore examine the regulations to establish if they

are applicable to the fund. If they are applicable, then the PLC should take steps to ensure compliance with the requirements of the legislation.

Gender balance requirements

By June 2026 at least 40% of the non-executive directors of the in-scope PLC should be members of the underrepresented sex. A schedule to the legislation specifies how many non-executive positions are deemed necessary based on the number of positions on the board e.g. a PLC with 3 or 4 directors should have 1 director of the underrepresented sex and a board of 5 or 6 directors should have 2.

Other requirements

A PLC in scope of the requirements shall set objectives to improve the gender balance and specify in writing the steps taken. There are also requirements relating to the process for selecting candidates for appointment or election as non-executive directors, documenting compliance with these requirements and some reporting requirements commencing from November 2026.

ESMA updates Q&A on PRIIPs

ESMA issued an updated Q&A document on PRIIPs. The consolidated Q&A now includes three new Q&As as of 5 May 2025, which relate to: (i) Market risk measure (**MRM**) class determination; (ii) performance scenarios; and (iii) calculation of the summary cost indicators.

MRM class changes

The question relates to the need to update the KID where the MRM class changes but has not matched the majority over the preceding 4 months. ESMA answers that if a different MRM class is obtained for less than the majority of the reference points over the preceding 4 months then the MRM class is unchanged. A change would only be triggered where the different MRM class is obtained for the majority of reference points. The PRIIPs legislation on this point intends to provide a smoothing effect so that frequent fluctuations between 2 neighbouring MRM classes should generally be disregarded.

Performance scenarios

A technical question and answer relating to values to be shown for performance scenarios confirming that when the calculation is performed for the intermediate holding period then the duration of the intermediate holding period should be used as the length of the fixed sub-interval.

Calculation of the summary cost indicators

ESMA confirms that entry costs should be included for the purpose of the indication of the costs relevant for a notional €10,000 investment amount referred to in point 90 of Annex VI of the PRIIPs delegated regulation.

Central Bank of Ireland planning for transition to Net Zero

The CBI has issued a publication to support financial services firms in planning for transition to Net Zero. It is an information note, and the CBI believes it will be of interest to all types of firms under its regulatory remit. It is not guidance or binding on firms, rather it seeks to support firms in navigating the regulatory landscape and provide an accessible roadmap for transition planning should a firm wish to use it.

However, certain aspects of the report will be more relevant to some firms than others, depending on the stage the firm is at in its transition planning, and the extent to which they are subject to specific regulatory requirements in this area. For example, credit institutions and insurance companies are subject to regulation requiring them to implement plans that address risks arising from ESG factors whereas investment funds are not.

The CBI believes that transition planning is good practice for firms even when there is no legislative requirement to publicly disclose a transition plan. It can help build the firm's strategic, business and operational resilience as well as address their ethical responsibility to stakeholders.

Relevance of transition planning for regulated funds

SFDR, Taxonomy Regulation and ESMA's greenwashing report are primary sustainable finance regulation and legislation relevant for funds. Incorporating sustainability in financial advice under MIFID is indirectly relevant. There are no specific requirements in this legislation or regulation for funds service providers or funds to have transition plans.

Management companies who have a transition plan or intend to have one, at either entity level or wider group level, may want to have regard to this CBI publication. It may be a worthwhile support for transition planning and documenting that transition plan for the management company.

Under the ESMA fund naming guidelines, funds using transition-related terms in their names should ensure that investments used to meet the 80% threshold in the guidelines are on a clear and measurable path to social or environmental transition. The commentary in the CBI report is (i) generally useful to support assessment of what a credible environmental transition plan might look like for those underlying investments and (ii) the commentary related to asset managers and asset owners and transition planning is worth noting.

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