

Asset Management and Investment Funds

Legal and Regulatory Quarterly Report

covering the period

1 October 2025 – 31 December 2025



KEY DATES

2026

1 January 2026	The OECD's update to the Common Reporting Standard ("CRS 2.0") takes effect in Ireland, with new FATCA/CRS self-certification forms to be utilised from 1 January 2026 and with the first reporting due by 30 June 2027.
1 January 2026	Amending Regulation introducing changes to the Benchmarks Regulation commences application, including a reduction in the regulatory burden for users of non-significant benchmarks.
January 2026	Commencement of the revised Central Bank resident investment funds return framework (<i>known as OF3 for investment funds and MM2 for money market funds</i>) increasing the granularity and the frequency of reportable data and incorporating requirements of ECB Regulation (EU) 2024/1988 on investment fund statistics.
24 March 2026	Revised Central Bank Consumer Protection Code (incorporating Business Standards Regulations) will take effect.
16 April 2026	Deadline for the transposition of the majority of AIFMD II provisions into national legislation governing UCITS and AIFMs as regards delegation arrangements, liquidity risk management and loan origination.
2 July 2026	Regulation (EU) 2024/3005 on ESG Ratings Providers to commence application whereby financial market participants referencing an ESG rating in marketing communications will be required to include website disclosures with detailed information relating to that ESG rating.

2027

10 July 2027	Application of the new AML / CFT legislative framework under the EU Single AML Rulebook.
11 October 2027	The EU, UK and Switzerland will transition to a T+1 settlement cycle for certain listed transferable securities.

This is a condensed version of our Asset Management and Investment Funds Legal and Regulatory Report setting out key developments during the quarter.

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QUARTERLY HIGHLIGHTS

In this quarterly edition of the Walkers legal and regulatory report, we identify a number of key highlights during a busy period as follows:

AIFMD and UCITS Developments

On 17 November 2025, in a welcome development the **European Commission** (the "Commission") adopted its proposed regulatory technical standards ("RTS") relating to the use of liquidity management tools ("LMTs") by open-ended AIFs and UCITS (section 1.1), with ESMA subsequently updating its LMT guidelines for consistency with these RTS (section 1.2).

- The adopted RTS are substantially aligned with those draft RTS contained in ESMA's version, providing greater legal certainty for UCITS and open-ended AIFs and their service providers ahead of transposition of Directive 2024/927/EU ("AIFMD II") into national law. The RTS will now pass to the European Parliament and Council of the EU for consideration. Walkers Asset Management and Investment Funds group has published an [advisory](#), which outlines the key changes, next steps and other relevant considerations in the application of the LMT rules under AIFMD II.
- On 8 November 2025, the consultation window closed for feedback to the Central Bank's consultation papers (CP161 and CP162). The Central Bank will now review all feedback received and prepare associated feedback statements. It is expected that the Central Bank will issue feedback statements early in 2026.

On 17 November 2025, **ESMA** published its peer review on the supervision of depositary obligations (section 1.3).

- ESMA issued a number of recommendations to relevant national competent authorities on their approaches to depositary supervision aimed at enhancing risk-based supervision, strengthening the delegation function and ensuring compliance with safekeeping and asset segregation rules. Our recent [advisory](#) analyses the findings outlined in the peer review.

On 5 December 2025, the **Commission** adopted responses to a number of questions forwarded to it by ESMA to provide clarity on certain legislative provisions contained in the **ELTIF 2.0** framework (section 1.4).

- The new Q&As clarify the application of ELTIF rules in a number of key areas including concerning intermediary entities, eligibility of target funds and redemption arrangements.

On 21 October 2025, **ESMA** published its final report and draft RTS on open-ended loan-originating AIFs under AIFMD II (section 1.5).

- The RTS set out a harmonised principles-based framework that alternative investment fund managers ("AIFMs") should address when seeking a derogation to offer open-ended loan-originating alternative investment funds ("LOFs"). In light of the announcement that the Commission will postpone its adoption of the RTS (section 3.1(c)), it remains unclear pending final adoption whether EU national competent authorities will rely on the parameters set down by ESMA when assessing AIFM derogations from the closed-ended LOF requirement.

Central Bank Updates

On 24 November 2025, the **Central Bank of Ireland** (the "Central Bank") published its updated Guidance on the Standards of Fitness and Probity ("F&P Guidance") and accompanying feedback statement on **CP160** (section 2.1).

- The updated F&P Guidance clarifies the Central Bank's expectations and highlights best practice across a number of key areas including temporary officers, due diligence

expectations and CF/PCF classifications. The new F&P Guidance is effective from 25 November 2025 and our [advisory](#) analyses the key changes.

On 24 October 2025, the **Central Bank** announced it will facilitate a streamlined filing process for post-authorisation updates to fund documentation for AIFs and UCITS arising from (i) the transposition of changes to the AIFMD and UCITS Directive, and (ii) amendments to the Central Bank AIF Rulebook and Central Bank UCITS Regulations ([section 2.2\(c\)](#)).

- The streamlined process applies to updates in prospectuses and supplements, excluding changes to investment objectives, policies, or strategies, which will still undergo standard post-authorisation review. Further guidance is expected to be published on the Central Bank's website in the coming weeks.

Sustainable Finance Developments

On 23 October 2025, the **Central Bank** published its feedback report following ESMA's common supervisory action ("CSA") on sustainability risks and disclosures in the funds sector ([section 4\(a\)](#)).

- The review covered UCITS management companies and AIFMs and assessed governance, sustainability risk integration and monitoring, data usage, and the quality and consistency of Sustainable Finance Disclosure Regulation ("SFDR") disclosures at entity and product level. Overall, the Central Bank's findings following the conclusion of this CSA are that compliance with relevant SFDR requirements are broadly in line with regulatory expectations, but there are areas it has identified that require a marked improvement, particularly relating to on-going monitoring processes and the quality of certain SFDR disclosures. The Central Bank expects boards, along with relevant staff, to review the feedback report and ensure appropriate measures and controls are in place.

On 20 November 2025, the **Commission** released the legislative text of a proposed targeted set of amendments to the SFDR framework ("SFDR 2.0") ([section 4\(b\)](#)).

- The SFDR 2.0 proposal, if implemented would represent a significant overhaul of the current framework aiming to improve the clarity of the framework, strengthen the credibility of ESG products and align reporting with CSRD requirements.
- The proposal seeks to introduce a new system of sustainability product categories, stricter rules for non-categorised products, streamlined pre contractual, periodic and website disclosures alongside a host of additional measures designed to simplify and reduce the sustainability-related administrative and disclosure requirements for financial market participants. Our [advisory](#) analyses the proposed SFDR 2.0 reforms.

Other Developments

On 23 December 2025, the **Finance Act 2025** (the "Act") was signed into law ([section 3.4\(a\)](#)).

- The Act includes a dividend withholding tax exemption for Investment Limited Partnerships as well as a reduction in the exit tax rate that applies to investments in Irish domiciled funds, alongside other measures aimed at strengthening Ireland's competitiveness.

On 4 December 2025, the **Commission** published its legislative proposals on market integration aiming to remove barriers to passporting and for groups operating across member states, as well as mandating new areas for ESMA supervision and enhanced convergence tools ([section 3.1\(a\)](#)).

- Notably, the proposals would give ESMA review power over large cross-border asset managers as well as introducing a depositary passport, harmonise authorisation procedures, remove national discretions and consolidating rules on cross-border marketing.

On 18 December 2025, a significant milestone for EU retail markets was reached as the co-legislators announced agreement on an updated legislative proposal for the Retail Investment Strategy ("RIS") (**section 3.1(b)**).

- **The centrepiece of the RIS is the introduction of a new value for money framework which will require an assessment of the value of financial products against peer groupings and where total costs are not justified or proportionate such products would be prevented from sale to retail investors.**
- **The PRIIPs KID will also be upgraded to improve transparency on costs borne by investors, risks and expected returns. It is envisaged the PRIIPs changes could apply from the end of 2027, with the remaining provisions applying by the end of 2028.**

1. AIFMD & UCITS DEVELOPMENTS

1.1 European Commission (the "**Commission**") adopts delegated regulations on liquidity management tools under AIFMD and UCITS Directive (*This is a further update to section 1.3 of the quarterly report covering the second quarter of 2025*)

On 17 November 2025, in a welcome development the Commission adopted its proposed regulatory technical standards ("**RTS**") relating to the use of liquidity management tools ("**LMTs**") by open-ended AIFs and UCITS.

The Delegated Regulations make targeted clarifications to the RTS contained in ESMA's [final report](#) submitted to the Commission in April 2025.

The Commission adopted the following Delegated Regulations, which contain the RTS supplementing AIFMD and the UCITS Directive:

- [Delegated Regulation](#) on RTS specifying the characteristics of liquidity management tools (**LMTs**) under AIFMD. These RTS reflect a mandate in Article 16(2)(g) of AIFMD.
- [Delegated Regulation](#) on RTS specifying the characteristics of LMTs under the UCITS Directive. These RTS reflect a mandate in Article 18(a)(3) of the UCITS Directive.

The RTS specify the characteristics of the LMTs set out in the Annexes to the AIFMD and the UCITS Directive, under Directive [2024/927/EU](#) ("**AIFMD II**").

The adopted RTS are substantially aligned with those draft RTS contained in ESMA's report. The RTS introduce a number of targeted clarifications (in particular, in relation to redemption gates and redemption fee calculations as outlined below).

Redemption gates

For AIFs, the threshold for activating a redemption gate may now be set at investor level (*an investor-level gate*), at fund level (*a fund-level gate*), or as a combination of both.

For UCITS, activation remains at the level of the UCITS, and the threshold applies equally to all investors of the UCITS.

Under both regimes, the activation threshold can be assessed either over a specified period (*a rolling window*) or for a given dealing day.

*Redemption fees, swing/dual pricing, anti-dilution levies ("**ADLs**") (collectively anti-dilution tools ("**ADTs**")*

Where ADT LMTs are used, estimated explicit transaction costs must be included within the predetermined costs range. They should also include or take into account the implicit transaction costs where appropriate to the investment strategy. Implicit transaction costs may now also be estimated on a "*best-efforts basis*".

Both sets of RTS are set to apply from 16 April 2026 and allow a one-year transitional period for existing AIFs and for existing UCITS (constituted before 16 April 2026) to comply with the RTS until 16 April 2027. Individual AIFs or UCITS may choose to be subject to the RTS from 16 April 2026, provided that they notify the national competent authority ("**NCA**") of their home Member State.

The Council of the EU (the "**Council**") and the European Parliament (the "**Parliament**") will now scrutinise the Delegated Regulations. If neither object, the Delegated Regulations will enter into force 20 days after their publication in the Official Journal of the EU ("**OJ**") and apply from 16 April 2026.

Walkers' Asset Management and Investment Funds group have published an [advisory](#), which outlines the key changes, next steps and other relevant considerations in the application of the LMT rules under AIFMD II.

1.2 ESMA amended LMT guidelines (*This is a further update to section 1.3 of the quarterly report covering the second quarter of 2025*)

On 18 December 2025, ESMA published its [report](#) on Amended Guidelines on LMTs of UCITS and open-ended AIFs ("Amended Guidelines") which takes into account the adoption of the RTS on LMTs (outlined at section 1.1 of this report).

To ensure full consistency between the Amended Guidelines and the RTS as adopted, ESMA has made targeted amendments to the original draft guidelines, primarily in relation to redemption gates and transaction costs for anti-dilution LMTs.

On redemption gates, the Amended Guidelines now reflect the final RTS whereby managers of AIFs with no retail investors and with a limited number of professional investors should consider investor-level redemption gates, alone or in combination with fund-level gates, to mitigate first mover advantage.

On transaction costs for anti-dilution LMTs, the Amended Guidelines reflect the final RTS whereby estimated costs of liquidity are required to include explicit transaction costs and the inclusion of implicit transaction costs, should be considered, *only where appropriate to the investment strategy and estimated on a best effort basis*.

The Amended Guidelines in Annex I of the report will be translated into the official EU languages and published on the ESMA website. The publication of the translations will trigger a two-month period during which NCAs must notify ESMA whether they comply or intend to comply with the Amended Guidelines.

The Amended Guidelines will apply upon the application date of the RTS (16 April 2026) and managers of funds existing before this date of application may apply these Amended Guidelines, in respect of those funds, after twelve months from that application date (16 April 2027).

1.3 ESMA peer review on the supervision of depositary obligations

On 17 November 2025, ESMA published its findings following a [peer review](#) which assessed the supervision of depositaries, in particular their oversight and safekeeping obligations (the "Review"). The Review focused on five jurisdictions: Czechia, Ireland, Italy, Luxembourg and Sweden and examined the supervisory and enforcement practices of these NCAs across key areas of depositary business activities.

Overall, the peer review found that the foundational frameworks for the supervision of depositaries are in place. However, it also found notable divergences across jurisdictions in terms of the depth and maturity of supervisory approaches. While some NCAs demonstrated highly developed and granular practices, others displayed areas for improvement. In addition, there were several transversal findings, including:

- The need for supervisory engagement to be more frequent and proportionate to the associated risk, given the concentration of depositaries within the markets of the assessed NCAs and their potential systemic significance.
- Concerns regarding the depth and intrusiveness of the supervisory assessments of several NCAs with respect to depositaries entrusting third parties with significant tasks, bearing in mind the obligation of depositaries to perform control-related activities autonomously.

Recommendations

ESMA's peer review committee ("PRC") issued targeted recommendations under each assessed supervisory expectation, which may be subject to follow-up within two years. Key recommendations to relevant NCAs on their approaches to depositary supervision include:

- Enhancing risk-based supervision: The Review recommends relevant NCAs to enhance their approach to depositary supervision, so that risks inherent in their activities are adequately identified, assessed and mitigated. In particular, the PRC expects that all assessed NCAs consider implementing more frequent and intrusive engagement to higher impact entities and therefore move closer to a true risk-based supervisory approach.
- Strengthening delegation function: The PRC seeks a thorough assessment that depositary oversight functions are not delegated and whether any envisaged arrangements with third party service providers are in line with the criteria outlined in the ESMA Q&As on the matter, through the

review of sample reports, Key Performance Indicators (KPIs), contracts/SLAs and conduct of on-site inspections at large service providers

- Safekeeping and asset segregation: The PRC observed that the Central Bank of Ireland (the "**Central Bank**") does not require its depositaries to maintain first-level accounts where the safekeeping function is delegated. This practice diverges from that of the other four NCAs and markets covered. The PRC did not find evidence for in-depth supervisory assessments by the Central Bank concerning the compatibility of their unique custody model with applicable EU rules following the 2020 legislative amendments and therefore has encouraged the Central Bank to review its assessment.

Next steps

The objective of peer reviews is to promote consistent and effective supervisory practices across the EU and high-quality supervisory outcomes, as well as to foster a level playing field among NCAs. In that context, the report intends to aid all NCAs in their supervision of depositaries, and it is particularly relevant considering the ongoing discussion on the importance of the investment management sector to European capital markets. ESMA will continue promoting further discussion on the supervision of depositaries and will follow up on specific open recommendations in due course.

Walkers Asset Management and Investment Funds group have produced an [advisory](#) analysing the Review's findings.

1.4 Commission questions and answers ("Q&As") on ELTIF framework

On 5 December 2025, the Commission adopted responses to a number of questions forwarded to it by ESMA to provide clarity on certain legislative provisions contained in the ELTIF 2.0 framework.

The reference numbers and subject matter of the new ELTIF Q&As, as published on the ESMA [Q&A tool](#) webpage are as follows:

- [2468](#) (*Indirect investment*);
- [2470](#), [2471](#) (*Investment strategy*);
- [2472](#), [2474](#), [2475](#), [2476](#), [2477](#), [2478](#), [2482](#) (*Redemption policy*);
- [2479](#) (*Matching mechanism*);
- [2480](#) (*Benefitting from the distributions of the ELTIF*); and
- [2481](#) (*Nationality-related eligibility restrictions on ELTIFs stemming from national law*).

ID 2468 acknowledges the role of *intermediary entities* in facilitating ELTIF investments, and clarifies the application of a number of provisions where investments are made via intermediary entities including that:

- intermediary entities do not need to meet the qualifying portfolio undertaking criteria,
- ELTIF portfolio composition and risk-spreading requirements should apply on a look through basis, and
- intermediary entities and aggregator vehicles should not automatically be considered an AIF.

ID 2470 confirms that ELTIFs can invest:

- in non-EU AIFs under the UCITS assets bucket referred to in Article 50(1) of the UCITS Directive (Article 9(1)(b) of the ELTIF Regulation).
- In eligible target funds that provide exposure to assets even if the assets do not meet the eligibility criteria laid down in Article 9(1) of the ELTIF Regulation. The Q&A clarifies that the look-through approach applies to the determination of relevant limits and does not extend or apply to the eligibility of assets defined in Article 9 and Article 10 of the ELTIF Regulation.

ID2481 confirms that national law cannot require master/feeder ELTIFs to be established in the same jurisdiction.

1.5 ESMA final report on draft RTS on open-ended loan originating AIFs ("OE LOFs") under Directive (EU) 2024/927 ("AIFMD II") (*This is a further update to section 1.1 of the quarterly report covering the fourth quarter of 2024*)

On 21 October 2025, ESMA published its [final report](#) to the Commission with draft RTS on OE LOFs under AIFMD II.

Level 1 of AIFMD II provides that "*a loan-originating AIF may be open-ended provided that the AIFM that manages it is able to demonstrate to the competent authorities of the home Member State of the AIFM that the AIF's liquidity risk management system is compatible with its investment strategy and redemption policy.*"

ESMA was mandated to develop draft RTS to determine the requirements that OE LOFs must comply with to maintain an open-ended structure.

The feedback statement notes that the main point raised by respondents concerned the requirement for alternative investment fund managers ("AIFMs") to determine an appropriate proportion of liquid assets that OE LOFs must hold to meet redemption requests. ESMA has revised the draft RTS by removing this 'fixed asset' requirement and instead stipulated that AIFMs must ensure their OE LOFs have sufficient liquidity to honour redemption requests.

ESMA also updated the draft RTS to require that AIFMs managing OE LOFs must carry out liquidity stress tests at least once a year, rather than quarterly as previously proposed in the consultation paper.

The final draft RTS are set out in Annex IV to the report, which sets out the requirements that OE LOFs must comply with, as follows:

- sound liquidity management system;
- availability of liquid assets and stress testing;
- appropriate redemption policy having regard to the liquidity profile of OE LOFs; and
- a list of factors that AIFMs must consider when determining the redemption policy and assessing the liquidity of OE LOFs.

ESMA has submitted the draft RTS to the Commission. As explained in an accompanying [press release](#), the RTS are included on the list of the non-essential Level 2 acts that the Commission has recently de-prioritised and will not adopt before **1 October 2027** at the earliest.

Walkers Asset Management and Investment Funds group have produced an advisory entitled [ESMA publishes final report and draft RTS on OE LOFs](#) breaking down the finalised RTS and highlighting the practical implications for AIFMs against the backdrop of recent de-prioritisation by the Commission.

2. CENTRAL BANK UPDATES

2.1 Feedback statement to CP160 and updated Fitness & Probity ("F&P") Guidance (*This is a further update to section 2.4 of the quarterly report covering the second quarter of 2025*)

On 24 November 2025, the Central Bank published the following:

- [feedback statement](#) on CP160 on amendments to the F&P regime; and
- updated [Guidance](#) on the [Standards of Fitness and Probity](#) (effective from 25 November 2025) ("F&P Guidance").

The revised F&P Standards consolidate the existing F&P Standards and the F&P Standards for Credit Unions 2024 into one set of Fitness and Probity Standards.

The F&P [Guidance](#) consolidates all F&P-related materials (including prior FAQs, Dear CEO letters, and sectoral notes) into a single Guidance document to deliver a clearer, more transparent framework.

Overview of relevant changes from the draft guidance in CP160

A number of changes have been made in the updated F&P guidance (from the draft April 2025 version contained in CP160), including:

Temporary Officers

Further detail is provided on the new streamlined approach to the appointment of Temporary Officers, where a pre-approval controlled function ("PCF") role becomes vacant. A Temporary Officer is permitted to perform a PCF role by way of an arrangement agreed in writing with the Central Bank, for a period of up to 6 months upon certain conditions being satisfied (2.41). Temporary Officers are treated as CF-1 and are subject to the F&P Standards and the Common and Additional Conduct Standards.

Dual CF/PCF classifications

All individuals occupying PCF roles can be said to have the 'ability to exercise a significant influence on the conduct of the affairs' of a firm and are therefore, at minimum, also CF-1. There are no new requirements or expectations associated with this dual classification. Specifically, dual classification does not introduce any additional due diligence for PCFs. Moreover, where a firm certifies that an individual complies with the standards of fitness and probity in respect of a PCF role, the firm does not have to make certifications in respect of the CF-1 (or CF-2) aspects of that role.

The role of company secretary

The company secretary is not automatically considered a CF-1 role holder. The designation of a company secretary as a CF-1 should be determined by firms on a case-by-case basis, where the functions carried out by the individual enable them to exercise a significant influence on the conduct of the affairs of the firm. The Central Bank anticipates that CF-1 roles holders are relatively senior individuals in firms. Where a firm determines that the role conducted by their company secretary is purely the administration of company law matters, such individuals need not, for those activities alone, be designated as CF-1.

CF-2

Where the functions performed by an individual constitute 'ensuring, controlling or monitoring' compliance by a regulated financial service provider with its relevant obligations, that individual is occupying a CF-2 role, regardless of their seniority. CF-2 role does not extend to administrative/support staff, including in outsourced internal audit arrangements.

F&P due diligence expectations

Firms are expected to apply a proportionate approach performing due diligence on a best-efforts basis, mindful of the limits of public records. The principle of proportionality cannot be applied in relation to probity, and the assessment must be conducted for all firms in the same manner.

In relation to considering past events in the context of F&P assessments recognises that the significance of past events may diminish over time. A ten-year period since a final decision is provided as a general guide to the diminishing materiality of past events (unless custodial sentences or aggravating factors apply). Firms should still seek information on criminal, civil or regulatory actions in respect of an individual regardless of when they occurred.

Reference to providing "evidence of financial soundness" has been removed. The Central Bank does not expect applicants to provide bank statements. In general, absence of judgments/defaults and public record checks will suffice unless there are further disclosures made by the applicant or concerns arise that warrant investigation.

Capacity / time commitments

In relation to the assessment of time commitments, the Central Bank reaffirms that case-by-case assessments will be made based on the firm and the role in question. The F&P Guidance contains a number of factors to consider e.g., other directorships, other CF/PCF roles, other mandates and the responsibilities attached to those mandates.

The default expectation that executive PCF roles are carried out on a full-time basis is removed. Firms should be in a position to explain non full-time executive arrangements.

Availability and accessibility

Notwithstanding that PCF/CF roles may be performed outside Ireland, firms are expected to demonstrate effective strategic direction, decision-making, governance and risk management are sufficiently present in Ireland. This should include the management of key risks and the making of key decisions by those within the firm and not elsewhere in the group.

Firms must ensure that the Central Bank has access to key decision makers to ensure that the firm is capable of being effectively supervised. Accordingly, non-resident PCF appointments will be assessed on a case-by-case basis, taking into account the nature, scale and complexity of the firm and role, and the residency mix of other PCFs.

Independence of mind and board independence

The Guidance distinguishes “independence of mind” (expected of all board members) from “being independent” (a formal status for specific roles). Additional guidance is provided to support firms being satisfied that board members can make sound, objective and independent judgements (independence of mind). Firms can assume that a person sufficiently qualified and experienced to act as a board member will have sufficient independence of mind to carry out the role, absent evidence to the contrary. Independent non-executive director selection should follow the criteria set out the F&P Guidance.

Inherent responsibilities

Inherent Responsibilities are retained as high-level role definitions relevant across sectors (predominantly board members and the heads of control functions), but explicit Senior Executive Accountability Regime (“SEAR”) references in this context are removed to avoid any impression of scope extension.

Level of knowledge and experience for boards and head of control functions

For board members, objective experience thresholds are retained to promote consistency, with added flexibility to recognise diverse knowledge and experience profiles where appropriately justified. Role, sectoral or firm specific circumstances should be taken into account where an individual does not hold the specified level of experience but may nevertheless be considered suitable for the role. Accordingly, an individual who does not possess the level of experience set out may still be considered fit and proper where there is an appropriate justification.

Collective suitability and diversity and inclusion

The Central Bank's expectations with regard to assessments of collective suitability and diversity of boards are reinforced. In the case of sectors where there are no formal diversity requirements, firms are encouraged, as good practice, to have diversity and inclusion internal policies in place for the board of the firm. A board skills matrix may be considered by all firms as good practice to help assess the initial and ongoing suitability of the board and to identify any skills gaps at present or in the future.

The Central Bank indicates it will apply these principles in a flexible, proportionate and constructive way in supervision.

PCF list review

A consultation on proposed PCF list changes will occur in 2026 and revisions to the list are expected by mid-2027 to coincide with SEAR review, with a focus on simplification and reduced regulatory burden. A register of PCF holders has been suggested by respondents, and the Central Bank will consider its merits.

Next steps

The F&P Guidance has taken effect from 25 November 2025. On 9 December 2025, the Central Bank hosted an industry webinar to provide an overview of the key changes to the F&P Guidance for stakeholders and further webinars and workshops are envisaged for 2026. The Central Bank has indicated to industry that it will take a reasonable and proportionate approach to expectations around the operationalisation of the F&P Guidance. The Central Bank will be further streamlining the guidance and enhancing clarity and understanding of the PCF application process and will be hosting webinar

sessions to highlight key points, including clarification on user roles and responsibilities and their access.

Walkers Asset Management and Investment Funds, Regulatory and Risk and Employment groups have produced an [advisory](#) outlining the key changes.

2.2 Markets updates

(a) *Issue 8 of 2025 (This is a further update to section 3.2 of the quarterly report covering the fourth quarter of 2024)*

On 11 December 2025, the Central Bank published its markets update ([8/2025](#)) containing an update on the postponement of the EMIR Article 7(d) annual reporting obligation regarding clearing activity with third-country central counterparties ("CCPs").

The Central Bank takes note of ESMA's [statement](#) on 11 December that it is expected that the first reporting under Article 7d of EMIR on 2025 data will be submitted together with the 2026 reporting cycle, following the implementation of the necessary Level 2 measures. The Central Bank will align its expectations with ESMA and the other EU NCAs.

(b) *Issue 7 of 2025*

On 26 November 2025, the Central Bank published its markets update ([7/2025](#)) containing the following updates:

- [The EBA calls on counterparties to seek authorisation for initial margin model based on ISDA SIMM](#)

The European Banking Authority ("EBA") has [launched](#) a data collection, through the competent authorities, to obtain the list of EU counterparties that will be required to apply to the EBA for validation of ISDA Standard Initial Margin Model ("SIMM"), as well as their contact persons. The EBA underscores the counterparties' obligation to apply for the authorisation of the use of initial margin models and warns of the legal consequences in case of non-authorised use under EMIR.

All financial and non-financial counterparties subject to the requirement to exchange initial margin in accordance with EMIR and Article 36 of the joint ESAs [RTS](#) on uncleared OTC derivatives calculated - directly or indirectly - using initial margin models based on ISDA SIMM should apply to their competent authorities for the authorisation of such models as per EMIR and the [EBA's no-action letter](#) published on 17 December 2024.

Counterparties must provide their competent authorities with the information requested. This information will be used to onboard counterparties onto the EBA's validation system during the first semester of 2026, ahead of counterparties' applications to the EBA for validation of ISDA SIMM expected in the second semester of 2026. Counterparties failing to apply for the EBA's validation will no longer be permitted to use ISDA SIMM under EMIR until they rectify their status with the EBA.

The EBA's no-action letter remains in force.

- [The EU T+1 Industry Committee has launched a comprehensive survey to assess progress on High-Level Roadmap](#)

The move to T+1 settlement represents a major industry shift toward faster, more efficient post-trade processes. While the [High-Level Roadmap](#), prepared by EU T+1 Industry Committee, offers guidance through the recommendations it contains, each firm must conduct its own analyses to understand the operational and technological changes required. The Central Bank strongly encourages market participants to begin assessing their readiness now and take the necessary steps to ensure a smooth and timely transition. As we approach the halfway point to T+1 implementation, the EU T+1 Industry Committee has launched its first comprehensive survey to assess industry progress on High-Level Roadmap recommendations.

The [survey](#) and the relevant [guidance note](#) (for the survey) are open until 19 December 2025.

- [Commission Notice re European Green Bonds](#)

The Commission has published a [Commission Notice](#) on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation. The Frequently Asked Questions document contains clarifications on certain disclosure requirements in relation to EU Green Bonds, including in relation to the use of the designation “European Green Bond”, the use of proceeds, fact sheets and prospectuses.

The Commission Notice is also outlined in section 4(i) of this report.

(c) *Issue 6 of 2025*

On 24 October 2025, the Central Bank published its markets update ([issue 6/2025](#)), which includes the following items:

- [Implementation of AIFMD II – Fund Documentation Updates](#)

The Central Bank has announced that it will facilitate a streamlined filing process for post-authorisation updates to fund documentation for AIFs and UCITS arising from:

1. the transposition of changes to the AIFM and UCITS Directives; and
2. amendments to the Central Bank AIF Rulebook and Central Bank UCITS Regulations.

The streamlined process will apply in relation to any changes made to the prospectus and/or supplement of UCITS and AIFs except for changes to the investment objective, policy or strategy sections, which are subject to a post-authorisation review in the normal course.

Further details on this process will be published on the Central Bank website over the coming weeks.

- [Notice of Intention in relation to the application of the ESMA Guidelines on outsourcing to cloud service providers](#)

On 24 October 2025, the Central Bank published a [notice of intention](#) in relation to the application of the ESMA Guidelines on outsourcing to cloud service providers (the “**Guidelines**”). The notice sets out that the Central Bank expects full compliance with the Guidelines from 24 October 2025.

The Central Bank will, in due course, consult on the incorporation of a provision in the Central Bank UCITS Regulations and AIF Rulebook that all depositaries of AIFs referred to in Article 21(3)(c) and in Article 21(3), third subparagraph of the AIFMD and depositaries of UCITS referred to in Article 23(2)(c) of the UCITS Directive, where they are not financial entities to which DORA applies, adhere to the Guidelines.

- [Remarks by Gavin Curran on innovation in asset management](#)

This item is more fully described in section 2.5(b) of this report.

- [IOSCO reviews implementation of recommendations for crypto and digital asset markets](#)

On 16 October 2025, the International Organization of Securities Commissions (“**IOSCO**”) published its final report on its [thematic review](#) assessing the implementation of IOSCO [Policy Recommendations for Crypto and Digital Asset Markets \(2023\)](#) (“**Report**”).

The Report was conducted with a focus on investor protection and market integrity, examining how twenty jurisdictions, from both advanced and emerging economies, have implemented the recommendations and sets out further recommendations both for participating jurisdictions as well as standard setting bodies.

The recommendations cover matters related to governance, conflicts of interest, fraud and market abuse, cross-border cooperation, custody, retail client protections, and disclosures. The Report highlights both the progress made in regulating crypto-asset markets and the key areas for continued progress, such as promoting greater consistency in implementation, reducing risks of regulatory arbitrage, and strengthening enforcement practices.

- [ESMA organises its first Data Day focused on burden reduction and digitalisation](#)

- [ESMA CSA on Sustainability Risks and Disclosures in the Investment Funds Sector - Central Bank of Ireland Feedback Report](#)

This item is more fully described in section 4(a) of this report.

2.3 Daily Investment Funds Return ("DIFR") – updated guidance (*This is a further update to section 2.1 of the quarterly report covering the second quarter of 2025*)

On 5 December 2025, the Central Bank [released](#) revised comprehensive DIFR guidance notes, following collaboration with industry.

The section on LMTs is expanded to address the practical DIFR application for each tool. The guidance clarifies that LMT reporting is triggered by the application of the LMT and not its availability. The use of LMT is reported for all in-scope funds (i.e. aside from zero NAV funds, MMFs) except in the case of ETFs, where LMTs are only reported for liquidity management purposes.

The guidance summarises the key submission deadlines and new worked examples are provided for reporting in respect of:

- Fund launches (initial subscription and choosing a NAV date aligned to dealing cycle).
- Expanded private equity examples:
 - Unitised fund calls
 - Unitised with return of capital event (separate return and deadline).
 - Unitised with weekly calls (month-end valuation applied to calls within the month)
 - Non-unitised fund calls (units in issue = 1; dealing date aligned to NAV date; report NAV before flows).
- Real estate funds using estimated NAV with resubmission when a finalised NAV differs.

2.4 Central Bank report "*Regulating & Supervising Well – A More Effective and Efficient Framework*"

On 10 December 2025, the Central Bank published a [report](#) entitled "*Regulating & Supervising Well – A More Effective and Efficient Framework*" and an accompanying [press release](#).

The report outlines the Central Bank's approach to a more effective and efficient regulatory and supervisory framework, reducing complexity and improving clarity while maintaining resilience and important protections in the system. The report includes a roadmap for delivery of the simplification agenda outlining certain key domestic milestones. In the press release, the Governor notes that given European focus on improving competitiveness and resilience, "*there is a clear opportunity to streamline rules and processes without weakening the important protections we have built.*"

Notable Central Bank simplification initiatives addressed in the report include:

Capital Markets and Funds

- An updated AIF Rulebook and UCITS regulation – to reduce undue barriers while aligning more closely with the updated EU funds framework.
- A comprehensive review of the fund service Provider (FSP) framework with initial proposals from the review scheduled for the **first half of 2026**, and completion and issuance of a modernised, consolidated FSP rulebook in the **second half of 2027**. This review will examine:
 - rules governing management companies and service providers, ensuring they reflect the structures and risk profiles of today's funds industry.
 - updating delegation and outsourcing provisions, where necessary, to reflect AIFMD II and EU guidance, balancing operational flexibility with effective oversight.
 - Streamline and consolidate domestic regulations, guidance, and Q&As, reducing duplication and improving consistency across the funds sector.
- Streamlined authorisation processes for funds, intermediaries and market participants are due to be implemented in the **second half of 2026**.

- Review of investment funds framework and consolidation of regulation artefacts into regulations due in the **first half of 2028**.

Cross-sectoral initiatives

- Potential changes to the PCF list will be reviewed in the **second half of 2026**. The report notes PCF processing has been improved, with the average processing time for Individual Questionnaires reduced from 36 to 24 calendar days and a material reduction in incomplete submissions following the establishment of a dedicated F&P Unit and consolidated guidance.
- The three-year SEAR review will be completed in the **first half of 2027** to assess the scope of application, proportionality, calibration, and operational impact in light of practical experience.
- Updated cross-sectoral guidance on outsourcing, due in the **second half of 2026**, will entail making expectations clearer, less prescriptive and removing duplication where EU requirements are now in place with specific changes to reduce unnecessary administrative burden:
 - align closely with DORA to ensure consistency across information and communication technology ("ICT") and non-ICT outsourcing;
 - focus on principles of sound risk management rather than procedural checklists; and
 - clarify expectations for registers, record-keeping, and governance.
- A comprehensive review of data collection and implementation of data "discipline-by-design" tests for new reporting requests due in the **second half of 2026**, ensuring that every domestic reporting requirement has a clear purpose. The review will entail:
 - implementing a process for any new data requests, testing necessity, proportionality, and potential for re-use;
 - merging existing collections where this will improve operational efficiencies;
 - retiring reports that no longer provide sufficient supervisory value;
 - maximising re-use of existing data to reduce potential duplication; and
 - balancing efficiency with effectiveness, recognising that targeted enhancements to existing returns and some new collections will still be needed to maintain analytical depth and provide supervisory insights.
- Consultation on review of Corporate Governance Codes (due to be implemented in the **first half of 2027**, following consultation in the **second half of 2026**) to remove duplication, improve alignment across sectors, and embed proportionality and clarity into governance design.
- Consolidating Q&As and guidance into a structured framework. Continued withdrawal and consolidation of domestic guidance, Dear CEO letters, Q&As and legacy artefacts as part of the comprehensive domestic artefact review due by **second half of 2027**.
- The new directly applicable EU AML Regulation will replace large parts of national AML/CFT frameworks. The Central Bank will retire domestic publications, including AML guidelines and historical "Dear CEO" letters, where they are no longer applicable or relevant, and replace them with a single, directly applicable EU rulebook.
- A new Regulatory Impact Assessment ("RIA") Framework representing the formalisation of a discipline that already underpins the Central Bank's approach, balancing regulatory effectiveness with efficiency, and ensuring that new rules are designed to be both clear in intent and proportionate in impact. The Central Bank will consult publicly on the RIA in the **first half of 2026**.

2.5 Central Bank speeches during the period

(a) *Through the cycle – regulation and supervision in an uncertain world*

On 3 October 2025, Deputy Governor Mary-Elizabeth McMunn delivered a keynote [speech](#) focusing on the current risk environment within the global financial system as well as the regulatory simplification agenda amid the renewed focus on competitiveness,. The remarks identified key risk drivers include ongoing geopolitical developments, rapid technological innovation, and escalating climate-related risks.

The Deputy Governor also discussed the importance of proportionate and adaptive regulation, referencing the revised Consumer Protection Code and the implementation of DORA, while advocating for regulatory simplification that maintains effectiveness. Assessing the Central Bank's own domestic frameworks and in the context of areas targeted for simplification, she referred to enhanced F&P and authorisation processes, consultations on amendments to the funds framework and streamlining reporting requests. The Central Bank will call out the risks should the legitimate aims of simplification slide into de-regulation.

(b) *Keeping pace with asset management innovation*

The Central Bank published as an [Industry Communication](#) a speech entitled '[Keeping pace with asset management innovation](#)' delivered by Gavin Curran, Head of Funds Authorisation at the ETF streams forum on 1 October 2025. The speech focused on how the Central Bank views technology adoption across the ETF and the wider funds ecosystem.

A number of takeaways from the speech addressed certain Central Bank's expectations on implications of technology adoption for strategy, governance, operations:

Operational resilience and liquidity provision

ETF liquidity could be transformed by tokenisation as the conversion of rights in an ETF share into a digital representation on a distributed ledger could shorten settlement times, automate corporate-action processing and enable near real time trade transparency. Boards should be satisfied with the firms that act as authorised participants ("APs") and with an ETF's operational set-up and should have taken a positive decision that this presents the optimal operational framework available for APs to effectively perform their function. Boards must rigorously test liquidity assumptions and ensure a formal and robust due diligence and ongoing monitoring regime is in place, and is tested, so as to ensure they can have confidence in the promise of liquidity.

On the increasing **retailisation of ETFs**, boards have a responsibility to ensure complex product-related factors contribute to **investor wellbeing**. The Central Bank would expect Boards to ensure there is synergy between the ETF's strategy, distribution and marketing framework and the expected risk appetite of end investors. Boards should be able to translate regulatory requirements into dynamic **oversight cultures**. Pace of innovation demands more than a static compliance tick-box, notwithstanding regulation. Oversight cultures must be capable of interrogating proposals spanning product strategy in light of the intended target market, to re-evaluating the appropriateness and transparency of fee arrangements (in relation to securities lending, for example) to the adequacy of the ETF's underpinning liquidity provision framework and how it can be assured.

Tokenisation and the expansion of artificial intelligence ("AI") within the ETF ecosystem

From a funds authorisation perspective, the Central Bank are having numerous engagements with industry participants on fund tokenisation proposals.

Mr Curran noted tokenisation offers efficiencies but is not a panacea particularly as it introduces new forms of technological and cyber risk. Its adoption within ETFs would require extensive and technical risk considerations, from software development lifecycle controls, third-party service provider due diligence, penetration testing and contingency planning for blockchain-fork events, i.e. hard-wiring operational resilience in the product. On the importance of **operational resilience** in the context of any technological development, the speech emphasised a culture of pre-emptive governance at the board level. Directors must understand not in jargon-laced briefings but in plain terms how the technology works, where the points of failure lie, and which key risk indicators would signal distress.

The speech noted that AI developments promise a step change in efficiency, but they also invite algorithmic bias risk, model drift concerns, and data privacy challenges. Like tokenisation, **robust AI governance** was emphasised, ranging from GDPR compliance, embedding UCITS principles, incident-response procedures and even ethical principles. A robust AI governance framework should embed technical essentials such as independent model-validation, explainability protocols, and robust incident-response procedures. The framework should also articulate roles and responsibilities to ensure clear accountability in the use and design of the AI model and importantly, the underpinning ethical values which should be consistent with the management company's culture. The Central Bank expects that

the overarching principle observed, is how the use of technology, (or indeed any innovation adoption) **best serves investors**.

Tokenisation, AI and advanced liquidity management should be invisible to the end investor, surfacing only in the form of lower costs, tighter spreads and enhanced disclosures. The Board's role is to certify that this invisible complexity never morphs into invisible risk. Simplicity at the point of consumption is often the by-product of immense complexity behind the scenes.

The EU's simplification agenda

The speech noted ETFs are well-suited to the simplification agenda and that disparities in regulatory requirements under the UCITS passporting regime and listing requirements can confuse investors and dissuade cross-border distribution.

Measures such as operational efficiencies designed to enhance the AP experience, the creation of pre-contractual disclosure which is optimised for digital delivery and delivering consolidated tape for ETF transactions would improve market transparency and data access. In turn, this could positively impact investor participation.

Questions that are relevant for boards as they utilise different distribution models could include: whether regulatory disclosure documents are suited to a smartphone screen and will key information documents be reviewed with the necessary rigour required by Generation Z investors swiping through a feed? Less dense disclosure was noted as likely a necessary component of the regulatory response.

(c) Financial Wellbeing

On 2 October 2025, Deputy Governor Colm Kincaid delivered a [speech](#) entitled 'Towards Our Future Financial Wellbeing' at the Financial Services Ireland Chief Executive Roundtable.

The remarks outlined how the Central Bank is enhancing its approach to how it protects consumers and investors, through a new [integrated supervisory model](#), implementation of the [recommendations of the OECD](#) review of the Central Bank's consumer protection approach and implementation of the modernised [Consumer Protection Code](#) in early 2026.

(d) Annual Financial System Conference Better Rules, Better Outcomes: The Next Evolution in Financial Regulation

On 25 November 2025, the Central Bank published a [press release](#) and [speech](#) delivered by the Governor Gabriel Makhlouf at the Central Bank's fourth annual Financial System Conference 2025. The speech entitled "*Better Rules, Better Outcomes: The Next Evolution in Financial Regulation*" outlined the Central Bank's perspective on effective and efficient regulation and supervision contributing to stability, resilience and confidence in the financial system.

The Governor outlined the Central Bank's regulatory philosophy built on six principles:

- First, forward-looking in identifying risks;
- Second, connected to those it serves;
- Third, proportionate in balancing costs and benefits;
- Fourth, predictable in expectations;
- Fifth, transparent in explanations; and
- Sixth, agile in adapting to changing environments.

The Governor announced the Central Bank will consult on a new Regulatory Impact Assessment Framework in 2026, which will further embed evidence-based policymaking into its processes and support the orderly and proper functioning of financial markets.

(e) Micro financial effects of climate change in Ireland

On 25 November 2025, the Central Bank published a [speech](#) by Deputy Governor Vasileios Madouros entitled '*The Macro financial effects of climate change in Ireland: What have we learned?*'. In his remarks

the Deputy Governor outlined that the management of climate-related risks by the financial sector has improved, but there is more to do. The effective management of climate-related financial risks across the financial system remains one of the Central Bank's key supervisory priorities, as outlined in the Supervisory and Risk Outlook report earlier this year.

Notwithstanding that shifting policy priorities globally are leading to a weakening of commitments to climate change mitigation in some parts of the world, the remarks reiterated that the Central Bank are staying the course and are not proposing to reduce its focus on climate change.

(f) *Modernising how we protect consumers in vulnerable circumstances*

On 3 November 2025, the Central Bank published [remarks](#) delivered by Deputy Governor, Colm Kincaid to the Central Bank Consumer Protection Code ("CPC") workshop entitled "*Modernising how we protect consumers in vulnerable circumstances*". The Central Bank workshop is part of a series designed to support firms with practical steps and measures on implementing the principles of the revised CPC. During December 2025, the Central Bank published an updated version of its [General Guidance on the Consumer Protection Code](#).

Mr Kincaid's remarks outlined four key observations regarding their approach to implementation of the new Code.

Preparations: The Central Bank expects regulated firms to now be well advanced in their implementation of the revised CPC underpinned by clear plans, resources and senior level accountability.

Collaboration: The Central Bank will remain open and engaged on best practices recognising regulated firms and not the Central Bank will often have the answer to what represents best practice in terms of operationalising a given provision of the CPC.

Integration into supervisory work:

The CPC will be embedded across supervisory activities, with a particular focus on:

- **How firms operate and the consumer/investor experience:** firms should be well run, secure their customers' interests and effectively manage any conflicts of interest by placing consumers and investors at the heart of decision making.
- **Digitalisation:** Digital innovation comes with potential risks in terms of ensuring consumers are enabled to make the digital transition and given appropriate information and support when making transactions digitally. There is also a need to ensure operational resilience, recognising the significant impact service disruption has on consumers.
- **Financial crime:** This should be a priority for all firms and agencies involved with financial services, to actively safeguard the integrity of the financial system and consumer interests by combatting financial crime.
- **Outcomes:** the Central Bank will assess the effectiveness of the CPC through the substantive outcomes firms achieve. The Central Bank asks regulated firms in implementing the Code to build a better understanding of its customers' financial well-being, their needs and the challenges they face (including listening more closely to what their complaints are telling you about their experience).

(g) *The evolving regulation of financial intermediaries*

On 20 November 2025, the Central Bank published a [keynote speech](#) by Gerry Cross Director, Capital Markets and Funds at the Central Bank's Annual Retail Intermediaries Roadshow on "*The evolving regulation of financial intermediaries*"

Mr Cross outlined the important role that retail intermediaries play in the Irish financial services market for consumers, the outcomes that the Central Bank sees as important for this sector, and simplification and proportionality in regulation and supervision. He highlighted unregulated activities and under the revised CPC it is unlikely to be possible for regulated firms, under the same or similar branding, to offer

products or services which are unregulated and which bear similarity to regulated products or services, as they are unlikely to be able to demonstrate that the risks of confusion have been effectively mitigated.

Mr. Cross also turned to the Central Bank's recent [industry report](#) setting out the findings of a thematic review of retail intermediaries' fair versus limited analysis of the market

2.6 Financial Stability Review (2/2025)

On 16 November 2025, the Central Bank published its second [Financial Stability Review of 2025 \("FSR"\)](#). The [press release](#) entitled '*Stretched valuations in global markets and economic uncertainty are the main risks facing Ireland's financial system*' was published alongside the Governor's [opening remarks](#).

Of interest to the asset management sector are the sections of the FSR on:

- the resilience of non-banks (includes investment funds) (*pages 41 – 47*).
- new insights on Irish-authorised private credit funds (*Box C, pages 44 - 45*).
- macro-prudential policy for non-banks (*pages 56 - 58*).

A number of takeaways are worth noting for investment funds and their service providers:

- The FSR notes an elevated market risk amid stretched valuations and compressed credit spreads heightening the risk of sharp corrections. Warning signs in private credit markets have brought lending standards by non-banks into focus.
- The Central Bank is working domestically to understand better how price-based (or anti-dilution) LMTs are used in Irish-domiciled funds.
- In terms of the macroprudential framework for non-banks, Irish property funds are making progress towards meeting the macroprudential leverage limit ahead of the end of the implementation period in November 2027 and the CBI expects to see continued progress in this regard. During 2024, aggregate leverage for in-scope funds fell by about 1.5pp to 46.3%.
- Developing a macroprudential framework for non-banks, with a focus on the investment funds sector, remains a key priority for the Central Bank. The FSR expresses continued concerns regarding certain non-bank financial intermediation ("NBFI") vulnerability to shocks, especially those with high leverage or liquidity mismatches. Investment funds' portfolios are also increasingly concentrated in US non-financial corporation assets, largely driven by elevated valuations in the US stock markets. Any large falls in the US stock market could be amplified in the event of redemption or margin call driven fire sales in these funds.
- Concerns over lending standards in private credit have intensified following several high-profile bankruptcies (internationally). These cases have raised uncertainty concerning the underwriting standards and due diligence practices within private credit and leveraged loan markets, which have experienced rapid growth in recent years. The increased use by private credit funds of structures where periodic interest to be paid on a loan is instead added to the existing debt stock adds to these concerns.
- AUM of private credit funds authorised in Ireland grew from €18.1bn (2019) to €70bn (2024); still a small share of Europe's private credit. Irish private credit funds mainly finance European companies, but other investment funds' shares may constitute the largest component of private credit funds' balance sheets, highlighting the challenges in understanding the interlinkages of this sector. Neither leverage nor liquidity mismatches are material risks for these private credit funds. While private credit funds may pose risks to financial stability, and a full understanding of these risks is made challenging by their complex structures and lack of transparency, the FSR concludes that these risks appear to be less material in Ireland as these funds form a small cohort by AUM, and links to the domestic economy appear limited.

2.7 Enforcement action – anti-money laundering failures

On 6 November 2025, the Central Bank [announced](#) it imposed a fine of €21,464,734 for breaches of anti-money laundering and counter terrorist financing obligations with respect to transaction monitoring as required by the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, as amended (the "CJA 2010").

Between 2021 and 2025, the virtual asset service provider, registered with the Central Bank for anti-money laundering ("AML")/ countering terrorist financing ("CFT") purposes under the CJA 2010, failed to properly monitor more than 30 million transactions and failed to adopt internal policies, controls and procedures to prevent and detect the commission of money laundering and terrorist financing. This is the first enforcement outcome in the crypto sector and the fourth settlement under the Administrative Sanctions Procedure following the changes introduced by the enactment of the Central Bank (Individual Accountability Framework) Act, 2023.

Further, the firm took almost three years to fully complete the monitoring of the impacted transactions. This subsequent monitoring led to the reporting of 2,708 suspicious transaction reports ("STRs") with the national Financial Intelligence Unit for further analysis and potential investigation. The STRs submitted in respect of the late monitoring of the transactions contained suspicions associated with serious criminal activities including money laundering; fraud/scams; drug trafficking; cyber-attacks (malware/ransomware); and child sexual exploitation.

Colm Kincaid, Deputy Governor – Consumer & Investor Protection noted that "*crypto has particular technological features which, together with its anonymity-enhancing capabilities and cross-border nature, makes it especially attractive to criminals looking to move their funds. This is why it is especially important that firms engaged in crypto services have robust controls in place to identify and report suspicious transactions.*" Mr Kincaid further reminded market participants that where system failures do occur, it is imperative that they are reported to the Central Bank without delay so that appropriate actions can be taken to manage and mitigate the risk.

2.8 Retail investor participation in Ireland – Report on consumer research and analysis

On 1 December 2025, the Central Bank published a [report](#) on [consumer research and analysis of retail investment in Ireland](#).

The report focuses on opportunities for households to secure their long-term financial well-being and seeks to establish a clearer understanding of the drivers of – and barriers to – retail investor participation in Ireland, drawing on examples of successful capital markets ecosystems internationally. The report is intended to inform public policy on improving access to capital markets for retail investors.

The report finds that:

- Ireland has among the lowest levels in the EU of direct retail participation in capital markets (through listed equity, debt securities and investment funds), with people tending to prefer to hold their wealth in property, life assurance and pensions.
- Ireland does not yet have all the key factors to success in place to support retail investment.
- Retail investors in Ireland are more likely to have a higher level of educational attainment, be in employment, have higher income levels, be male, be aged between 35 and 54 and live in the greater Dublin area. Wealthier households are responsible for the vast majority of direct and indirect participation in capital markets.

Key barriers to investment include:

- A perceived lack of **financial resources**.
- **Tax complexity and disparities:** As identified in the 2030 Funds Review, higher effective rates applicable to some retail investment classes in Ireland, the eight-year deemed disposal for funds, and lack of a simplified, tax-advantaged "savings & investment account".
- **Low trust and confidence:** A material minority lack trust in financial institutions and are unsure providers will act in their best interest.
- **Knowledge and understanding gaps:** Many non-investors do not know what to buy, how much to invest, how to analyse performance, or which sources to trust for support and advice.

Policy responses

- EU Savings and Investment Accounts ("SIAs") present an important opportunity to consider how a lost cost, easily accessible investment product might enhance the options available to consumers (in particular, those outside of higher income brackets).
- In an Irish context, consideration should be given to utilisation of existing products given the low levels of investment by Irish retail investors in investment funds, including UCITS. As identified in the Government's 2030 Funds Review, the tax treatment of funds is also a factor.
- Ensuring individuals have access to a range of appropriate products with appropriate independent advice and supports.
- Implementing the Financial Literacy Strategy with a focus on investments and pensions.

2.9 ELTIF application form (updated)

During October 2025, the Central Bank updated section 2.12.4 of its ELTIF application form to accurately reflect Section 3, Item 3.3 of Annex 4 of Commission Delegated Regulation (EU) 2019/980.

The updated Section 2.12.4 now prescribes regarding any benefits relevant service providers may receive from third parties, that:

"If any service provider to the ELTIF is in receipt of any benefits from third parties (other than the ELTIF) by virtue of providing any services to the ELTIF, and those benefits may not accrue to the ELTIF, disclose a statement of that fact, the name of the third party, if available, and a description of the nature of the benefits."

The [updated ELTIF application form](#) should be used going forward as per the Central Bank's website.

2.10 Submission of beneficial ownership information changes

On 10 October 2025, the Central Bank published the following communication:

- Unit Trusts are requested to use the new reporting mechanism to provide all current Beneficial Ownership details to the Central Register from Monday 13 October 2025; and
- Other Certain Financial Vehicles (ICAVs, ILPs and CCFs) should only use the new reporting mechanism as and when a change is required in line with the obligation to report changes to the Central Register within 14 days of such a change.

Further information on submitting beneficial ownership details can be found [here](#).

2.11 Consumer warning

On 10 November 2025, the Central Bank issued a [warning](#) to consumers about the changing fraud landscape, urging vigilance and citing more sophisticated scams including techniques such as fake comparison websites, fraud recovery schemes and the rise in artificial intelligence ("AI") use in ads to impersonate giving scammers access to sensitive personal information.

2.12 Appointment of Director of Enforcement

On 28 November 2025, the Central Bank [announced](#) the appointment of Karen O'Leary as the new Director of Enforcement. The appointment will take effect from 1 January 2026.

Karen replaces Colm Kincaid, who was appointed Deputy Governor, Consumer & Investor Protection.

2.13 AML risk evaluation questionnaire ("REQ")

During the period, the Central Bank communicated that it intends to replace the current AML/CFT REQ with sector specific REQS for all sectors over a phased timeframe.

A sector specific REQ for fund management companies will be published in the first quarter of 2026 for submission in Q3 2026.

2.14 Investment fund Q3 2025 statistics

On 1 December 2025, the Central Bank published its Investment Fund [Statistics](#) for Q3 2025, which show the net asset value of Irish resident investment and money market funds increased again in Q3 2025 reaching €5.309 trillion. The €293bn NAV increase from Q2 to Q3 was split between transaction inflows and revaluations.

On 1 December 2025, the European Fund and Asset Management Association ("EFAMA") published its European Quarterly Statistical [Release](#) for Q3 2025 showing net assets of UCITS and AIFs increased by 4.1% in the quarter, reaching EUR 24.52 trillion. Strong net inflows into European funds in Q3 2025 were primarily driven by record quarterly net sales of bond funds.

3. OTHER LEGAL AND REGULATORY DEVELOPMENTS

3.1 European Commission

(a) *Market Integration package*

On 4 December 2025, the Commission released its [legislative proposals](#) on market integration as part of the savings and investments union ("SIU") agenda.

The package contains proposals to remove barriers for groups operating across member states, remove barriers to passporting, as well as new areas for ESMA supervision and enhanced convergence tools.

The package contains three legislative proposals:

- Master Regulation (amending 18 pieces of existing EU capital market legislation):
- Master Directive amending the UCITS Directive (UCITSD), AIFMD and MiFID II; and
- Regulation on settlement finality and amending financial collateral arrangements.

Some of the key changes proposed to the AIFMD and UCITS frameworks in the Commission's market integration package include:

- **EU depositary passport.** Notwithstanding the agreement reached as part of the recent AIFMD II measures, the Commission has re-introduced the proposal for an EU-wide passport allowing AIFMs and UCITS to appoint a depositary located anywhere in the EU and enabling depositaries to offer cross-border services. Ireland and a number of other member states have determined not to permit the appointment of depositaries established in other member states when transposing AIFMD II into national laws. The proposed depositary passport, if implemented would be limited to entities authorised as credit institutions under the capital requirements directive framework (CRD) or MiFID investment firms subject to common prudential requirements.
- **ESMA supervisory powers.**
 - Annual ESMA reviews of the largest asset management groups based on NAVs (where aggregate EU-wide net asset values of management companies and AIFMs within the group are above € 300 billion) and cross border footprint.
 - ESMA is empowered to identify and require remediation to address diverging, duplicative, redundant and deficient supervisory actions hindering the operations of asset managers and depositaries pursuing their activity on a cross-border basis or providing services on a cross-border basis.
 - ESMA is also granted the power to intervene when NCAs do not effectively apply EU rules or to directly suspend the cross-border activities of a fund manager or depositary in certain cases. NCAs may refer to ESMA for settlement any disagreements on assessments, actions, or omissions.
- **EU group of management companies/AIFMs.** Introduction of the concept of an "EU group of management companies and AIFMs" to include authorised management companies, AIFMs, credit institutions and investment firms. It is proposed that such EU groups would be able to allocate functions and share and rely on group human and technical resources without becoming subject to the delegation requirements for authorisation purposes.

- **Article 56(2)(b) of the UCITS Directive.** Increasing from 10% to 15% the limit on debt securities issued by a single entity for investments in securitisations issued in accordance with the EU Securitisation Regulation (EU) 2017/2402.
- **National discretions.** The removal of a wide set of national discretions across both directives that allow member states to interpret, supplement, or derogate from core rules where imposing barriers to the development of the single market. Harmonised rules of conduct and prudential rules for AIFMs and management companies are applied across the EU, with ESMA guidelines to drive consistent application.
- **White-label arrangements.** Simplified disclosure requirement at authorisation where AIFMs and management companies manage or intend to manage UCITS or AIFs at the initiative of a third party; evidence of conflict management only required upon request.
- **Harmonisation of authorisation procedures.** Empowerment of ESMA to draft RTS specifying information, templates, formats and procedures for UCITS, UCITS management companies and AIFM authorisations. Clarifications of prior notification timeframes for material changes.
- **Management passports.** Transmission timeframes to be shortened for management passports (management companies and AIFMs). Host NCAs may not impose additional requirements on inbound fund management companies.
- **Transfer of rules on cross-border marketing into Regulation (EU) 2019/1156 ("CBDR").** Provisions governing the marketing of EU AIFs managed by EU AIFMs and of UCITS across the EU are to be transferred from AIFMD/UCITSD to the CBDR to reduce diverging national practices on marketing notification and de-notification procedures.
 - A simplified marketing passport notification will be available at fund authorisation stage. Delegated acts will specify the format and content of marketing communications.
 - Marketing de-notifications rules to be simplified. Deletion of the 36-month pre-marketing prohibition of EU AIFs with similar investment strategies in the de-notified member state (blackout period).
 - Where the marketing is performed by third-party distributors acting on their own behalf so that the AIFMs and UCITS management companies are no longer in control of the marketing function, the AIFMs and UCITS management companies would not be subject to the requirements on marketing communications. Host NCAs may not impose additional requirements on marketing communications nor require prior notification of marketing communications.
 - ESMA will publish and maintain an inventory of host NCA fees, including their level, frequency and payment methods. ESMA will also develop an interactive IT system serving as a single access point for information on the cross-border marketing of UCITS and AIFs.
- **Removal of UCITS KIID.** Deletion of the UCITS KIID provisions of the UCITS Directive in reliance on the provisions of the PRIIPs KID for retail investors.
- **European single access point ("ESAP").** From 10 January 2028, when making public any information referred to in Articles 68(1) this information should also be submitted to the ESAP collection body for the purpose of making it accessible.

ESMA has [welcomed](#) the proposals in the package. ESMA notes the proposed transfer to it of direct supervision of certain significant cross-border infrastructures and crypto-asset service providers. For the broader market that remains under national supervision, it notes coordinating supervisory standards and achieving aligned outcomes across the EU remains a key priority for ESMA – this role is reinforced by the proposal to give ESMA an enhanced convergence role for large cross-border asset management groups.

EFAMA released a [press release](#) outlining its support for positive elements within the package that will help grow EU capital markets and some that raise concerns.

(b) *Retail Investment Strategy ("RIS") political agreement (This is a further update to section 3.6(c) of the quarterly report covering the fourth quarter of 2024)*

On 18 December 2025, the [Council](#) of the EU and the European [Parliament](#) announced they have reached informal political agreement on an updated legislative proposal for the RIS – an omnibus Directive amending existing directives in the financial services sector including MiFID II, AIFMD and the UCITS Directive and a proposed Regulation amending the PRIIPs Regulation.

Key features of the RIS agreement as flagged in the press releases are as follows.

- **Value for money**

To improve the comparability of products, retail investment firms will be obliged to identify and quantify all costs and charges borne by investors related to the investment products they advise. Based on agreed standards (peer groupings for products under MiFID, UCITS Directive and AIFMD), firms will be required to assess whether total costs and charges are justified and proportionate. If not justified and proportionate and so deemed not to offer value for money, such products would be prevented from being released onto the market and sold to retail customers.

- **Key information document (KID) updates**

Changes to the PRIIPs KID would provide meaningful, forward-looking performance scenarios based on realistic data and plausible assumptions. Information on investments regarding costs, risk and expected returns will be made more visible and accessible for consumers. The updated templates will be developed by the ESA. 30 months after the entry into force of the new PRIIPs rules, information in KIDs will have to be provided in a machine-readable format to allow for ease of comparison and to be in line with digital development.

- **Inducements**

The RIS will strengthen the obligation on firms and advisers to act honestly, fairly and professionally in accordance with the best interest of its clients in mind. They must ensure that an inducement – fees, commissions, monetary or non-monetary benefits received by an investment firm in relation to investment services it provides to a client - will lead to a tangible benefit for their client and that the inducement cost is published clearly and separately from other fees and commissions borne by the investor. Member states wishing to introduce an inducement ban will be permitted to do so.

- **Suitability test**

Under the new simplified framework, advisers providing recommendations to consumers related to diversified, non-complex and cost-efficient instruments will no longer have to assess the client's investment knowledge and experience as part of the suitability assessment.

- **Financial literacy and “finfluencers”**

New provisions are proposed designed to spur action in the area of financial literacy, by encouraging member states to help citizens feel more empowered to understand the risks and benefits involved in investing, as well as to critically assess the financial advice they receive. Where investment firms use services of financial influencers to promote financial products or contracts, firms should have a written agreement with them, their contact details and control over their activities.

- **Professional clients**

Updated rules will allow more retail investors to be treated as professional clients. Such investors will still need to fulfil **two out of three criteria** to be considered professional:

- they carried out 15 significant transactions over the last three years, 30 transactions over the previous year, or 10 transactions over €30,000 in unlisted companies over the last five years (in existing legislation this criterion currently stipulates 10 transactions per quarter over the previous four quarters)
- the size of their portfolio has exceeded €250,000 on average over the last three years (currently €500,000 at the moment of their request for exemption)
- they have worked and carried out related activities in the financial sector for at least one year or, in a newly added alternative criterion, can provide proof of education or training in these activities and an ability to evaluate risk. *However, the training and education alternative criterion may not be combined with the portfolio criterion to qualify an investor for an exemption.

Company managers and directors of financial companies subject to an F&P assessment under the rules in existing financial regulations, as well as employees of AIFMs who possess a level of knowledge and experience regarding those funds, will also be treated as professional clients.

Next steps

The text of the political agreement has not yet been published and technical work will now continue to finalise the legal texts early in 2026. Member states will have to transpose the new rules 24 months following their publication in the OJ. The rules will start applying 30 months following their publication, with the exception of the new rules under the PRIIPs Regulation which would start applying 18 months following their publication.

(c) *Study on barriers to venture and growth capital funds*

On 15 October 2025, the Commission's DG FISMA published a [study](#) examining the state of venture and growth capital funds in the EU entitled '*Study of barriers to, and drivers of, the scaling-up of funds investing in innovative and growth companies*'.

The study combined market research and interviews with fund managers and institutional investors and assessed venture and growth capital market characteristics in detail, for 10 selected countries. The study highlights a fragmented European ecosystem where regulatory, legal, and tax differences, alongside market and structural challenges, limit fund activity and cross-border investments.

Some takeaways from the study include:

- that European venture and growth capital remain sub-scale primarily due to a combination of the fragmented European ecosystem and regulatory fragmentation (regulatory, legal, and tax differences) alongside structural and market-driven constraints, limiting fund activity and cross-border investments.
- key trends in the venture and growth capital space.

Policy proposals and recommendations highlighted by the study include:

- **Supervisory convergence and coordination.** Help tackle fragmentation and the cumulative burden of compliance for fund managers by **narrowing national divergences** in AIFMD authorisation, marketing definitions/procedures, reporting overlays, and substance expectations.
- **Proportionality in regulation.** Calibrate reporting, fees, and governance to **fund size and risk profile** to support smaller fund managers early on; revisit the AIFMD threshold for mid-sized managers (which can create a disproportionate burden for firms with assets under management close to the threshold).
- **Harmonisation of incorporation of fund vehicles.** Explore an **EU investment fund entity** to standardise governance and facilitate common classification for tax treatment of capital gains and carried interest across member states.
- **Template standardisation.** Promote widely accepted **reporting templates** across regimes and reduce duplicative LP-imposed disclosures and compliance costs.
- **Product architecture coherence.** Clarify overlaps across AIFMD and EuVECA Regulation (EU) No 345/2013, particularly for **fund marketing**; consider the potential of ELTIF as an open-ended fund that better aligns with portfolio strategies of LPs and their liquidity and horizon needs.
- **Coordinated prudential implementation. Solvency II changes** will introduce the possibility of a more favourable risk weight of 22% for long-term equity from January 2027. Encourage consistent national application of Solvency II reforms and improve convergence for pension fund rules to ease variability in allocation caps and documentation burdens.
- **Soft measures to shift allocation behaviour to investing in the venture and growth asset classes.** Encourage memoranda of understanding on minimum allocations, pooled vehicles, educational initiatives, and data transparency to address risk aversion and home bias.

The study comes ahead of expected measures from the Commission aiming to stimulate investment in certain alternative assets including venture capital and growth capital by institutional investors, as well as the Commission's review of the EuVECA Regulation (scheduled for Q3 2026).

(d) *Digital Omnibus simplification package*

On 19 November 2025, the Commission published the [Digital Omnibus simplification package](#) that aims to simplify rules and reduce administrative burdens on AI, cybersecurity and data. This simplification of rules and reduction of administrative burdens intends to increase the opportunities for European companies to grow and stay at the forefront of technology, while also promoting Europe's high standards of fundamental rights, data protection, safety and fairness.

The package comprises three proposals for Regulations, one Strategy and one Recommendation, Commission [Q&As](#) and factsheets.

The package includes a [proposal for a Regulation](#) includes a set of technical amendments to a large corpus of digital legislation (including Regulation (EU) 2016/679 (**GDPR**) and Regulation (EU) 2022/2554 ("**DORA**")) as regards the simplification of the digital legislative framework. The proposed Regulation is the first step to optimise the application of the digital rulebook. Among others, it includes:

- **Simple access to data.** A set of technical amendments to a large body of digital legislation to bring immediate relief to businesses, public administrations and citizens, and to stimulate competitiveness. The amendments focus on unlocking opportunities in the use of data as a fundamental resource in the EU economy. Among others, it simplifies the rules of data sharing with public authorities and lays out the use of browser or app settings to manage consent automatically.
- **Streamlined cybersecurity reporting.** A solution for streamlining cybersecurity incident reporting, bringing under the umbrella of a single reporting mechanism all related reporting obligations.

The amendments seek to streamline the rules, reducing the number of laws and harmonising procedures. They cut administrative costs by simplifying provisions and procedures, especially for small and medium enterprises ("**SMEs**") and small mid-cap companies ("**SMCs**").

Simplification of the implementation of the AI Act

Following the results of the Commission's call for evidence, the Digital Omnibus simplification package also includes a proposal for a Regulation amending Regulation (EU) 2024/1689 ("**EU AI Act**") and Regulation (EU) 2018/1139 as regards the simplification of the implementation of harmonised rules on artificial intelligence (Digital Omnibus on AI).

The main changes affect the compliance deadline of 2 August 2026 when the remaining provisions of the EU AI Act come fully into effect. Under the proposed Regulation, the compliance deadline for high-risk AI systems will be extended to a future date in order to align with the availability of harmonised standards and Commission guidelines. A transitional period of six months will apply to providers of previously released generative AI (GenAI) systems to enable them to retroactively identify GenAI generated or manipulated content.

To ensure a timely, smooth and proportionate implementation of certain of the AI Act's provisions, the proposed Regulation:

- Links implementation of high-risk rules to the availability of standards or other support tools.
- Extends regulatory simplifications granted to SMEs.
- Requires the Commission and member states to foster AI literacy.
- Offers more flexibility in the post-market monitoring.
- Adjusts the AI Act's procedures to clarify its interplay with other laws and improve its overall implementation and operation.

In addition to the legislative measures, the Commission also takes further measures to facilitate compliance by adopting several guidelines, including guidelines on the reporting of serious incidents by

providers of high-risk AI systems and guidelines on the application of the high-risk requirements. The Commission also launches a call for evidence for an evaluation/fitness check on the EU's digital rules.

On 25 November 2025, the Parliament adopted a [resolution](#) and an associated [press release](#) on the impact of AI on the financial sector and setting out the Parliament's priorities on using AI in the financial sector.

The Parliament notes its concerns there are regulatory overlaps and interactions between the EU AI Act and EU financial services legislation. The lack of sufficient guidance on interpreting these overlaps and interactions introduces undue complexity, compliance burdens and legal uncertainty. The European Commission and national supervisors are asked to identify and address any inconsistencies in the course of the EU AI Act's implementation and as part of the upcoming Digital Omnibus package and it calls on the Commission to issue clear, proportionate and practical guidance on the application of existing EU financial services legislation to the use of AI, rather than producing new legislation.

The Digital omnibus package proposals are all being adopted under the ordinary legislative procedure and accordingly have been submitted to the co-legislator for consideration and adoption.

(e) *Commission work programme 2026*

On 21 October 2025, the Commission published a communication outlining its [2026 work programme](#) alongside the first [overview report](#) on simplification, implementation and enforcement. Over half of the initiatives in the work programme will focus on simplification and making EU rules simpler, clearer and easier to implement.

The following legislative proposals are due to be published in 2026 and will have simplification as a key objective. Simplification proposals must result in significant net cost savings.

- Omnibus on taxation (*legislative*, Q2 2026),
- Update of the European venture capital funds regulation (*legislative*, Q3 2026); and
- Update of rules on shareholder rights (*legislative*, Q4 2026).

As set out in the annexes attached to the report, the Commission has also included the withdrawal of several tax proposals as part of their simplification efforts including the Financial Transaction Tax, the Unshell Directive and the DEBRA initiative.

(f) *UK GDPR adequacy decision (This is a further update to section 3.1(c) of the quarterly report covering the second quarter of 2025)*

On 19 December 2025, the Commission adopted an [implementing decision](#) on the adequate protection of personal data by the UK under GDPR, ensuring the continued free flow of personal data from the EU to the UK until at least 27 December 2031.

(g) *De-prioritisation of Level 2 acts*

On 8 October 2025, ESMA published a [Letter from the Commission to the ESAs](#) with accompanying [annex](#) on the de-prioritisation of certain non-essential Level 2 acts in financial services legislation.

The Commission considers 115 Level 2 measures as non-essential for the effective functioning of the Level 1 legislation and for the achievement of EU policy objectives. These are set out in the Annex to the letter, and the Commission will not adopt the acts listed before **1 October 2027**. It notes that a substantial number of the relevant Level 1 acts will be reviewed within the next two years.

These include deliverables relating to:

- AIFMD II/UCITSD6:
 - RTS on open-ended OE LOFs;
 - Implementing technical standards ("ITS") on procedures for exchange of information between NCAs, the ESAs, the ESRB, and members of the ESCB.
- Revised RTS mandated pursuant to Regulation (EU) 2019/2088 ("SFDR") (Articles 2a(3), Art. 4(6), 4(7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4), and 11(5); and

- Specific technical standards mandated by the ESG Ratings Regulation (Articles 14(8), 27(9) and 58(6)) (not including those covered under section 4(d) of this report); and
- Benchmark Regulation CSRD, Regulation (648/2012) ("EMIR"), Solvency II, MiFID and MiFIR.

The Commission will propose to amend or repeal the empowerments for the non-essential Level 2 acts where there is an obligation to act within a specified deadline in the context of any ongoing amendments of relevant Level 1 acts.

(h) *Commission Implementing Decision on equivalence for benchmarks in New Zealand published in OJ (the "Decision")*

On 31 October 2025, Commission [Implementing Decision](#) (EU) 2025/2197 on the equivalence of the legal and supervisory framework applicable to benchmarks in New Zealand in accordance with the Benchmarks Regulation ((EU) 2016/1011) ("BMR") was published in the OJ.

Since 1 January 2018, non-EU administrators have benefited from a transitional period allowing for the use of third-country benchmarks in the EU. That transitional period expires on 31 December 2025.

The Decision explains that benchmarks, such as the New Zealand Bank Bill Benchmark Rate, are administered in New Zealand and used in the EU by several supervised entities. The BKBM qualifies as a significant benchmark in the EU. In the light of the expiry of the transitional period, the Commission has assessed the regime for licensing benchmarks administrators in New Zealand and concludes that the regime is equivalent to the EU regime.

The Decision is complemented by an [MoU](#) between ESMA and the New Zealand FMA establishing cooperation arrangements to ensure the effective exchange of information and co-ordination of supervisory activities. The Decision entered into force on 3 November 2025.

(i) *Commission amending Delegated Regulation on third country administrator recognition applications under BMR*

On 27 October 2025, the Commission adopted a [Delegated Regulation](#) containing amendments to the RTS supplementing BMR covering the form and content of applications for recognition of third country administrators and the information to be provided in an application for authorisation and registration.

The Delegated Regulation amends the RTS in:

- Commission Delegated Regulation (EU) 2018/1646, which specifies the information to be included in the application for authorisation or registration by a benchmark administrator located in the EU; and
- Commission Delegated Regulation (EU) 2018/1645, which sets out the information required when a benchmark administrator located in a third country submits its application for recognition. The Commission has combined the two sets of amendments into a single amending Delegated Regulation given the high degree of parallelism between them.

The amendments align the information provided in a recognition application with the 2019 changes to the BMR recognition regime under which some supervisory responsibilities were transferred to ESMA, and changes under Regulation (EU) 2025/914 that reduced the regulatory burden on administrators of smaller benchmarks. Additional amendments also reflect the supervisory experience gathered by ESMA as well as by national competent authorities.

(j) *Commission adopts Delegated Regulation on conditions of active account requirement under EMIR 3 (This is a further update to section 3.4(b) of the quarterly report covering the second quarter of 2025)*

On 29 October 2025, the Commission adopted a [Delegated Regulation](#) containing RTS specifying the operational conditions, the representativeness obligation and the reporting requirements related to the active account requirement under EMIR 3 (Regulation (EU) 2024/2987).

EMIR 3 requires certain financial counterparties ("FCs") and non-financial counterparties ("NFCs") to hold, for certain categories of derivative contracts, at least one active account at an EU central counterparty and also requires some of those FCs and NFCs to clear at least a representative number

of trades in this account. This delegated regulation specifies how counterparties should meet these obligations — including the number of transactions to be cleared and the timing — and how national authorities should approach enforcement. The text of the Delegated Regulation reflects the draft RTS submitted to the Commission by ESMA.

The Council of the EU and the European Parliament will now scrutinise the Delegated Regulation. If neither object, it will enter into force 20 days after its publication in the OJ.

(k) *Regulation to facilitate data sharing and re-use by financial sector authorities published in OJ*

On 21 October 2025, [Regulation \(EU\) 2025/2088](#) (known as the Better Data Sharing Regulation), which sets out amendments to certain reporting requirements in the fields of financial services and investment support, was published in the OJ.

The Regulation contains amendments to the European Systemic Risk Board (ESRB) Regulation, EBA Regulation, EIOPA Regulation, ESMA Regulation, InvestEU Regulation and the Regulation establishing the Anti-Money Laundering Authority, intended to help EU authorities to share information better and to reduce duplicative data requests to financial institutions and other market participants.

The Regulation entered into force on 10 November 2025.

(l) *Regulation (EU) 2025/2075 amending the Central Securities Depositories Regulation (EU) No 909/2014 ("CSDR") as regards a shorter settlement cycle in the European Union (This is a further update to section 3.1(b) of the quarterly report covering the second quarter of 2025)*

On 14 October 2025, [Regulation \(EU\) 2025/2075](#) amending CSDR to shorten the settlement cycle for EU transactions in transferable securities (the "Regulation") was published in the OJ.

The Regulation makes a targeted amendment to the CSDR to shorten the current settlement cycle on trades in transferable securities, such as transactions in shares or bonds, executed on EU trading venues from two business days (T+2) to one business day after the trade date (T+1).

Following its publication in the OJ, the Regulation entered into force on 3 November 2025 and will apply from 11 October 2027.

(m) *Consultation on formats for the submission of beneficial ownership information to central registers*

On 26 November 2025, the Commission [published](#) for consultation a draft implementing regulation specifying the formats for the submission of beneficial ownership information on legal persons or legal arrangements to EU central registers. The consultation remained open for feedback until 24 December 2025.

(n) *Delegated regulations on high risk third countries*

On 3 December 2025, the Commission adopted a [Delegated Regulation](#) adding Russia to the list of high-risk third countries with strategic AML and CTF deficiencies under the Fourth Money Laundering Directive ((EU) 2015/849) (MLD4).

On 4 December 2025, the Commission adopted a [Delegated Regulation](#) amending the list of high-risk third countries adding Bolivia and the British Virgin Islands and deleting Burkina Faso, Mali, Mozambique, Nigeria, South Africa and Tanzania from that list, as they have addressed the strategic deficiencies identified in their AML and CTF regimes.

Both Delegated Regulations will be submitted to the Council and the Parliament and will enter into force 20 days after publication in the OJ.

(o) *Consultation on MiFID II research amendments*

On 4 December 2025, the European Commission published for consultation a [draft Commission Delegated Directive](#) amending the MiFID II Delegated Directive ((EU) 2017/593) regarding the conditions for the provision of third-party execution and research services to investment firms that provide portfolio management or other investment or ancillary services

The draft Delegated Directive amends Article 13 of the MiFID II Delegated Directive, setting out new rules that allow for joint or separate payments for investment research and execution services. It

requires firms to inform their clients about the way those firms pay for research and execution services and sets out the transparency requirements associated with this choice.

The draft Directive states that it will enter into force 20 days after publication in the OJ and will apply from 6 June 2026.

(p) *Commissioner Albuquerque speech on "Investing into Europe's infrastructure future"*

On 2 December 2025, the Commission published a keynote speech delivered by Commissioner Albuquerque at the [Invest Europe conference entitled "Investing into Europe's infrastructure future"](#).

The speech outlined the Commission's agenda for unlocking private capital at scale to address Europe's exceptionally large and urgent infrastructure financing needs across green, digital and defence sectors (with an estimated additional €1.2 trillion per year required to 2031).

Notably, the Commissioner announced a forthcoming Commission initiative (to be published in Q3 2026) aimed at creating simpler, more proportionate rules for small and mid-size EU growth capital fund managers, as well as measures that enable such asset managers to scale up faster and with less costs. The reform will seek to enable EU asset managers to operate more efficiently and on a broader scale across the EU Single Market, reduce administrative burdens, boost incentives to operate larger funds and invest into the EU real economy, including infrastructure projects.

The Commissioner flagged that fund sizes in Europe remain too small, and that rules should be calibrated proportionately to the size and risk profile of managers, as well removing obstacles to a uniform market at both national and EU level. An open public consultation and an accompanying targeted consultation will be made public in the coming weeks.

3.2 ESMA & the European Supervisory Authorities ("ESAs")

(a) *ESMA annual work programme 2026*

On 3 October 2025, ESMA published its [annual work programme for 2026](#). In the work programme, ESMA provides an overview of its planned initiatives for 2026 under three strategic priorities (effective markets, supervision of markets, retail investor protection) and two thematic drivers (enabling sustainable finance and effective use of data and technological innovation).

ESMA highlights the following aspects of its work in 2026:

- **Implementation of legislation.** ESMA will undertake work on legislation that was agreed by the EU co-legislators under the previous legislature, including EMIR 3 ((EU) 2024/2987) and the development of the ESAP. ESMA may also need to undertake work on the implementation of the RIS and the review of the Securitisation Regulation ((EU) 2017/2402).
- **Supervisory role.** ESMA's supervisory responsibilities will grow, including through the authorisation and supervision of consolidated tape providers (CTPs) and ESG rating providers, and the extension of the supervision of third-country benchmarks. ESMA, together with the EBA and EIOPA, will also begin to exercise its joint oversight mandate under the DORA.
- **Simplification and burden reduction (SBR).** ESMA is committed to the SBR agenda and has published separately a [document](#) on its approach to SBR. It intends to integrate SBR principles in the delivery of all upcoming policy mandates, including EMIR 3.

ESMA also states that, over the next years, its data strategy will focus on enhancing its data capabilities and promoting innovation. Its key initiatives in this area include developing the ESMA Data Platform, conducting studies on data centralisation and exploring AI-powered tools for supervision, including anomaly detection and market abuse prevention.

Annex IV to the work programme sets out an overview of ESMA's 2025 deliverables by output type together with a brief description of each type, including:

- In 2026, ESMA will continue to deliver level 2 and 3 work as a result of the reviews of **EMIR 3, CSDR, and AIFMD/ UCITS Directive**. ESMA is also mandated to undertake level 2 and 3 work and other tasks under the **Listing Act**.

- **EMIR 3** implementation; various RTS including on the clearing thresholds (**Q1 2026**).
- **Q1 2026** - Report on 2024/2025 common supervisory action ("CSA") on **MiFID II sustainability topics**.
- **Q2 2026** - Report on a holistic review of **transactional reporting** under MiFIR, EMIR and SFTR.
- **Q2 2026** - ESMA will produce the Final Report on the 2025 CSA on **Compliance and Internal Audit Functions** of UCITS Management Companies and AIFMs.
- **Q2 2026** - Report on the integrated reporting in the context of AIFMD II review.
- **Q2 2026** - Guidelines providing indications to guide the competent authorities on the activation of suspensions of subscription and redemption and other NCAs' powers (**AIFMD II**).
- **Q2 2026** - Report regarding the development of the integrated collection of supervisory data in the asset management sector.
- **Q4 2026** - First phase development of the **ESAP** providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability.
- **Q4 2026** - ESMA will finalise the project on "Tackling greenwashing risk in the sustainable investment fund market" as part of the EC's 2024 Technical Support Instrument.
- **Q4 2026 - 2026 CSA on MiFID II topics** related to retail investors.
- Sustainable finance thematic notes on **transition finance (Q3 2026)** and on **sustainability claims (Q4 2026)**.
- On **SBR**, ESMA is integrating principles of SBR for financial market participants ("FMPs") in the delivery of all new upcoming policy mandates including for example, EMIR 3 and subject to the outcome of the legislative process, ESMA is expecting to receive several new mandates including regulatory technical standards and requests for technical advice with a significant SBR dimension including **Retail Investment Strategy, PRIIPs Regulation, SFDR and Securitisation**.

On 24 October 2025, ESMA published a [press release](#) announcing that cyber risk and digital resilience will drive the agenda of its EU strategic supervisory priorities for 2026 ("USSP").

The release notes that since the start of this USSP, direct supervision by ESMA and the supervisors has monitored firms' compliance with DORA through proactive checks and supervisory capacity building. ESMA calls on the supervisors to keep up their efforts in 2026 by continuing to ensure effective supervisory implementation across the EU. ESMA considers that co-ordination between supervisory work and the DORA oversight framework will be essential.

Through 2025, ESMA and the supervisors have also carried out intense supervisory work on ESG disclosures (defined as a USSP since 2022). In 2026, supervisors will target efforts to consolidate achievements under the ESG disclosures USSP, focusing on high-risk areas.

In 2026, ESMA will also consider new topics in other areas that may need intensified supervisory work at the EU level in the following years.

(b) *Joint Committee of ESAs work programme for 2026*

On 16 October 2025, the Joint Committee of the ESAs published its [work programme](#) for 2026.

The Joint Committee's priorities for 2026 relate to areas including the following:

DORA. The ESAs will concentrate on the effective operation of the new oversight framework and work related to supervisory convergence under DORA. This includes conducting risk assessments to outline individual annual oversight plans for each designated critical third-party provider.

Consumer protection and financial innovation. The ESAs expect to draft regulatory technical standards based on the empowerments in the proposed amendments to the PRIIPs Regulation as part of the Retail Investment Strategy (subject to the outcome of negotiations between the co-legislators).

Work on consumer protection and financial innovation will also take account of the Commission's work to establish the Savings and Investments Union.

Sustainable finance. The ESAs will support the review of the SFDR. In addition, they will develop guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into stress testing ESG risks.

Securitisation. The ESAs will continue work relating to the review of the Securitisation Regulation ((EU) 2017/2402). They will also monitor regulatory developments with third countries, particularly the US and UK, to identify potential risks of divergence that could have a material impact on cross-border investments and financing to the EU economy.

(c) *ESMA planned consultations 2026*

On 27 November 2025, ESMA [published](#) its list of planned consultations during 2026.

During the second half (H2) of 2026, ESMA expect to consult on:

- RTS and implementing technical standards ("ITS") in respect of reporting for firms under UCITS Directive and AIFMD, pursuant to the mandate in AIFMD II.
- technical advice to the Commission (review of MiFID II Delegated acts) and technical standards on investor protection topics, both pursuant to the Commission's Retail Investment Strategy.

(d) *ESMA report on total costs of investing in UCITS and AIFs*

On 6 October 2025, ESMA published its [report](#) on total costs of investing in UCITS and AIFs and a related [factsheet](#) for retail investors.

AIFMD II mandated ESMA to submit a report to the EU by 16 October 2025 assessing the costs charged by UCITS management companies and AIFMs ("FMCs") to investors of the UCITS/AIFs they manage, explaining the reasons for these costs and any differences between them, including differences related to the nature of the UCITS/AIFs involved. In order to measure the appropriateness and effectiveness of the criteria set out in the ESMA convergence tools on the supervision of costs, namely on closet indexing, performance fees and undue costs. ESMA conducted a survey with NCAs in April 2025. For the purposes of the report NCAs were required to provide ESMA on a one-time basis with data on costs including all fees, charges and expenses which are directly or indirectly borne by the investors, or by the FMC in connection with the operations of investment funds and that are to be directly or indirectly allocated to the funds.

The report provides for the first-time a comprehensive assessment of the total costs charged to investors in EEA investment funds, including on distribution costs. This ad-hoc report complements ESMA's annual monitoring of the performance and costs of EU investment products. It also provides a useful contribution to the ongoing savings and investments union ("SIU") and RIS debates, especially in relation to retail participation and undue costs.

Key findings include:

1. **Traditional intermediation:** Credit institutions and investment firms dominate EEA distribution.
2. **Total costs:** Actual retail UCITS costs range between 0.5% of the invested amount for passive bond UCITS and 2% for active equity UCITS; AIFs costs range between 1.4% and 2.8%.
3. **PRIIPs KIDs fees:** PRIIPs KIDs maximum one-off fees do not reflect actual fees.
4. **Distribution costs:** Distribution represents 48% of UCITS total costs and 27% of AIFs'; Distribution costs differ by provider, distributor, asset and fund type. The high costs for UCITS are primarily driven by the traditional and dominant role of credit institutions and investment firms in the distribution chain across many Member States. In contrast, digital platforms - such as neo-brokers offering execution-only services - are less expensive.
5. **Inducements:** The report confirms that inducement agreements are widespread and play a central role for ongoing costs. When there are inducement agreements between the distributor and the

manufacturer of a UCITS (non-independent advice), these payments account on average for up to 45% of the ongoing costs (and 34% of product ongoing costs for AIFs).

6. **Cost drivers:** The main drivers are the type of investor, the amount invested, the distribution channel and the service offered.
7. **Geographical differences:** ESMA observed a high diversity of costs across Member States. Funds with emerging market exposure incur higher costs than those with global mandates, while funds investing in Europe are cheaper.
8. **Cost information:** Distribution cost information is not fully harmonised across the different pieces of EU legislation; without distribution cost reporting exhaustive analysis of total costs to investors is not possible.

ESMA considers that a further legislative specification of the notion of “undue costs” would promote more convergence and offer a stronger legal basis for NCAs to take supervisory and enforcement actions against the relevant market participants in many cases. The Commission’s proposal in the RIS includes a provision aimed at ensuring investors’ reimbursement in case of undue costs were charged. The RIS is currently at trilogue negotiation stage. ESMA is confident that should legislative changes be made in this respect, this would provide NCAs with a stronger legal basis to pursue enforcement actions and require investors compensation.

ESMA underscores that in light of the high investor protection relevance of this issue, it is important that fund managers are obliged to compensate investors in case of costs that have been unduly charged, and also to provide NCAs with an explicit legal basis to require and enforce this requirement, where this is not done by the fund manager at its own initiative.

(e) *DORA Q&A*

On 26 November 2025, EIOPA published a new [Q&A ID 136 - 3193](#) issued by the ESAs under DORA.

The Q&A clarifies that in a situation where a financial entity offers DORA regulated and non-DORA regulated services the entity should also have to comply with DORA for the non-regulated services (as the scope of DORA relates to entities and not to individual activities or services).

Where the ICT environments are fully segregated and contagion risks are effectively prevented those non-regulated activities can be excluded outside the scope of DORA. The Q&A acknowledges that DORA does build in proportionality and explicit exemptions for certain categories of firms despite otherwise carrying out financial activities.

(f) *ESA consolidated PRIIPs KID Q&A (updated) (This is a further update to section 3.4(g) of the quarterly report covering the second quarter of 2025)*

On 5 December 2025, ESMA published an updated version of the ESAs [consolidated Q&As](#) on the PRIIPs KID.

The new Q&As in Section VI Performance Scenarios (27 - 31), clarify provisions of the PRIIPs KID Delegated Regulation, addressing:

- How to reflect UCITS performance scenarios where negative returns exist.
- How to take into account the maximum leverage ratio where the PRIIP has credit facilities.
- When assessing the appropriateness of a benchmark or proxy, how to consider the potential asset classes in which the PRIIP invests consistent with the investment policy.
- Defining returns over sub-intervals.
- Calculating scenario data where an actively managed fund transitions to more frequent valuations.

(g) *ESMA public statement on upcoming reporting obligations under EMIR 3*

On 11 December 2025, ESMA published a [public statement](#) clarifying reporting obligations under EMIR 3, in light of the absence of finalised technical standards.

Active account requirement (AAR)

ESMA expects entities subject to the AAR to make their first reporting submission by July 2026, and that this should include any backlog data showing compliance with the AAR for the period starting 25 June 2025 (the date from which the AAR became applicable), as well as data for 2026. Meanwhile, ESMA will develop further instructions on how to report under the templates included in the RTS. AAR applies to counterparties that meet the conditions in Article 7a(1) of EMIR.

Postponement of annual reporting of clearing activity with third-country central counterparties

For counterparties that are subject to the new reporting obligation in relation to their clearing activity at recognised third-country CCPs under Article 7d of EMIR, these counterparties must report to their NCAs annually. ESMA will specify the content and details of the reports in RTS and implementing technical standards (ITS). First reporting had been due by 25 December 2025. However, since these standards have not yet been published, ESMA expects that counterparties will submit the first reporting under Article 7d of EMIR on 2025 data with the 2026 reporting cycle, after the relevant Level 2 measures have been implemented.

The Central Bank has [noted](#) that it will align its expectations with ESMA and the other EU NCAs.

(h) ESMA public statement - EU Benchmark Regulation transitional provisions

On 17 December 2025, ESMA released a [public statement](#) on the transitional provisions that will apply under Regulation ((EU) 2025/914) (the "**Amended BMR**"), detailing:

- *Pending applications for recognition or endorsement by ESMA made by third-country administrators (Article 51(5) of Amended BMR)*

The list comprises four UK benchmark administrators (Bloomberg Index Services Ltd, CME Group Benchmark Administration Ltd, FTSE International Ltd and ICE Benchmark Administration Ltd). Under revised Article 51(5) of the Amended BMR, where ESMA has received an application for recognition or endorsement from a third-country administrator by 31 December 2025 concerning a benchmark within the revised scope of the Amended BMR, benchmarks provided by that administrator can continue to be used in the EU unless the application is refused by ESMA.

- *ESMA register changes under the BMR review (Article 51(4c) of BMR)*

ESMA states that, on 1 October 2026, it will remove those administrators from ESMA's registers under the Amended BMR (the "**BMR Register**") that, based on current information on the BMR Register, will be outside the revised scope of the Amended BMR. Benchmark administrators that are already in the BMR Register will retain their current status until 30 September 2026 and are not obliged to re-apply in the EU if they fall within the revised scope of the BMR on or before that date.

In due course, ESMA will update the list of administrators that are still included in the BMR Register but based on current information on the use of their benchmarks, will fall outside the scope of the Amended BMR (and will therefore be removed from the BMR Register as of 1 October 2026). Competent authorities under Article 24(3), or ESMA under Article 24(6), have until 30 September 2026 to designate as significant a benchmark provided by an administrator that was included in the BMR Register on 31 December 2025.

(i) CSA on MiFID II conflicts of interest requirements

On 2 December 2025, ESMA [announced](#) that during 2026, it will launch a CSA with NCAs on conflicts of interest in the distribution of financial instruments.

This CSA will assess how firms comply with their obligations under MiFID II to identify, prevent, and manage conflicts of interest when offering investment products to retail clients.

The CSA will focus on:

- The possible impact of staff remuneration and inducements on what products are offered to investors.
- The role of digital platforms in directing investors towards certain products, and whether this serves their best interests.
- The ways firms manage potential conflicts between their own profits and the needs of retail investors.

The CSA is designed to contribute to the consistent application of EU rules and strengthen investor protection.

(j) *ESMA proposes key reforms to settlement discipline, supporting the transition to T+1*

On 13 October 2025, ESMA published its [final report](#) recommending significant amendments to the RTS on settlement discipline. The RTS are intended to enhance settlement efficiency across the EU and facilitate the transition to a shorter settlement cycle (T+1) by 11 October 2027 and reduce the administrative burden on central securities depositories (CSDs) and market participants.

The proposed changes are designed to improve operational readiness of the EU financial industry and include:

- Same-day (trade date) timing for trade allocations and settlement instructions.
- Machine-readable formats for allocations and confirmations.
- Mandatory implementation of key functionalities such as hold and release, auto-partial settlement, and auto-collateralisation.
- Updated provisions for the monitoring and reporting of settlement fails.
- A phased-in implementation schedule, beginning in December 2026 and concluding by 11 October 2027, intended to ensure a smooth transition to the new regime.

ESMA strongly encourages market infrastructures, financial intermediaries and their clients to treat these regulatory changes as a central element of their T+1 transition strategy.

The RTS have been submitted to the Commission, which has three months to determine whether to adopt.

(k) *ECB speech on NBFI*

On 3 October 2025, following on from recent ESRB and FSB reports on NBFI, the ECB published a speech entitled [Monetary policy and financial stability: past lessons for future resilience](#) delivered by the ECB President where she expressed concerns that banks' competitiveness vis-à-vis non-banks is threatened by an uneven playing field.

Ms Lagarde expressed the view that investment funds operate under far lighter rules compared with the banking sector. The remarks noted calls to revisit the existing set of financial rules and regulations by *levelling up* regulation and supervision for non-banks that are involved in bank-like activities, or with significant links to the banking sector.

(l) *ESMA final report on supervisory expectations for the governance arrangements of supervised entities*

On 15 October 2025, ESMA published its [final report](#) on supervisory expectations for the governance arrangements of directly supervised entities, accompanied by a subsequent [factsheet](#). The guidance forms a set of 12 high-level principles, which it expects entities to build on in order to enhance their governance and oversight arrangements. Supervised entities include benchmark administrators and, in the future, will also include EU Green Bond external reviewers and ESG rating providers.

(m) *ESMA Q&A on EMIR reporting*

On 8 October 2025, ESMA published a new Q&A [2660](#) in respect of Article 9 EMIR related to the notification of errors and omissions related to exchange-traded derivatives involving multiple entities responsible for reporting ("ERRs") managed by the same management company/AIFM.

Q. In the case of exchange-traded derivatives ("ETDs"), can reporting counterparties (which are in this case, their own ERRs) submit a single consolidated Errors and Omissions Notification?

A. Yes. Where multiple ERRs are affected and these ERRs correspond to sub-funds or entities managed by the same Management Company/AIFM, a single consolidated Errors and Omissions Notification may be submitted for ETDs.

(n) *Continuing recognition of two UK CCPs under EMIR*

On 16 December 2025, ESMA confirmed it will maintain the recognition under Article 25(5)(b) of EMIR of LCH Limited (Tier 2) and LME Clear Limited (Tier 1), two CCPs established in the United Kingdom (UK). The decisions remain applicable until 30 June 2028.

(o) *ESAs technical advice on IFR and IFD prudential framework*

On 15 October 2025, the EBA published a [report](#) produced jointly with ESMA, on technical advice to the Commission on the investment firms prudential framework in the Investment Firms Regulation ((EU) 2019/2033) ("IFR") and the Investment Firms Directive ((EU) 2019/2034) ("IFD"). This follows the Commission call for advice concerning the IFR and the IFD in February 2023

In the report, the EBA and ESMA conclude that the current IFR-IFD prudential framework fulfils its original objective, and they consider that issues raised by market participants and supervisors justify amendments to the IFR, the IFD or to the related delegated regulations.

The report makes 49 recommendations on aspects of the IFR-IFD framework, relating to issues including:

Proportionality and functioning. The report recommends increasing the thresholds for firms to be required to establish risk and remuneration committees and harmonising the methodologies for the categorisation thresholds.

Level playing field. Improvements intended to encourage a level playing field among EU investment firms and for those that compete with market participants on an international level

Other recommendations concerning the separation of the governance and the remuneration components from other provisions of the group capital test.

The Commission is required to produce a report on the IFR-IFD prudential framework, accompanied by legislative proposals if appropriate, following consultation with the ESAs.

(p) *Annual report on enforcement measures imposed in 2024*

On 16 October 2025, ESMA published its [consolidated report on sanctions and measures](#) imposed in member states in 2024, alongside a [table of reported sanctions](#) and a [snapshot](#) of key findings.

The report covers enforcement actions such as administrative fines, public statements, temporary or permanent bans, suspensions or withdrawals of authorisations, disgorgement of profits gained or losses avoided, gain-based pecuniary sanctions and orders to cease and desist. Supervisory or informal tools (such as private warnings) fall outside its scope.

The Annex provides sector-specific data, detailing actions taken under EU legislation including the AIFMD, BMR, CSDR, EMIR, MAR, MiCA, MiFID II and MiFIR, the Prospectus Regulation, the SFTR and the UCITS Directive. The highest aggregate amounts of administrative fines for 2024 were imposed under the MAR (€45 507 168) and MiFID II and MiFIR (€ 44 498 264). Comparatively lower amounts were issued under the AIFMD (€ 5 460 696) and the UCITS Directive (€ 3 306 008).

Building on this report, ESMA will further foster discussions between national securities markets authorities on the effective and consistent implementation of capital markets rules and continue working towards ensuring that similar breaches lead to similar enforcement outcomes across the EU, irrespective of where they have been initiated.

(q) *ESMA newsletters*

On 27 October 2025, ESMA published its September and October 2025 [edition](#) of the Spotlight on Markets Newsletter.

On 23 December 2026 ESMA published its November and December 2025 [edition](#) of the Spotlight on Markets Newsletter.

(r) *Natasha Cazenave's speech at EFAMA Investment Management Forum*

On 6 November 2025, ESMA Executive Director, Natasha Cazenave delivered a [speech](#) focusing on the SIU, the simplification and burden reduction agenda and innovation in asset management.

(s) *Keynote address – Financial Services Ireland ("FSI")*

On 20 November 2025, ESMA chair Verena Ross delivered a [keynote speech](#) at the FSI annual dinner. Ms Ross' speech referred to the forthcoming Commission legislative package on market integration and supervision.

The initiative aims to address the fragmentation still affecting competition and cross-border financial activity in the EU. The package is expected to prioritise removing operational barriers in order to build deeper, more liquid, and more efficient capital markets, and include targeted supervisory reforms shifting oversight of certain large, cross-border market infrastructures to the EU level. Ms Ross noted that any move to EU-level supervision should not be seen as diluting national competencies, but rather as extending the collective capacity of EU supervision, building on both ESMA's and national authorities' respective expertise and strengths.

(t) *Joint ESA warning on crypto assets to consumers*

On 6 October 2025, ESMA published a joint ESA [warning on crypto-assets](#) to consumers, reminding that crypto-assets can be risky and that legal protection, if any, may be limited depending on which crypto-assets they invest in. This warning is accompanied by a [factsheet](#) explaining what MiCA means for consumers. The ESAs recommend concrete steps consumers can take to make informed decisions before investing in crypto-assets, such as checking if the provider is authorised in the EU.

(u) *Factsheets on fraud and scams*

On 15 December 2025, the ESAs published two factsheets designed to help consumers protect themselves from [crypto and other online frauds and scams](#) and explain [how fraudsters increasingly use artificial intelligence \(AI\) to deceive consumers](#)

The factsheets provide practical tips to help consumers recognise and avoid different types of frauds and scams. They explain common tricks scammers use – including phishing, impersonation, investment scams, and Ponzi schemes – and offer concrete real-world examples. Consumers will also find guidance on how to spot warning signs and recognise suspicious behaviours, messages, or offers.

3.3 Artificial Intelligence

(a) *Financial Stability Board ("FSB") AI Report 2024*

On 10 October 2025, the FSB published its [report](#) on monitoring the adoption of AI and related vulnerabilities in the financial sector. In the report, the FSB sets out an overview of recent developments in AI, along with an assessment of their potential financial stability implications.

The report concludes that, while AI offers benefits such as improved operational efficiency, regulatory compliance, personalised financial products and advanced data analytics, it may also amplify certain financial sector vulnerabilities and consequently pose risks to financial stability. The report highlights potential vulnerabilities relating to third-party dependencies and service provider concentration, market correlations, cyber-risks, and model risk, data quality and governance.

The FSB suggests that it, standard-setting bodies and national authorities should:

- Consider ways to address data and information gaps in monitoring developments in AI use in the financial system and assessing their financial stability implications. The FSB suggests that national authorities could consider leveraging periodic and ad-hoc surveys on AI adoption and use cases, reporting from regulated entities and public disclosures.
- Assess whether current regulatory and supervisory frameworks adequately address the vulnerabilities identified in this report, both domestically and internationally. The FSB could consider the implications of sector-specific regulatory and supervisory frameworks on the level playing field across sectors, as well as between established firms and new entrants.
- Consider ways to enhance regulatory and supervisory capabilities for overseeing policy frameworks related to the application of AI in finance. The FSB could consider facilitating international and cross-sectoral co-operation by enhancing the sharing of information and good practices across member jurisdictions.

(b) *Bank for International Settlements ("BIS") Report on the use of AI for policy purposes*

On 10 October 2025, BIS submitted its [report](#) on the use of AI for policy purposes to the G20 Finance Ministers and Central Bank Governors.

The report examines how central banks, financial regulators and supervisory authorities are using AI for policy purposes and highlights significant potential remaining challenges including data governance, investment in human capital, and IT infrastructure.

3.4 Department of Finance ("DOF")

(a) *Finance Act 2025 (the "Act")*

On 23 December 2025, the [Finance Act 2025](#) was signed into law, following the completion of the Oireachtas legislative process.

Key amendments of relevance to Ireland's private funds offering are reflected in the Act, namely a new Dividend Withholding Tax ("DWT") exemption for Investment Limited Partnerships ("ILPs") and enhancements to Ireland's participation exemption for foreign dividends. The Act also contains minor amendments to Ireland's OECD Pillar Two rules.

- A **DWT exemption for ILPs** and equivalent EU/EEA partnerships is introduced to support opportunities for growth in the funds industry, specifically in the private assets space. This amendment is intended to increase the attractiveness of the ILPs as a fund structure and to help cement our position as a desirable location for regulated investment funds. To avail of the exemption all the following conditions must be satisfied:

1. the partners of the ILP, or equivalent EU/EEA partnership, must be beneficially entitled to not less than 51% of the ordinary share capital of the paying company,
2. the ordinary share capital of the paying company is an asset of the ILP or equivalent EU/EEA partnership, and
3. the ILP or equivalent EU/EEA partnership has made the appropriate declaration to the company making the relevant distribution.

The exemption applies in respect of distributions made on or after 1 January 2026 and is subject to the existing outbound payment defensive measures.

- A **participation exemption for qualifying foreign dividends** paid by subsidiaries resident in an EU / EEA and double tax treaty jurisdictions was introduced last year to offer an alternative to the existing credit system and to enhance Ireland's competitiveness for multinational businesses. The geographic scope of the exemption is expanded by the Act to include jurisdictions where non-refundable withholding taxes apply, and such foreign withholding tax has been paid by the relevant subsidiary on the full amount of the distribution. In addition, the time period during which companies must have been resident in an in-scope jurisdiction is reduced from 5 years to 3 years. A number of amendments are also included which should simplify the operation of the applicable anti-avoidance measures. Overall, these measures should further enhance Ireland's holding company regime and support investment in private assets.
- In a welcome move for retail investors, the **tax rate that applies to investments in Irish domiciled funds** (ICAVs, ETFs, authorised investment companies and unit trusts) is reduced from 41% to 38%. The reduced rate of tax will also apply to Irish life assurance policies, certain foreign life assurance policies and investments in offshore funds which are considered equivalent to Irish domiciled funds.
- The Act also includes provisions for better aligning, with industry practice, the assessment of diversification under the EU's Anti-Tax Avoidance Directive ("ATAD") reverse anti-hybrid rules. The ATAD reverse anti-hybrid rules contain an exemption for collective investment vehicles that are widely held, diversified and subject to regulation. In assessing the diversification requirement, the amendments provide that the maximum permitted amount in the case of securities issued by a single issuer be increased from 10% to 20% and that holding companies in investment structures may be looked through in certain circumstances in the case of an ILP.

- An exemption from the 1% **stamp duty** charge applicable to acquisitions of shares in certain Irish registered companies is introduced. The exemption will, subject to all the qualifying conditions being satisfied, apply to the shares of a company admitted to trading on a qualifying regulated market, a qualifying multi-lateral trading facility, or an equivalent qualifying third country market, and which has a market capitalisation of less than €1bn.
- The Act also provides that a foreign body corporate and each of its members will be taxed on the basis that the foreign body corporate is a partnership and each of its members are partners in a partnership where that foreign body corporate is "*substantially similar*" to a partnership formed under Irish law.
- **DAC8/CRS 2.0 implementation measures:** The Act gives domestic effect to Council Directive (EU) 2023/2226 (**DAC8**) by adopting the OECD Crypto-Asset Reporting Framework ("**CARF**") into Irish law, requiring reporting Crypto-Asset Service Providers to register with the Revenue Commissioners by 31 December 2026, to conduct CARF due-diligence on customers, and to submit transaction-level reports, with first CARF returns due by 31 May 2027 covering the 2026 period. In addition to implementing the CARF, DAC 8 also adopted a number of updates (including enhanced due diligence and reporting obligations to the common reporting standard ("**CRS**")).

As part of Budget 2026, the Minister for Finance published an [action plan for reform of Ireland's taxation regime for interest](#). The plan sets out a phased approach to reform, with phase one prioritising proposals forming the basis of the underlying framework for the taxation and deductibility of interest. These include aligning the tax treatment between trading and passive interest income for income tax and corporation tax purposes, introducing a renewed and simplified test for the deductibility of interest and widening the scope of interest deductibility to include amounts economically equivalent to interest. Other areas identified in the Action Plan for potential reform under future phases include, among others, specific rules relating to financial services transactions including Section 110 and Islamic financing transactions, interest deductibility rules relating to Irish rental income and for capital gains tax purposes and withholding tax provisions. The Minister for Finance also announced a joint DoF and Irish Revenue public consultation on withholding taxes that was subsequently launched on 5 December 2025.

On 21 November 2025, although not directly applicable to regulated funds, the DoF published a [Phase One Feedback Statement](#) in order to inform the design of the underlying framework of a reformed interest taxation regime and to provide an opportunity for stakeholders to give their views on the proposals for reform. The closing date for responses to the feedback statement is 16 January 2026. It is currently proposed that an outline of draft legislation for further stakeholder feedback will be published on 16 April 2026, and the closing date for receipt of written responses on the proposed draft legislation will be 15 May 2026. It is intended that the relevant legislative amendments will be included in Finance Bill 2026.

Walkers Tax group has published an [advisory](#) outlining the key tax measures and highlights relevant to the international business community announced in Budget 2026.

(b) *Implementation Plan for the Funds Sector 2030 Report ("**2030 Report**") (This is a further update to section 3.6(a) of the quarterly report covering the first quarter of 2025)*

On 7 October 2025, an [Implementation Plan](#) for the 2030 Report was published in line with a commitment in the Programme for Government.

The 2030 Report contained 42 recommendations which focused on enhancing Ireland's leading role as a domicile for ETF and MMFs and targeted measures to support further growth in private assets, primarily through regulated structures. The Implementation Plan provides a status update on the recommendations, noting that 30 of the 42 recommendations are either complete, on a path to completion or progressing, including completion of substantive recommendations on ETFs and the AIF Rulebook, both by the Central Bank, while 12 recommendations remain under consideration.

The 2030 Report outlines that a roadmap is being developed for publication in early 2026 to set out a proposed approach to simplify and adapt the tax framework including for offshore funds and to

encourage retail investment and will take into account the Commission's recent [recommendation](#) on Savings and Investment Accounts.

The recommendation to consult on an entity-level tax for Irish Real Estate Funds (IREFs) will not be progressed; instead, proposals to simplify the regime will be published for consultation in due course, with a view to amendments being made in Finance Act 2026.

AIFMD II transposition and the modernisation of the AIF Rulebook are on track for completion in H1 2026 and have been the subject of extensive engagement with industry. Elements of the tax changes recommended in the Funds Review are being considered including additional tax changes proposed by industry in early 2025 tied to private assets.

The 2030 Report also recommended that a package of measures should be introduced to improve the attractiveness of the ILP structure, including how the participation exemption in respect of foreign dividends could support the use of ILPs and a review of the scope of the DWT exemption generally (*for further detail see section 3.4(a) of this report*).

Revisions to Ireland's National Risk Assessment for AML/CFT are underway. Thirteen sectors, including the funds sector are identified as priorities and are scheduled to have their updates completed by end 2025.

Industry is urged to consider the feasibility and design of a scheme for existing and future dormant funds, and funds with uncontactable investors, which incorporates a role for industry in supporting investors to trace unclaimed monies and identify how it might handle investor claims. This should be further examined by Irish Funds through their working group structure and progressed during the next 2-year cycle.

On delegation in the funds sector and in particular the 2030 Report recommendation in relation to review of operating models and the provision of a wider range of activities, including continued development of local capabilities and skills to carry out a wider range of services including front office activities, the Central Bank's recent information gathering exercise with proprietary management companies is noted. The plan notes that it is anticipated that there will be renewed efforts to review the extent of delegated activities, particularly to third countries, as part of the next AIFMD review, while a follow-up review to the ESMA peer review of Brexit relocations from 2022 is also due to take place later this year.

(c) *Ministerial speech at Ireland Market Insights Forum 2025*

On 18 November 2025, the DoF published [remarks](#) delivered by the then Minister for Finance Paschal Donohoe at State Street Ireland Market Insights Forum 2025. His address highlighted important aspects of the Ireland for Finance Strategy the Commissions' SIU initiative and the DoF Funds Review before turning to the transformative potential of tokenisation within Ireland's funds and asset management sector. He emphasised Ireland's strategic advantage as a global financial services hub, bolstered by its status as home to leading technology firms and noted recent developments, such as the tokenisation of an Irish-domiciled UCITS Money Market Fund, as evidence of growing momentum.

He welcomed the industry's proactive engagement with the Central Bank and the DoF, stressing that collaboration will be key to progress. IOSCO

3.5 Department of Enterprise, Tourism and Employment ("DETE")

(a) *Consultation on proposed changes to the Companies Act and related legislation*

On 28 November 2025, DETE launched a [public consultation](#) seeking the views of stakeholders and interested parties on proposed changes to the Companies Act 2014 in relation to access to the usual residential addresses of company directors and secretaries. It is also proposed that similar changes be reflected in the Registration of Limited Partnership and Business Names Bill.

DETE intends to provide that a company's relevant officer may at any time provide to the company a "contact address", located in the State, in addition to their "usual residential address" already supplied, for the purposes of access by the public and at which documents may be effectively served on the relevant officer. The "contact address" will be the only address published on the company's Register of Directors and Secretaries and the Register of Members, and on the Register of Companies

maintained by the CRO. However, the company and CRO will continue to retain a record of the "usual residential address".

Access to the "usual residential address" will be restricted and will only be available on the Register of Companies to relevant entities as prescribed by the Minister (to include law enforcement, regulatory authorities and others). The changes will not have retrospective effect so the "usual residential address" of relevant officers will continue to be available on previous filings with the CRO.

3.6 IOSCO

(a) *Consultation on valuing collective investment schemes*

On 17 November 2025, IOSCO published a [consultation report](#) on valuing collective investment schemes (**CIS**). IOSCO seeks views on an updated set of recommendations on the valuation of CIS, to update and replace IOSCO's principles for the valuation of CIS, (May 2013), as well as its principles for the valuation of hedge fund portfolios, (November 2007).

The proposed revisions to the previous recommendations are intended to reflect recent market developments, including an increase in CIS holding less liquid and illiquid assets, including private assets, as well as increased retail investment in CIS. Among other things, IOSCO is proposing substantive recommendations to the existing recommendations relating to:

- The oversight of the valuation function and governance arrangements under stressed market conditions.
- The framework for identifying and avoiding (or mitigating) conflicts of interest.
- The circumstances in which third party valuation service providers are used, including due diligence on assessing the independence and qualification of third-party valuation service providers.
- The appropriate level of records and documents that should be maintained and the designation of specific entities responsible for record keeping.

The deadline for responses is 2 February 2026, and IOSCO intends to publish a final report on the recommendations in Q2 or Q3 2026.

(b) *Final Report on tokenisation of financial assets*

On 12 November 2025, IOSCO published its [final report](#) on the Tokenization of Financial Assets, developed by its Fintech Task Force. The report analyses how tokenization is being adopted across global capital markets and how regulators are responding. While tokenisation offers potential efficiency and transparency gains, IOSCO highlights that it also introduces or amplifies familiar risks such as legal uncertainty, operational vulnerabilities and cyber risks, which require tailored controls to ensure market integrity and investor protection.

Irish Funds contributed to the Global Digital Finance's (**GDF**) report '*The Case for Collateral Mobility in Europe & The UK using Money Market Funds*' on the legal certainty of collateral eligibility and the mobility of TMMFs in Luxembourg, Ireland, and the UK.

As part of the working group, 30 of the firms participated in the GDF Industry Sandbox to "prove" the production use case for collateral mobility in TMMFs. With no fundamental barriers identified across legal, operational and regulatory dimensions, the sandbox demonstrated that TMMFs can transition from theoretical use cases to a production-ready collateral instrument across six simulations.

3.7 UK Developments

(a) *FCA final rules for consumer composite investments ("CCIs") (This is a further update to section 3.10(a) of the quarterly report covering the second quarter of 2025)*

On 8 December 2025, the Financial Conduct Authority (**FCA**) published a [policy statement](#) on its final rules for the new regime for CCIs that will replace the current PRIIPs regime and the UCITS disclosure requirements.

Under these requirements, manufacturers must produce a consumer-friendly product summary that includes comparable key information about costs, risk and return and past performance. Pre-sale, distributors must make the product summary available to investors and highlight key information to help consumers, and, post-sale, they must provide investors with the product summary in a durable medium. The UK PRIIPs Regulation will be revoked on 6 April 2026, with the legislation governing CCIs entering into force on the same date. Level 3 materials relating to the PRIIPs KID will be revoked on 6 April 2026.

A transitional period will begin on 6 April 2026 and end on 7 June 2027. During this period, manufacturers will have the flexibility to switch to producing a product summary document or to keep using their current disclosure documents. From 8 June 2027, firms must comply with the new regime in full for in-scope products. This transition option is available to all manufacturers, including manufacturers of overseas funds regime ("OFR") schemes.

3.8 Bank for International Settlements

(a) *The Rise of Tokenised Money Market Funds*

On 26 November 2025, the BIS published a bulletin entitled '[The rise of tokenised money market funds](#)'. The paper outlines that tokenised money market funds ("TMMFs") are a fast-growing collateral asset and savings instrument in the crypto ecosystem. Like stablecoins, TMMFs circulate on public permissionless blockchains but offer returns at money market rates and regulatory protections as securities.

The paper outlines risks and policy considerations that TMMFs give rise to including risks that mirror, and potentially amplify, those found in conventional money market funds, such as liquidity mismatches, as well as the operational and anti-money laundering / countering the financing of terrorism-related risks associated with stablecoins.

4. SUSTAINABLE FINANCE DEVELOPMENTS

(a) *Central Bank feedback report on ESMA's CSA on the integration of sustainability risks and related disclosures in the investment fund sector (This is a further update to section 4(a) of the quarterly report covering the second quarter of 2025)*

On 23 October 2025, following publication of ESMA's [report](#) on the 2023-2024 CSA, conducted with the Central Bank and other EU national competent authorities on sustainability risks and SFDR disclosures, the Central Bank published its [feedback report](#) on the CSA ("CBI Report").

The CBI Report aims to communicate the Central Bank's findings and observations from the CSA as well as outlining the Central Bank's supervisory expectations for entities subject to SFDR including Central Bank authorised AIFMs and UCITS management companies ("Firms") in respect of their disclosure obligations under Articles 6, 8 and 9 of SFDR.

Overall, the Central Bank noted satisfaction that its findings, following the conclusion of the CSA, are broadly in line with regulatory expectations and that entities demonstrated an appetite to comply with the requirements of SFDR.

However, the CBI Report identifies areas that require a marked improvement, particularly relating to on-going monitoring processes and the quality of certain SFDR disclosures. As part of the CSA, the Central Bank utilised a proprietary ESG dashboard tool to assess the SFDR disclosures contained in a number of funds and ensure that the pre-contractual disclosures are consistent with the relevant fund's portfolio. The CBI Report confirms that the ESG dashboard tool can be used on a fund specific, firm specific or environmental specific basis and will be used as a supervisory tool by the Central Bank on an ongoing basis.

In this regard, the CBI Report confirms that the Central Bank issued several risk mitigation programmes ("RMPs") to relevant Firms to address firm-specific findings and the contents of these RMPs have reflected some of the findings, expectations and actions outlined in the CBI Report which we have highlighted below.

Sustainability Risk Integration and Monitoring

Findings

- **SFDR Control Framework** – The CBI Report notes that while some Firms have designed robust and effective delegate oversight and control frameworks to support proactive and consistent sustainability risk monitoring across all the funds under management, this was not the case in all circumstances. Varying approaches to sustainability risk integration and monitoring identified by the Central Bank include:
 - quarterly and ad-hoc sustainability risk reporting to the board and relevant sub-committees;
 - the production of sustainability risk dashboards;
 - inclusion of sustainability risk as an item in management frameworks; and
 - integrating sustainability risk into the three lines of defence.
- **Oversight** - While some Firms had clearly dedicated significant resources to oversight and monitoring, the Central Bank is concerned about the limited levels of oversight coverage some Firms have across their fund ranges.
- **Overreliance on delegate attestations** – The CBI Report notes the inconsistent use of attestations whereby a Firm receives a confirmation from its delegate attesting that the underlying fund portfolio is compliant with the criteria relating to the Article 8 / Article 9 requirements. In a number of circumstances, the Central Bank found a lack of information provided to justify the view in the attestation. This resulted in firms being unable to demonstrate how they were satisfied that the information in the attestation was correct.

Expectations

The CBI Report notes that firms should have a documented, robust and effective control framework in place to ensure SFDR compliance. This control framework should include effective ongoing due diligence of funds, data and delegates combined with consistent independent monitoring carried out across all funds. Firms should ensure the information provided as part of delegate attestations contain necessary details to actively assess fund compliance. Firms should also continue to monitor their level of resourcing, skills, knowledge and expertise on an ongoing and proportionate basis in respect of their funds in scope of Articles 6, 8 and 9.

Data Limitations

Findings

- **Data Challenges** - The CBI Report highlights the importance of the quality of underlying data used by individual firms to support effective sustainability risk integration and monitoring while also noting the challenges that firms are facing in improving data quality and reliability. Challenges highlighted include accessing large volumes of data, engaging with multiple data providers and the associated costs and the scale of available data. The Central Bank also noted instances of firms interpreting the same data sources differently which can lead to inconsistent monitoring outcomes.
- **Impact on Minimum Commitments** – The CBI Report notes a significant majority of funds disclosing under Article 8 or 9 having adopted a 0% minimum commitment to taxonomy-aligned investments due to concerns over data. Firms have communicated that they have taken the approach of allowing for a significant buffer between the actual and minimum percentage of both taxonomy-aligned and sustainable investments to avoid any potential threshold breaches.
- **PAI Data** - Furthermore, a large portion of Firms indicated that they do not consider principal adverse impacts ("PAI") in their investment decisions on sustainability factors at entity level as data constraints limited their ability to adequately assess those PAIs.

Expectations

The CBI Report notes that data limitations should be identified and thoroughly assessed at the earliest stages of strategic planning and fund onboarding to ensure that Firms can meet their fund compliance monitoring obligations. Firms are also expected to conduct ongoing due diligence on both the data and

data providers to confirm that information used to support SFDR requirements remains accurate, reliable, and up to date.

When attestations are relied upon for fund monitoring and oversight, Firms should maintain clear documentation and verification of the underlying data used to demonstrate SFDR compliance.

As data becomes more accessible and reliable, Firms should continue to strengthen their control frameworks. Where minimum commitments are based on the current unavailability or inconsistency of reliable data these should be kept under periodic review as improvements in data quality and availability may warrant reassessment in turn impacting existing SFDR disclosures.

SFDR Disclosures

Findings

- **Vague Disclosures** - The Central Bank identified the use of vague language when describing the sustainable investment objective or the promotion of environmental or social characteristics for certain ESG funds. In some instances, there was a lack of specific metrics, thresholds, or key terms that could be quantifiably assessed. Vague disclosures increase the risk that investors may not have sufficient information to make informed decisions in respect of the sustainable investment component for funds disclosing under Article 9 or the environmental and/or social component for funds disclosing under Article 8.
- **Investor Comprehension** - Improvements are required to ensure investors fully understand how the investment strategy outlined in the fund documents aligns with the portfolio.
- **Websites** - The Central Bank also identified inconsistent approaches applied to website disclosures, where links to index methodologies may not always be accessible.

Expectations

Firms should have robust frameworks in place to ensure that the disclosures made to investors in accordance with SFDR are clear and do not mislead. This is a common principle across other ESMA publications in relation to SFDR disclosure obligations, marketing communications and greenwashing.

There should be clear and detailed disclosure regarding the binding elements used to attain each of the environmental or social characteristics promoted by the fund, or the sustainable investment objective (as relevant). Where a fund applies exclusions as a binding element of the strategy, there should be clarity regarding the thresholds applied, what constitutes “involvement” in an excluded activity or the ESG score that would result in a fund excluding certain companies from investment. There should be no option within the disclosure to dis-apply the binding element of the strategy which is a core element of a fund's Article 8 or 9 status.

Where a fund tracks an index, the ESG criteria applied by the index should be detailed in the binding elements. It is not sufficient for a Firm to provide that tracking the performance of the index is the fund's binding element. Firms should keep such disclosures under regular review to ensure the accuracy of the content continues to align with these expectations.

SFDR Regulations and Guidance

Findings

- **Varying Interpretations** – The CBI Report acknowledges the varied interpretations of some of the key components of the SFDR framework. The absence of specific guidance or definitions on “sustainable investments”, results in scope for different data provider metrics and contributes to an increased risk of non-compliance and potential for greenwashing.

Expectations

The Central Bank expects Firms to continue to proactively challenge the information contained in product and entity level disclosures to ensure these are clear and transparent for investors including considering how their disclosures will be understood by the end investor.

The Central Bank notes that revisions to the SFDR will take time to develop, finalise and implement but expects Firms to maintain clear and transparent disclosures in the meantime. Firms should stay alert to any updates or new guidance on SFDR and proactively review controls to implement necessary changes promptly to ensure continued compliance.

Board Review

The Central Bank expects Boards of Firms, along with relevant staff, to review the CBI Report and ensure appropriate measures and controls are in place. This review should consider the good, below-average, and non-compliant practices highlighted in ESMA's Final Reports on Greenwashing and Sustainability. While no specific deadline is set, Boards should address this at upcoming quarterly meetings, as compliance with the report's findings will form part of ongoing SFDR obligations.

(b) *SFDR 2.0 proposal (This is a further update to section 5(c) of the quarterly report covering the second quarter of 2024)*

On 20 November 2025, the Commission released the [legislative text](#) of a proposed set of amendments to SFDR, the PRIIPs KID Regulation and repealing the SFDR Delegated Regulation ("SFDR 2.0"), alongside the following:

- [Press release](#);
- [Frequently asked questions](#) (outlining the key elements of the proposal);
- [Impact assessment accompanying the proposal](#) and [summary of the impact assessment](#).

The goal of SFDR 2.0 is make SFDR more efficient, simple and proportionate and a key part of this objective is safeguarding the integrity of the EU single market by ensuring requirements which mitigate risks of greenwashing and aid investors in seizing and comparing opportunities in SFDR products, while also boosting the EU's financial sector's competitiveness.

The SFDR 2.0 proposal signals the evolution of SFDR into a product categorisation-based framework and represents a significant overhaul of the current framework underpinned by two central themes:

Simplification of and reduction in the sustainability-related administrative and disclosure requirements for financial market participants ("FMPs") and financial advisers and enhancement of the coherence of it for FMPs operational needs; and

Improvement of end-investors' ability to understand and compare sustainability-linked financial products and protection against potentially misleading ESG claims.

ESG product categories will be revised, and the below table provides a comparison of the product-level disclosure requirements for the different categories of products under the proposed regime:

SFDR Categories	SFDR 2.0 Categories (collectively referred to as the "New Categories").
Article 8: Products that promote environmental or social characteristics.	<p>New Article 7: 'Transition category': Products with a transition objective related to sustainability factors, subject to a minimum of 70% of the product's investments aligned with the stated transition objective and common minimum exclusions for controversial weapons/tobacco/human rights violations</p>
	<p>New Article 8: 'ESG basics category': Products that integrate sustainability factors into their investment strategy but which do not meet the criteria of the sustainable or transition investment categories subject to a minimum 70% investment threshold aligned with stated ESG approach and common minimum exclusions for controversial weapons/tobacco/human rights violations</p>
	<p>New Article 9: 'Sustainable category': Products contributing to sustainability goals (e.g. climate,</p>

Article 9: Product with a sustainable investment objective.	environment or social goals), such as investments in companies or projects that are already meeting high sustainability standards, subject to a minimum 70% investment threshold aligned with stated sustainability objective(s) and stricter additional exclusions (including fossil fuels expansion).
	Article 9a: Mixed: Products which pursue sustainability-related investments under a combination of the above categories. subject to a minimum 70% investment threshold aligned with the above category requirements

Non-categorised products

Pre-contractual transparency on integration of sustainability risks would remain for all products (**Art. 6**). Funds not qualifying for the above categories are permitted to make disclosures on integration of sustainability risks, provided they do not form a central element of its investment strategy i.e. less than 10% of the volume occupied by the financial product's investment strategy. In addition to this, where a non-categorised product includes such disclosures in its pre-contractual documents, it is also required to disclose this information in its annual reports. With a view to preventing the risk of greenwashing such non-categorised products are precluded from making sustainability-related claims in names and marketing communications (whereas Article 9a products are permitted to make such claims in their marketing communications but not their names). These restrictions ensure that sustainability narratives for non-categorised products are prevented from making implicit category claims.

Simplification measures

- Entity-level PAI disclosures (**Art. 4**) are removed entirely, resulting in lower recurring compliance costs for managers.
- Art. 2(17)** definition of "sustainable investment" would be removed with the underlying concepts including do no significant harm (**DNSH**) and good governance concepts embedded in the category criteria.
- Financial advisers and portfolio managers would be removed from the scope of SFDR obligations to disclose how sustainability risks are integrated in the investment decision process.
- Recognition of 'impact Investing' as a sub-feature of Articles 7/9 directed at providing solutions to address specific social or environmental challenges and underpinned by a pre-set impact theory and expressed in terms of key performance indicators.
- Streamlining of requirements in relation to product website disclosures, pre-contractual disclosures and periodic disclosures.
- Additional transparency requirements in relation to data usage and for use of external and in-house estimates by FMPs.
- Opt-out from the SFDR 2.0 Regulation is to be permitted for existing closed-ended products no longer offer to new investors.
- The EU Commission (not the ESAs) will define the proposed Level 2 rules on product naming, category criteria, and simplified disclosure templates (maximum two pages).
- Additional national level requirements are prohibited.

The proposed Regulation will be submitted to the Parliament and Council for consideration. On 15 December 2025, the Commission launched an 8-week [public consultation](#) on the SFDR 2.0 proposal. The consultation is open for feedback until 11 February 2026. All feedback received will be summarised by the Commission and presented to the Parliament and Council with the aim of feeding into the legislative debate.

The draft Regulation states that it will enter into force 20 days after publication in the OJ and will apply 18 months after that. No transitional provisions have been provided for existing AIFs or UCITS.

Walkers Asset Management and Investment Funds group have published an [advisory](#) on the proposed SFDR 2.0 reforms.

- (c) *Consolidated ESA Q&A on SFDR/ SFDR Delegated Regulation (updated) (This is a further update to section 4(a) of the quarterly report covering the third quarter of 2025)*

On 4 November 2025, ESMA published and updated [Q&A document](#) on SFDR (Regulation (EU) 2019/2088) and its Delegated Regulation ((EU) 2022/1288), with one new Q&A provided by the ESAs on the practical application of the SFDR Delegated Regulation.

- Q&A IV.32 (PAI disclosures) on page 30, clarifies for the purposes of the PAI disclosures, the information to be included under the description of actions taken, planned or targets set "to avoid and reduce" PAI, including how the financial market participant should, for each of the identified PAI, include (or refer to) information on how the financial market participant assesses the need to take action (e.g. any relevant thresholds or criteria that trigger actions to mitigate the PAI), the actions taken the previous year and actions planned or targets set for the coming year.

- (d) *ESMA final report on ESG Rating Regulation technical standards (This is a further update to section 4(i) of the quarterly report covering the second quarter of 2025)*

On 15 October 2025, ESMA published its [Final Report on Technical Standards](#) under Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities (the "**Regulation**"). The report exhibited the following proposed RTS:

- specifying the information contained in the application for authorisation and in the application for recognition of an ESG rating provider under Article 6(3) of the Regulation;
- specifying the details of the measures and safeguards to be implemented by ESG rating providers in relation to the separation of business and activities under Article 12(9) of the Regulation; and
- specifying the elements to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items under Articles 23(4) and 24(3) of the Regulation.

The third-listed RTS on Articles 23(4) and 24(3) disclosures includes a number of revisions and removals from the original drafts in light of considerations of what is practically achievable, and other requirements have been removed where it was judged they did not provide sufficient added value for the burden imposed. ESMA has been mindful of the wider EU initiative for simplification and burden reduction. In general, ESG rating providers are expected to provide meaningful disclosures corresponding to a sufficient level of information to the public, the users, the rated items and issuers of rated items to enable an appropriate level of due diligence, facilitate cross comparison with other ESG rating products, and understand any limitations of the product or the underlying methodologies and judge which product may best serve the user's needs.

The Regulation primarily regulates ESG rating providers (the "**providers**") operating within the EU and states that providers established in the EU will need to be authorised and supervised by ESMA. Providers established outside of the EU which issue and distribute ESG ratings by subscription or other contractual relationships to specific EU entities must operate under an equivalence, endorsement or recognition regime.

The Regulation also amends SFDR to require FMPs or financial advisers that disclose ESG ratings as part of their marketing communications to include information about the methodologies used on their website and disclose in those marketing communications a link to those website disclosures.

The minimum public disclosures are listed in the report, as fleshed out by the RTS and must follow the following prescribed sequence/structure (with cross-references/hyperlinks allowed) to enhance comparability. A number of the disclosure points are required where applicable.

FMPs will need to consider the Regulation and RTS requirements where sourcing ESG ratings from providers authorised or registered under the new regime and should look to incorporate these into their

third-party risk framework. ESMA has provided that the ESG Ratings RTS shall apply from 2 July 2026 (aligned with the implementation of the ESG Ratings Regulation).

The final draft RTS will be submitted to the Commission (in the form of three draft Delegated Regulations) and the Commission has three months to decide whether to adopt them. If adopted, the RTS will be subject to non-objection by the European Parliament and Council of the EU

(e) *ESMA final report on technical standards under the EU Green Bond Regulation ("EUGB") (This is a further update to section 4(d) of the quarterly report covering the first quarter of 2025)*

On 15 October 2025, ESMA published its [Final Report on Technical Standards](#) under the EUGB.

Following public consultation, the report includes the following draft technical standards:

- RTS on systems, resources and procedures of external reviewers;
- RTS on the compliance function of external reviewers;
- RTS on internal policies and procedures;
- RTS on information used for reviews;
- RTS on applications for recognition; and
- ITS on material changes to registration.

The technical standards are intended to apply to ESMA-registered external reviewers from 21 June 2026 and transitional arrangements under the EUGB apply for the registration and supervision framework for external reviewers before that date.

(f) *Commission calls for evidence ("CfEs") – Taxonomy Delegated Regulations*

On 7 November 2025, the Commission published CfEs on proposals for two Delegated Regulations amending the [Taxonomy Climate Delegated Act \(Commission Delegated Regulation \(EU\) 2021/2139\)](#) and the [Taxonomy Environmental Delegated Regulation](#) (Commission Delegated Regulation (EU) 2023/2486).

The Commission plans to make targeted amendments to the Delegated Acts to improve the clarity, usability, legal certainty, and cost-effectiveness of the EU Taxonomy by clarifying technical screening criteria and reducing complexity. The CfEs were open for feedback until 5 December 2025.

(g) *Commission draft notice containing FAQs on Taxonomy Omnibus Delegated Act (This is a further update to section 4(h) of the quarterly report covering the third quarter of 2025)*

On 18 December 2025, the Commission published a [draft notice](#) on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act), as amended by the proposed Taxonomy Omnibus Delegated Act (applying from 1 January 2026).

The notice contains FAQs on the aspects of the Omnibus Delegated Act including:

- The approach undertakings should take to applying the reporting rules for financial year 2025.
- The interpretation of the two-year opt-out set out in Article 7(9) of the Disclosures Delegated Act.
- The materiality approach to taxonomy reporting.
- Exposures of reporting financial undertakings to special purpose vehicles.

In a related [press release](#), the Commission states that it expects to adopt the final version of the notice in all EU languages in Q1 2026, following the publication of the Omnibus Delegated Act in the OJ.

(h) *EU Parliament mandate on Omnibus I simplification package (This is a further update to section 4(a) of the quarterly report covering the first quarter of 2025)*

On 13 November 2025, the Parliament [adopted](#) its negotiating mandate on the Commission's Omnibus proposal to reduce the scope of the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) and the Corporate Sustainability Reporting Directive ((EU) 2022/2464) ("CSDDD").

According to the press release, the Parliament seeks to significantly narrows the scope of mandatory sustainability reporting, increasing the employee threshold under the CSRD to 1,750 employees alongside a net annual turnover threshold of EUR450 million (the same thresholds would apply for Article 8 taxonomy reporting). The proposed changes also simplify reporting standards by reducing the amount of qualitative information required and making sector-specific reporting voluntary rather than mandatory.

In relation to the CSDDD, the Parliament seeks to remove the requirement to produce a climate transition plan, Trilogue negotiations commenced on 18 November 2025 with the Council having already agreed its negotiating mandate on the simplification proposals.

(i) *Commission FAQs on the European Green Bond Regulation interpretation and implementation*

On 6 November 2025, the Commission published a [Commission Notice](#) on the interpretation and implementation of certain legal provisions of the European Green Bond Regulation ((EU) 2023/2631). The Commission notice includes FAQs which clarify certain requirements laid down by the European Green Bond Regulation. The FAQs do not extend in any way the rights and obligations deriving from such legislation, nor do they introduce any additional requirements for the concerned operators and competent authorities but are intended to assist undertakings in interpreting and implementing certain legal provisions.

The purpose of the FAQs is to support stakeholders implementing the voluntary new European Green Bond Standard. It focuses on the following matters: the use of the designation '*European Green Bond*'; use of proceeds; EU Taxonomy; factsheets and other disclosures / prospectus / listings and external review.

(j) *ESMA Q&As on UNGC/OECD exclusions, ESG Ratings Regulation*

On 19 December 2025, ESMA published new Q&As as follows:

- [Exclusion related to UNGC/OECD Guidelines](#) – UCITS Directive (2733)
- [Exclusion related to UNGC/OECD Guidelines](#) - AIFMD (2734)

Each of the foregoing clarify that for the purpose of applying the exclusions referred to in Article 12(1)(c) of Commission Delegated Regulation (EU) 2020/1818, the exclusion referring to violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises should be considered applied by the fund manager itself, not by a benchmark administrator.

ESG rating activities Regulation

- [Group-affiliated small ESG rating providers](#) (2737)
- [ESMA assessment of temporary regime notification](#) (2738)
- [Content of temporary regime notification](#) (2739)
- [Small ESG rating provider no longer meeting temporary regime size requirements](#) (2740)

(k) *Commission notice on application of EU sustainable finance framework to defence industry published in OJ ((This is a further update to section 4(d) of the quarterly report covering the second quarter of 2025))*

On 30 December 2025, the Commission [notice](#) on the application of the sustainable finance framework and the CSDDD to the defence sector was published in the OJ.

The aim of the notice is to help prevent any undue discrimination of the defence sector in investment decisions as well as to help market operators ensure they comply with the requirements of the EU sustainable finance framework in relation to the defence industry. It clarifies that the framework is compatible with investing in the defence sector and that sustainability disclosures apply horizontally across all industries, including the defence sector. Topics covered in the notice include risk mitigation when investing in the defence industry, revenue thresholds and the defence sector's contribution to social sustainability.

(I) *ESMA report on impact of guidelines on ESG or sustainability related terms in fund names*

On 17 December 2025, ESMA published the results of a [study](#) assessing the impact of its fund naming guidelines on ESG and sustainability-related terms. The study found that ESMA's Guidelines have:

- Improved consistency in the use of ESG terms by increasing alignment of fund names and their actual investment strategies.
- Enhanced investor protection by reducing greenwashing risks.

Drawing on nearly 1,000 shareholder notifications in reaction to the guidelines from the 25 largest EU asset managers with EUR 7.5 trillion in assets under management, the study found that:

- 64% of the funds mentioned in shareholder notifications changed their name, in most cases to avoid the use of ESG related terminology.
- 56% updated their investment policies to strengthen their sustainability focus.

The study also focuses on the impact of the fossil-fuel related exclusions on 4,000 EU funds using ESG terminology in their names, with EUR 2 trillion in assets under management. The analysis shows that:

- Funds with higher fossil fuel exposures were more likely to remove ESG terms from their names, underscoring how portfolio composition influences compliance choices.
- Since the publication of the guidelines, funds retaining ESG terms in their names have reduced their portfolio share of fossil fuel holdings more than all other funds, suggesting efforts to green their portfolios.

This report is for information purposes only, does not purport to represent legal advice and assumes a working knowledge of asset management and investment funds developments. Should you wish to discuss the implications of the matters outlined in this report on your business please speak to your usual contact in Walkers or any of the Walkers' contacts in your region.