

Asset Management and Investment Funds

Legal and Regulatory Quarterly Report

covering the period
1 April 2026 – 30 June 2026



KEY DATES	
2026	
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 a weblink to detailed information relating to that ESG rating.
2027	
19 March 2027	Deadline for the transposition of the majority of Omnibus Directive (EU) 2026/470 narrowing the scope of corporate sustainability reporting and due diligence obligations.
16 April 2027	Application of new and enhanced regulatory reporting requirements for fund management companies under AIFMD II.
16 April 2027	Transitional period ends for the compliance of open-ended AIFs and UCITS, constituted before 16 April 2026, with the AIFMD II Level 2 requirements and Level 3 guidance on liquidity management tools.
7 June 2027	End of the FCA's optional transitional period for ensuring compliance with the UK disclosure regime in respect of consumer composite investments ("CCIs"). The CCI disclosure framework replaces the UK's UCITS and PRIIPs disclosure requirements from 6 April 2026 and applies to firms that manufacture or distribute CCIs (including OFR-registered UCITS) for or to UK retail investors.
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.

1.	AIFMD & UCITS DEVELOPMENTS	6
1.1	Publication of statutory instruments transposing AIFMD II	6
1.2	CP162 feedback statement and AIF Rulebook	6
1.3	European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) (No. 2) Regulations 2026	6
2.	CENTRAL BANK UPDATES	7
2.1	Feedback report thematic review of board effectiveness through the lens of diversity and inclusion (" D&I ")	7
2.2	Fund Metadata Return Guidance (updated)	9
2.3	Market Updates	9
2.4	CP168 Guidance on MMF weekly liquid asset (" WLA ") levels	11
2.5	CP170 Regulatory Impact Assessments (" RIA ")	12
2.6	Financial stability assessment of the non-bank sector	12
2.7	Good practices on implicit costs in price-based LMTs (" P-LMTs ")	12
2.8	Central Bank speeches/blog	14
	(a) <i>Safeguarding Financial Integrity – Central Bank’s approach to financial crime prevention</i>	14
	(b) <i>Minding the Tails: Safeguarding Resilience of Non-Bank Finance</i>	15
	(c) <i>Future-proofing Europe’s financial system</i>	15
	(d) <i>Statement on High Court judgment</i>	15
	(e) <i>Navigating complexity: regulatory considerations for retail investment in an era of innovation</i>	15
	(f) <i>Finance in transition: the Central Bank’s approach to tokenised finance</i>	16
	(g) <i>Navigating and responding to change – resilience, innovation and regulation in the funds sector</i>	17
	(h) <i>Governor’s blog - annual report and performance statement</i>	17
2.9	F&P Review Implementation Update	17
2.10	Authorisations and Gatekeeping Report	18
2.11	Analysis on the composition of Irish households’ holdings via investment funds	18
2.12	Research on frauds and scams	19
2.13	Thematic review findings on depositaries’ risk assessment of FMCs	19
2.14	Central Bank approach to supervision	20
2.15	Financial Stability Review 1/2026	20
2.16	Thematic assessment of the compliance function in the MiFID sector	21
2.17	Fund revocation submissions updates	21
2.18	Investment funds statistics Q1 2026	21
3.	OTHER LEGAL AND REGULATORY DEVELOPMENTS	22
3.1	European Commission (the "Commission")	22
	(a) <i>Commission adopts delegated regulation setting out regulatory technical standards ("RTS") on investment firms’ order execution policies</i>	22
	(b) <i>Delegated Directive on MiFID II research provisions amendments published in OJ</i>	22
	(c) <i>Council adoption of EU anti-corruption directive</i>	22
	(d) <i>Commission Implementing Regulation on FX benchmarks exempt under Benchmarks Regulation ((EU) 2016/1011) as amended ("Amended BMR") published in the OJ</i>	23
	(e) <i>Better regulation communication</i>	23
	(f) <i>EDPB opens public consultation on Data Protection Impact Assessment ("DPIAs") template</i>	24
	(g) <i>Commission adopts Tax Simplification package</i>	24
	(h) <i>Report on MMFR and frequently asked questions ("FAQ") guidance</i>	24
	(i) <i>Council adopts Digital Omnibus on AI</i>	25
3.2	EU Authority for Anti-Money Laundering and Countering the Financing of Terrorism ("AMLA")	25
	(a) <i>Consultations on draft guidelines and RTS on group-wide requirements and business-wide risk assessments</i>	25
3.3	ESMA & the European Supervisory Authorities ("ESAs")	26

	(a)	<i>ESMA report on common supervisory action ("CSA") on compliance and internal audit functions of fund managers</i>	26
	(b)	<i>ESMA reports on EU reporting frameworks</i>	27
	(c)	<i>Annual risk assessment of leveraged AIFs</i>	28
	(d)	<i>Liability driven investment ("LDI") funds risk analysis</i>	28
	(e)	<i>ESMA letter on prioritisation of deliverables</i>	28
	(f)	<i>ESMA annual report</i>	29
	(g)	<i>ESA Joint Committee annual report</i>	29
	(h)	<i>Amended BMR updates</i>	29
	(i)	<i>Call for evidence on restricted subscription and private credit ratings</i>	30
	(j)	<i>Newsletter February and March 2026</i>	30
	(k)	<i>European Central Bank ("ECB") report on macro-prudential policies for NBFIs</i>	30
	(l)	<i>ECB financial stability review</i>	31
	(m)	<i>Consultation on amending Central Securities Depositories Regulation ("CSDR") guidelines to support transition to T+1 settlement</i>	31
	(n)	<i>Report on quality and use of regulatory data</i>	31
	(o)	<i>ESMA speech</i>	31
3.4		Government of Ireland	32
3.5		UK Developments	32
3.6		Bank of International Settlements ("BIS")	32
3.7		Financial Stability Board ("FSB")	32
	(a)	<i>Letter to G20 on financial stability and priorities</i>	32
	(b)	<i>Report on vulnerabilities in private credit</i>	33
3.8		International Monetary Fund ("IMF")	33
3.9		IOSCO	33
	(a)	<i>Recommendations on Valuing Collective Investment Schemes ("CIS")</i>	33
	(b)	<i>AI supervisory toolkit</i>	34
4.		SUSTAINABLE FINANCE DEVELOPMENTS	34
4.1		ESMA Q&As on ESG Ratings Regulation ((EU) 2024/3005) ("Ratings Regulation")	34
4.2		Delegated regulation on provider authorisation and recognition RTS under Ratings Regulation	35
4.3		Commission adopts RTS specifying elements to be disclosed under Ratings Regulation	35
4.4		Commission adopts delegated regulations on fees and penalties under Ratings Regulation	35
4.5		ESMA consultation on guidelines on endorsement regime under the Rating Regulation	36
4.6		Economic and Monetary Affairs Committee ("ECON") draft report on SFDR 2.0	36
4.7		ESMA statement on CSA on MiFID II sustainability aspects	36
4.8		Platform on Sustainable Finance (the "Platform") response to the Commission's consultation on the Taxonomy Delegated Acts	37
4.9		Commission delegated acts on revised sustainability reporting standards	37
4.10		Commission notice published in the OJ	38

QUARTERLY HIGHLIGHTS

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

On 28 April 2026, implementing statutory instruments transposing Directive (EU) 2024/927 ("**AIFMD II**") were published, coming into operation on 1 May 2026 (**section 1.1**)

- **The transposition of AIFMD II into Irish law marks a key milestone for the funds industry and paves the way for the Central Bank of Ireland (the "Central Bank") to finalise the reform of the Central Bank UCITS Regulations via the CP161 consultation process.**

On 5 May 2026, the **Central Bank** published the revised edition of its AIF Rulebook (the "**AIF Rulebook**") along with its Feedback Statement to the consultation paper and updated AIF authorisation application forms (**section 1.2**). It also published its Notice of Intention in relation to the application of the ESMA Guidelines on Liquidity Management Tools of UCITS and open-ended AIFs (the "**Guidelines**") under AIFMD II (**section 2.3**).

- **The AIF Rulebook changes are intended to align the domestic framework with AIFMD II, as recently transposed into Irish law, as well as introducing a suite of significant enhancements to Ireland's regulatory framework for AIFs, in particular QIAIFs, to better reflect international best practice for private assets funds. Our recent advisories [here](#) and [here](#) outline the key changes from both the funds and financing perspectives.**
- **The Central Bank expects full compliance with the Guidelines from 7 May 2026, subject to the grandfathering period provided for in the Guidelines.**

On 5 May 2026, the **Central Bank** published its Guidance for the **Fund Metadata Return** – reporting requirements of Irish authorised investment funds (**section 2.2**).

- **The Fund Metadata Return is now live on the Central Bank Portal and replaces the previous annual fund profile filing. Certain fund metadata must now be submitted via the Return on an ongoing and timely basis. Each Irish authorised investment fund should nominate its Fund Data Submitter responsible for the fund metadata verification, submission and updating of the return.**

On 20 April 2026, the **Central Bank** published its feedback report on its thematic review of board effectiveness through the lens of Diversity and Inclusion ("**D&I**") in the fund management company ("**FMC**") sector (**section 2.1**).

- **The Central Bank highlights a number of good practices in the report and is of the view that more work needs to be done to enhance board effectiveness through the lens of D&I across the composition and effectiveness of the board, senior management and board committees and board governance processes.**
- **While the review was carried out for a limited number of Irish FMCs, the Central Bank expects not only Irish FMCs but other Irish regulated firms to review and consider the findings of this review and examine their governance processes relating to board effectiveness against both the findings and good practices outlined. Where gaps or weaknesses are identified, firms should develop and implement actions to mitigate any risk.**

On 9 April 2026, the **Central Bank** published its Good Practices on incorporation of implicit costs into the calibration of price-based liquidity management tools ("**P-LMTs**") (**section 2.7**).

<ul style="list-style-type: none"> • The Good Practices implement IOSCO guidance and FSB recommendation and are aligned with ESMA's guidance on the calibration of LMTs, with the aim of encouraging overarching good practices relating to P-LMTs and ensuring managers have appropriate systems, procedures and controls for P-LMT use as part of everyday liquidity risk management. The document outlines good practices in accounting for implicit costs, particularly market impact, when calibrating P-LMTs.
<p>On 9 April 2026, the Central Bank published its financial stability assessment of the non-bank sector (section 2.6)).</p>
<ul style="list-style-type: none"> • The financial stability assessment of Irish hedge funds concludes that the sector is unlikely to pose systemic risks on its own, given its relatively limited market footprint in core global markets. The insights from this assessment will also be leveraged to strengthen the Central Bank's ongoing surveillance of hedge funds.
<p>Progress continues apace to finalise the framework surrounding the ESG Ratings Regulation ("Regulation") which commenced application on 2 July 2026 (section 4).</p>
<ul style="list-style-type: none"> • Financial market participants retaining references to an ESG rating in marketing communications will be required to provide a weblink to detailed information relating to that ESG rating. Walkers Asset Management and Investment Funds group's recent advisory outlines key practical considerations for EU FMCs using ESG ratings, interacting with the Regulation.
<p>On 11 May 2026, ESMA published its final report with findings from its CSA on the compliance and internal audit functions of FMCs (section 3.3(a)). On 14 May 2026, the Central Bank also published a report on its thematic assessment of the compliance function in the MiFID investment firm sector (section 2.16).</p>
<ul style="list-style-type: none"> • While ESMA found overall compliance levels satisfactory the CSA report highlights a number of recurring weaknesses and identifies good and poor practices across both functions. Walkers Asset Management and Investment Funds group's recent advisory provides a detailed examination of the key findings for FMCs.
<p>The Central Bank delivered significant speeches during the period covering both governance considerations in distribution and on the future of tokenisation and distributed ledger technology in the financial sector (section 2.8).</p>
<ul style="list-style-type: none"> • The remarks highlight key corporate governance expectations in distribution matters against the backdrop of greater retail participation in complex products, as well as the Central Bank's supervisory perspective on the transformative potential of tokenisation.
<p>On 27 May 2026, the Central Bank published its first Financial Stability Review of 2026, assessing the key risks to the Irish financial system over the short to medium term and its resilience to adverse shocks (section 2.15). The European Central Bank ("ECB") also published its own such review (section 3.3(l)).</p>
<ul style="list-style-type: none"> • The Central Bank's review finds the system remains resilient and well-positioned overall. However, it highlights elevated risks from the global environment, including in private credit markets, geopolitical tensions (notably in the Middle East), as well as growing AI and cyber-related risks, which could have a significant impact on Ireland's financial stability. Similar conclusions are reached in the ECB's review of risks across the European financial system.

1. AIFMD & UCITS DEVELOPMENTS

1.1 Publication of statutory instruments transposing AIFMD II (*This is a further update to section 1.2 of the quarterly report covering the third quarter of 2024*)

On 28 April 2026, the Tánaiste and Minister for Finance signed the following statutory instruments transposing [Directive \(EU\) 2024/927](#) ("**AIFMD II**") amendments to the Alternative Investment Fund Managers Directive ("**AIFMD**") and the UCITS Directive (2009/65/EC) ("**UCITSD**") respectively into Irish law:

- European Union (Alternative Investment Fund Managers) (Amendment) Regulations 2026 ([S.I. No. 181 of 2026](#)); and
- European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2026 ([S.I. No. 182 of 2026](#)).

The transposing Regulations came into operation on 1 May 2026, except for the provisions in respect of the enhanced regulatory reporting obligations (Regulation 14 of S.I. No. 181 of 2026 and Regulation 10 of S.I. No. 182 of 2026 respectively) which will come into operation on 16 April 2027.

1.2 CP162 feedback statement and AIF Rulebook (*This is a further update to section 1.2 of the quarterly report covering the third quarter of 2025*)

On 5 May 2026, the Central Bank of Ireland (the "**Central Bank**") published [Markets Update \(5/2026\)](#) with its [Feedback Statement](#) to [Consultation Paper 162](#) on amendments to the AIF Rulebook ("**CP162**") alongside the revised [AIF Rulebook](#).

The publication of the revised AIF Rulebook follows the implementation of [national legislation](#) (S.I. No. 181 of 2026) transposing Directive [\(EU\) 2024/927](#) (**AIFMD II**) into Irish law effective 1 May 2026, except for the provisions in respect of the enhanced regulatory reporting obligations which will come into operation on 16 April 2027.

Walkers Asset Management and Investment Funds group have produced an [advisory](#) entitled '*Significant modernisation of the Central Bank's AIF Rulebook*' outlining the key changes with further commentary. Walkers Finance and Capital Markets group have published an [advisory](#) entitled '*Fund finance Central Bank of Ireland removes prohibition on third-party guarantees and security*' which focuses on the enhancements from a fund finance perspective.

The Central Bank published revised [AIF application forms](#) (QIAIF, RIAIF and ELTIF respectively) to take into account the updated provisions of the revised AIF Rulebook. The revised application forms should be used going forward where the relevant application is to be submitted through either the Central Bank's ORION or Portal systems.

1.3 European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) (No. 2) Regulations 2026 (*This is a further update to section 3.2 of the quarterly report covering the fourth quarter of 2024*)

On 22 June 2026, the Tánaiste and Minister for Finance signed the [European Union \(Undertakings for Collective Investment in Transferable Securities\) \(Amendment\) \(No. 2\) Regulations 2026 \(S.I. No. 289/2026\)](#) ("**Regulations**") into Irish law.

The S.I. transposes into Regulation 70 of the Irish UCITS Regulations the reforms of the EMIR 3.0 [Amending Directive](#) (EU) 2024/2994, whereby the applicable counterparty exposure and combination position exposure limits (UCITSD Article 52) will now be assessed on the basis of whether or not a derivative transaction has been centrally cleared through a central counterparty ("**CCPs**") that is authorised or recognised under EMIR.

The disapplication of the applicable counterparty risk limits, for derivative transactions that are centrally cleared by an authorised or recognised CCP, (i) recognises that central clearing arrangements mitigate

the counterparty risk that is inherent in derivative contracts; and (ii) establishes a level playing-field between exchange-traded and over-the-counter ("OTC") derivatives.

The Regulations became operational on 25 June 2026.

2. CENTRAL BANK UPDATES

2.1 Feedback report thematic review of board effectiveness through the lens of diversity and inclusion ("D&I") (*This is a further update to section 2.1 of the quarterly report covering the first quarter of 2026*)

On 20 April 2026, the Central Bank published its [feedback report](#) on its thematic review of board effectiveness through the lens of D&I in the fund management company ("FMC") sector (the "Report").

A summary of the key findings and good practices set out in the Report is set out below.

- D&I

Key expectations

FMCs are expected to embed D&I in a consistent and structured manner, particularly at board and senior management level, to strengthen governance and decision-making. This extends beyond observable characteristics, with a clear emphasis on diversity of thought and independence of mind. D&I should be integrated into governance frameworks rather than treated as a standalone initiative.

Key findings

The Central Bank identified good practices where firms demonstrated board-level sponsorship, participation in D&I charters, and meaningful integration of D&I into governance structures. Firms with diverse professional and educational backgrounds benefited from richer discussion and more effective decision-making.

However, some firms focused narrowly on gender, failed to consider broader diversity characteristics, or incorrectly equated D&I with corporate social responsibility activities. Gender imbalances persisted at board, committee and senior management levels, and numerous firms lacked formal diversity metrics, targets, reporting, training, or board-level sponsorship.

- **Independent Non-Executive Directors ("INEDs")**

Key expectations

FMCs are expected to maintain a strong presence of truly independent directors who demonstrate objective judgement and effective challenge. Regular and robust assessment of director tenure and independence is required as part of board composition reviews.

Key findings

Good practice was observed where firms carried out annual, formal independence assessments, considered the appropriateness of continued INED designation, and appointed INEDs as board chairs. Strong frameworks to support ongoing independence enhanced governance effectiveness. Deficiencies included inconsistent emphasis on the INED role, significant variation in INED involvement across boards and committees, and cases where INEDs remained in that role for extended periods (often exceeding ten years) without sufficiently robust reassessment of independence.

- **Board Evaluation Process**

Key expectations

Board evaluations should be comprehensive and expressly incorporate D&I considerations and diversity of thought to identify critical blind spots and enhance overall board effectiveness. Evaluations are viewed as a valuable governance tool rather than a procedural exercise.

Key findings

Positive practices included the use of board skills matrices, requiring directors to assess and explain their level of experience and the inclusion of gender diversity to embed D&I in evaluations.

In contrast, many firms relied heavily on basic self-assessment questionnaires or binary responses, limiting insights gained. Broader assessments, such as skills gap analysis and attendance reviews, were often absent, and D&I considerations—particularly inclusivity—were frequently overlooked, reducing the effectiveness of evaluations.

- **Succession Planning**

Key expectations

FMCs are expected to strengthen succession planning frameworks with clear consideration of D&I, supporting leadership continuity, reducing reliance on key individuals, and building diverse talent pipelines.

Key findings

Good practice included detailed succession plans with named successors, defined time horizons, and comprehensive skills matrices, supported by separate succession policies. Some firms maintained panels of potential successors for INED roles and clearly assessed successor readiness and development needs.

Deficiencies included vague or outdated succession plans, lack of clarity on how policies influenced appointment decisions, limited integration of D&I despite stated diversity targets, and poor governance controls such as lack of version control or defined ownership of succession planning.

- **Strategic Decision-Making Processes**

Key expectations

Firms are expected to enhance governance around strategic decision-making through robust documentation, clear structures, and formal review processes, while embedding D&I considerations to improve challenge, transparency and accountability.

Key findings

Good practices included the use of diverse project teams to advise boards, clear decision-making structures, and well-documented procedures supported by detailed board minutes showing discussion and challenge.

Key weaknesses included the absence of standalone decision-making policies, insufficient documentation, and decisions being taken outside formal board settings without adequate records. While approvals were recorded, the underlying challenge, debate and voting processes were often not evidenced, and most firms did not carry out formal post-decision reviews (i.e. "lessons learned"), missing opportunities for continuous improvement.

Next steps

The Central Bank expects FMCs, and other regulated firms, review and consider the findings of this Report and examine their governance processes relating to board effectiveness through the lens of D&I against both the findings and good practices outlined.

Where gaps or weaknesses are identified, firms should develop and implement actions to mitigate any risk. Firms should also continually evaluate their arrangements to ensure they remain fit for purpose.

2.2 Fund Metadata Return Guidance (updated)

During June 2026, the Central Bank published revised [guidance](#) on the Fund Metadata Return (the "Return") – reporting requirements of Irish authorised investment funds.

The Return, in situ since 24 April 2026 and replacing the Central Bank's annual Fund Profile Return V3, is a reporting requirement applicable to all Irish authorised investment funds, including UCITS and AIFs. Instead of an annual filing requirement, funds are now required to maintain fund metadata via the Return ensuring fund changes are promptly and accurately captured on an ongoing basis. The guidance sets out the operational procedures for submitting, updating, and correcting fund metadata through the Central Bank's Portal, under the "Investment Funds" section. Where possible for existing funds, the previous Fund Profile V3 filing has been used by the Central Bank to populate the Return, to ensure accurate data is recorded for each fund.

The Return is divided into eight sections, the first seven of which are editable and must be completed: (1) General, (2) Fund Categories, (3) Active/Passive, (4) Frequency/Fees, (5) Fund Purposes, (6) Other Items, (7) Statistical Reporting Requirements, and (8) Institution Connections (view only). Among other data required by way of the Return is the ESG/SFDR Article classification (Article 6, 8, or 9) of the fund, as well as selecting all liquidity tools provided for in the offering documents.

The fund metadata set up for newly authorised funds, as well as for all corrected fund metadata and any updates to a number of certain key fields (Investment Policy/Fund Type and MMIF reporting characteristics) must be approved by the Central Bank in accordance with the guidance. Fund metadata for a newly authorised fund needs to be set up and submitted within 10 working days of its authorisation/approval date, in line with the timeline under the previous Fund Profile Return.

Fund data should be updated in a timely manner. In particular, a number of fields impacting statistical reporting which are needed to comply with ECB Regulation [ECB/2024/17 \(Statistics Regulation\)](#) and which should be updated within **T+12** working days of month end (including details of investment policy, any inactive statuses and the MMIF reporting frequency).

The Return must be updated **promptly** whenever a fund's data values change. There are two distinct mechanisms for modifying an existing return: the "**Update**" functionality and the "**Correct**" functionality. The "Update" functionality may only be used to update an active fund metadata where the effective change date is within the last 60 working days. For changes older than 60 working days, or for historical corrections, the "Correct" functionality must be used instead.

The Fund Data Submitter will be a legal entity appointed at the fund's discretion. Each fund should contact Fund Supervision to nominate a Fund Data Submitter to submit, update, or correct the fund metadata and the Return will be linked to this entity's Portal account. Access will be managed by the relevant Portal administrator.

2.3 Market Updates

The following Markets Updates of note were published by the Central Bank during the period.

- *(4/2026) (This is a further update to sections 3.2(c) and 3.4(p) of the quarterly report covering the first quarter of 2026)*

On 20 April 2026, the Central Bank published its latest markets update ([4/2026](#)), containing the following updates:

- [ESMA publishes templates and instructions for Active Account Requirement \("AAR"\) reporting](#)

On 13 April 2026, ESMA published the reporting [templates](#) and [instructions](#) for the AAR [reporting](#) under EMIR 3 ((EU) 2024/2987)).

The standardised templates set out in detail how entities subject to the AAR should report the required information to their competent authorities. The templates cover counterparty information, activities and risk exposures, the representative obligation and operational conditions. The aim of the templates is to ensure a consistent, structured and standardised collection of supervisory data.

Next steps

The first AAR reporting submission for in-scope counterparties is expected on 31 July 2026, covering the period from 25 June 2025, when the AAR became applicable, to 30 June 2026. Thereafter, reporting will take place on six months basis, with submissions due on 31 January and 31 July each year, each covering a twelve-month reference period.

- [ESMA Supervisory Briefing on Algorithmic Trading in the EU](#)

This briefing provides guidance to investment firms and NCAs on the supervision of algorithmic trading under MiFID II and was outlined in section 3.4(p) of our report for the first quarter of 2026.

- (6/2026)

On 7 May 2026, the Central Bank published markets update [issue 6 2026](#) containing its [Notice of Intention](#) in relation to the application of the ESMA [Guidelines](#) on Liquidity Management Tools of UCITS and open-ended AIFs (the "**Guidelines**").

The notice sets out that the Central Bank expects full compliance with the Guidelines from 7 May 2026. The Guidelines provide for funds existing before 16 April 2026 to apply the Guidelines, from 16 April 2027.

The Central Bank has consulted on including a provision in the updated Central Bank UCITS Regulations and AIF Rulebook such that, when selecting LMTs in accordance with Article 18a(2) of the UCITS Directive and Article 16(2b) of the AIFMD respectively, fund managers should consider selecting:

- at least one quantitative-based liquidity management tool from Annex IIA of the UCITS Directive and Annex V of the AIFMD, namely, redemption gates, extension of notice period or, redemption in kind, and
- at least one anti-dilution based liquidity management tool from Annex IIA of the UCITS Directive and Annex V of the AIFMD, namely, redemption fees, swing pricing, dual pricing or, anti-dilution levy.

This provision is subject to the derogation in Article 18a(2) of the UCITS Directive and Article 16(2b) of the AIFMD for UCITS and AIFs that are authorised as a money market fund ("**MMF**") under Regulation (EU) 2017/1131 ("**MMFR**").

- (7/2026)

On 26 May 2026, the Central Bank published its markets update [Issue 7 2026](#) containing the following updates:

- [ESMA call for evidence on the structure of European equity markets](#)

The Central Bank highlights to Irish market participants the recent ESMA call for evidence on the structure of European equity markets. The call for evidence invites stakeholder feedback on observed trends in European equity markets and their potential regulatory implications.

- [The Central Bank publishes a notice of intention in relation to the application of the ESMA Guidelines on stress test scenarios under the Money Market Fund \(MMF\) Regulation](#)

The Central Bank published a [notice of intention](#) in relation to the ESMA guidelines on stress test scenarios under the MMFR published on 26 March 2026. The notice sets out that the Central Bank expects full compliance with the guidelines from 26 May 2026.

- (8/2026)

On 8 June 2026, the Central Bank published markets update [Issue 8 2026](#) containing the following updates:

- [CP168 – Guidance on Money Market Fund Weekly Liquid Asset levels](#)

This update is covered in section 2.4 of this report.

- [Publication of IOSCO AI Supervisory Toolkit and Industry Practices Review survey](#)

This update is covered in section 3.9(a) of this report.

- (9/2026)

On 9 June 2026, the Central Bank published markets update [Issue 9 2026](#) containing the following update:

- [EU T+1 Industry Committee readiness surveys open until 11 June 2026](#)

On 12 May 2026, in order to monitor preparation to transition to T+1 settlement cycle across EU Member States, the EU T+1 Industry Committee published its second [industry readiness survey](#) and [complementary survey](#), with deadline extended to 11 June 2026. The EU T+1 Industry Committee is strongly encouraging participation from all financial sectors and across all EU Member States to build a reliable picture of readiness and identify areas needing further attention.

- (10/2026)

On 24 June 2026, the Central Bank published markets update [Issue 10 2026](#) containing the following updates:

- [EU T+1 readiness deep dive - industry event sponsored by Euroclear](#)
- [ESMA issues a public statement reminding unauthorised CASPs of MiCA transitional period ending on 1 July 2026](#)

On 23 June 2026, ESMA has published a [statement](#), calling on unauthorised crypto-asset service providers ("**CASPs**") to wind down their activities after the end of the transitional period under MiCA on 1 July 2026. ESMA expects unauthorised CASPs to take immediate steps to wind down their EU activities in an orderly manner, while also safeguarding clients' interests and mitigating risks to market integrity. ESMA also reminds clients of unauthorised CASPs, whether EU or non-EU entities, that they do not benefit from MiCA safeguards, including protections for client assets.

2.4 CP168 Guidance on MMF weekly liquid asset ("**WLA**") levels

On 8 June 2026, the Central Bank published consultation paper [CP168 – Guidance on Money Market Fund Weekly Liquid Asset levels](#) setting out draft national guidance on aligning MMF WLA levels and liquidity frameworks, including requirements that:

- Specified WLA levels must be reflected in MMF liquidity stress testing.
- Managers should escalate and strengthen decision-making as WLA levels approach or fall below resilience levels and should notify the Central Bank in the event of any prolonged or material deviations including any breach over 10 business days.

The Central Bank may increase supervisory scrutiny and engagement where WLA falls below the specified levels. The enhanced MMF liquidity risk management practices are based on the Commission's [recent suggested market resilience levels](#) (as outlined in section 3.1(h) of this report).

The consultation will be open for feedback from interested stakeholders until 3 August 2026.

2.5 CP170 Regulatory Impact Assessments ("RIA")

On 22 June, the Central Bank launched a public consultation [CP170](#) which seeks views on its approaches to RIA and to consultation with stakeholders.

The consultation paper includes [a draft Statement of Approach to RIA](#) which sets out how the Central Bank proposes to assess regulatory interventions, including identifying problems, considering options and evaluating potential impacts. The proposed Statement of Approach would apply where the Central Bank exercises meaningful domestic discretion in developing regulatory policy interventions of general application, particularly where introducing new obligations, materially amending existing requirements, or otherwise altering the regulatory framework in a way that may have significant effects.

The consultation paper does not introduce new regulatory requirements or amend existing rules. It is focused on the processes and frameworks that support regulatory policy development and communication.

The consultation was accompanied by a press release [Central Bank launches consultation on evolving regulation](#) and the Governor's blog post [Better decisions, better regulation, better outcomes](#). The consultation will remain open until 30 September 2026.

2.6 Financial stability assessment of the non-bank sector

On 9 April 2026, the Central Bank published a [press release](#) in connection with its [financial stability assessment of Irish hedge funds](#).

The financial stability assessment of Irish hedge funds concludes that the diversity of the sector, and its modest market footprint, limit systemic vulnerabilities. The sector is unlikely to pose systemic risks on its own, given its relatively limited market footprint in core global markets. Deputy Governor Madouros noted that "the market footprint of the Irish hedge fund sector is modest, limiting systemic impacts" and "its diversity supports resilience".

Nevertheless, the analysis revealed vulnerabilities in leverage, liquidity, and interconnectedness that could generate financial stability risks if correlated with hedge funds in other jurisdictions that follow similar strategies and have similar exposures. The assessment noted that relative value and credit funds warrant particular attention - exhibiting high leverage and/or low liquidity, vulnerabilities which can lead to amplification of a market shock. They are also operating in core markets where shocks could transmit directly and indirectly to the real economy and the wider financial system, including the banking sector. The findings emphasise the need for enhanced financial stability monitoring of these vulnerable cohorts, supported by supervisory engagement as well as cross-border cooperation.

Deputy Governor Madouros concluded that a key outcome of the work will be engagement with authorities internationally, to deepen the collective assessment of the global non-bank sector. Strengthening the financial stability lens in the regulation of the non-bank sector has been – and continues to be – a priority for the Central Bank.

The insights from this assessment will also be leveraged to strengthen the Central Bank's ongoing surveillance of hedge funds - noting systemic vulnerabilities are not fixed and they evolve over time.

2.7 Good practices on implicit costs in price-based LMTs ("P-LMTs")

On 9 April 2026, the Central Bank published the following:

- [Staff Insight Availability and use of Liquidity Management Tools in Irish-domiciled Investment Funds](#); and
- [Good Practices on incorporation of implicit costs into the calibration of price-based LMTs](#).

The staff insight publication outlines that a recent Central Bank survey of 5,471 Irish domiciled open-ended funds ("OEFs") found that anti-dilution or P-LMTs are widely available in Irish-domiciled investment funds, representing 84% of funds having at least one such tool available – a significant increase over the past 5 years. P-LMTs aim to pass on the estimated costs of liquidity associated with fund subscriptions or redemptions to the transacting investors by adjusting the net asset value ("NAV") of the fund or the price at which they transact. Anti-dilution levies are the most commonly available P-LMT, followed by redemption fees and swing pricing.

The survey found a lack of consistency in the application of P-LMTs, with the main determining factor behind the choice and use of specific P-LMTs demonstrating a desire for standardisation across all managed funds within a management company, as opposed to asset class-specific factors. Few of the funds surveyed explicitly incorporate the expected price movement as a result of the fund's trading activity (an implicit cost known as market impact) in addition to the bid/ask spread, as recommended in FSB/IOSCO recommendations and guidance. The inclusion of a specific market impact estimate was higher among funds trading in less liquid markets, where the bid/ask spread may not fully capture all implicit transaction costs.

The survey also highlighted that the use of these P-LMTs lags their availability. Deputy Governor Madouros [noted](#) on publication of the assessment that the Central Bank wants to continue to see a shift in outcomes: towards greater use, and greater consistency in use, of these LMTs.

Arising from the findings of the assessment, the Central Bank's good practices on incorporating implicit costs into the calibration of P-LMTs are intended to:

- support [FSB policy recommendations](#) on liquidity risk management by OEFs (including Recommendation 3 on OEF categorisation by asset liquidity); and
- assist fund managers in estimating the implicit costs associated with subscriptions and redemptions, including any significant market impact, and in incorporating these implicit costs in the calibration of P-LMTs.

The Good Practices document aims to outline overarching good practices relating to anti-dilution P-LMTs, outlining how fund managers can ensure they have appropriate systems, procedures and controls for P-LMT use as part of everyday liquidity risk management. The Good Practices are informed by and aligned with the 2025 IOSCO Guidance for OEFs, the FSB's Revised Recommendations and the ESMA Guidelines on LMTs under AIFMD II and also note that responsibility for the use of P-LMTs lies with regulated firms.

- Section 1 introduces the role of implicit costs, market impact within LMT calibration and components of market impact.
- Section 2 contains examples for incorporating market impact estimates into Specific P-LMTs namely, Swing pricing, dual pricing, ADLs, redemption fees
- Section 3 summarises the main data sources which assists in estimating market impact including internal data, broker estimates or indicative quotes, third-party data providers, stress testing or scenario analysis
- Section 4 sets out some good practice approaches to other aspects of liquidity risk management frameworks such as governance, disclosure and transparency.

The Good Practices are designed to accommodate diverse fund types, recognising that market impact varies by investment strategy, asset class, and market environment. These include:

Incorporation of implicit costs into P-LMTs. Fund managers are expected to attribute both explicit and implicit transaction costs to entering or exiting investors by adjusting the fund NAV or the price paid or received by transacting investors. IOSCO expects managers to use professional judgement, trading experience, and relevant external data sources to estimate implicit transaction costs.

Estimation of market impact. Fund managers should estimate market impact when applying P-LMTs to ensure fair cost allocation aligned with the NAV strike. The Central Bank endorses a "bottom-up" approach, estimating implicit costs at the asset or security level, with market impact assessed for materiality before inclusion in P-LMT calibration.

Components of market impact. Managers should consider trade size relative to each asset's liquidity profile (e.g. average daily volumes), market depth (particularly for less liquid assets), market volatility (monitored via indices such as VIX, VSTOXX, or MOVE), and trading venue characteristics (order book depth, historical execution costs, or pre-trade broker quotes for OTC markets)

Data Sources. Managers should draw on a combination of internal data (historical trade execution records), broker estimates or indicative quotes, third-party data providers, and stress testing or scenario analysis.

Back-testing: The Central Bank expects back-testing to be performed periodically (at least quarterly), comparing actual transaction costs with estimates, with more frequent reviews during or after significant market events.

Governance: All processes from estimation to application should be documented in Board and relevant governance materials, with the relevant committee reviewing LMT outcomes (including market impact estimate efficacy) at least quarterly. Fund managers can also document the rationale for market impact methodologies more broadly, including data sources and assumptions, in board and audit materials, in line with broader documentation around LMTs, supporting robust oversight and accountability.

Disclosure: Where market impact estimates are used, this should be outlined in the fund's prospectus in accessible language. Investor queries about P-LMTs should be addressed through FAQs explaining how tools such as swing pricing protect against dilution and how market impact estimates ensure fairness. IF a range of swing factors or ADLs is disclosed, it can be noted that these are not a cap and may need to expand during stress periods.

2.8 Central Bank speeches/blog

(a) *Safeguarding Financial Integrity – Central Bank's approach to financial crime prevention*

On 29 April 2026, Director of Horizontal Supervision, Patricia Dunne delivered [remarks](#) to the European Anti-Financial Crime Summit entitled "*Safeguarding Financial Integrity – Central Bank of Ireland's Approach to Financial Crime Prevention*".

The remarks covered a high-level overview of the risks and challenges in combatting financial crime. The Central Bank will focus on the highest risk sectors, seeking to ensure that firms are evolving their risk management frameworks to keep pace with emerging threats and mitigating the impact on their customers.

While the banking, payments and e-money sectors are a priority focus for AML/CFT supervision the funds sector in Ireland is the subject of international scrutiny given its size and reach and is a key area of focus for the Central Bank. In 2026 the Central Bank will be undertaking a thematic review of suspicious transaction report reporting in the funds sector. From a supervisory perspective, the Central Bank will use targeted inspections to assess whether firms understand their ML/TF exposures, understand their ML/TF exposures and are meeting their obligations and legal requirements with control frameworks are proportionate to those risks.

The Central Bank's enhanced Risk Evaluation Questionnaire ("**REQ**") will be rolled out to all sectors over the course of 2026 and will capture detailed quantitative and qualitative information on ML/TF risks and on the quality of firms' controls.

(b) *Minding the Tails: Safeguarding Resilience of Non-Bank Finance*

On 9 April 2026, the Deputy Governor of the Central Bank Vasileios Madouros delivered a keynote [speech](#) entitled "*Minding the Tails: Safeguarding Resilience of Non-Bank Finance*" at the Irish Funds seminar on the recent Central Bank "deep dives" on both its financial stability assessment of hedge funds and on liquidity management tools in Irish funds (*outlined at sections 2.6 and 2.7 of this report respectively*).

Deputy Governor Madouros outlined the findings of two in-depth assessments recently concluded by the Central Bank: one evaluating financial vulnerabilities in the Irish hedge fund sector, and another examining liquidity management tools by open-ended funds in Ireland. He also noted that the use of LMTs, specifically by bond funds, will be an area of supervisory focus this year.

(c) *Future-proofing Europe's financial system*

On 2 April 2026, the Central Bank published a [blog](#) from the Governor entitled "*Future proofing Europe's financial system*" which outlines the Governor's views on how Europe can build a secure, integrated digital financial ecosystem which supports innovation while protecting stability and trust.

The blog covers how new advances, like distributed ledger technology and tokenisation, are reshaping how payments, assets and financial services work and offering Europe an opportunity to build a more unified, efficient financial system. Central banks need to modernise payment and settlement infrastructure, manage new forms of risk, and build regulatory frameworks which can keep pace with innovation. At the same time, geopolitical tensions have highlighted the need for more resilient, European financial infrastructure.

Governor Makhlouf writes that a key priority is ensuring that central bank money continues to play a stabilising role in a digital world. This means developing shared, pan-European "rails" for both public and private digital money and tokenised assets with safe, instant settlement. If done well, this can strengthen Europe's financial integration and support a more competitive, innovative economy. Looking ahead, the Governor writes, central banks face three major tasks: modernising core infrastructure, ensuring the financial system of the future remains safe, and deepening understanding of how digital innovation is reshaping money and payments.

(d) *Statement on High Court judgment*

On 29 April 2026, the Central Bank released a press release concerning the [written judgment](#) of the High Court in the matter of the Central Bank's application under the fitness & probity ("**F&P**") regime to confirm the one-year prohibition issued to a senior executive on 2 February 2022 concerning his role in a regulated firm in the investment fund and asset management sector. The decision of the High Court was to refuse the application. The High Court found that the senior executive's entitlement to natural and constitutional justice and basic fairness of procedures was not observed by the Central Bank in this case.

The Central Bank acknowledged the importance of the findings and the clarity that the judgment provides in this case. It also referred to the introduction of additional legislative safeguards relating to fair procedures within the investigation and decision-making processes as well as subsequent updated Regulations and Guidance in respect of the F&P regime to reflect the changes to its investigation and decision-making processes.

(e) *Navigating complexity: regulatory considerations for retail investment in an era of innovation*

On 6 May 2026, the Central Bank published, by way of an industry communication, [remarks](#) entitled '*Navigating complexity: regulatory considerations for retail investment in an era of innovation*' delivered by Gavin Curran, Head of Funds Supervision Division – Capital Markets & Funds addressing governance considerations in fund distribution.

A central theme of the speech is the increasing sophistication of products now reaching retail investors against the backdrop of the Retail Investment Strategy and the Capital Markets Union agenda aim to encourage greater retail participation. The remarks emphasise management companies as the "anchor"

of the ecosystem. Mr Curran notes boards must treat distribution strategies as a governance decision in line with the Central Bank's FMC guidance, by maintaining real oversight of delegates and be prepared to answer, and demonstrate, a short set of questions to evidence clear understanding of what is being delegated, to whom, under what controls, with what reporting, and with what independent challenge:

- Why is this product being offered to this segment?
- What investor need does it meet?
- What risks does it introduce, in plain language?
- What assumptions have we made about investor behaviour in stress, and what evidence supports those assumptions?
- How will we detect harm early and before it becomes widespread?
- If outcomes diverge from what was expected, what is our plan for intervention, remediation and communication?

The speech also outlines six expectations of firms in terms of corporate governance:

- (1) **Board ownership of investor protection** — product governance must be a board-level concern, not merely a compliance function.
- (2) **Robust conflicts of interest management** — the obligation is not merely to disclose conflicts but to ensure they do not result in detriment to the investor.
- (3) **Staff competence and professionalism** — including those responsible for digital distribution channels, whose decisions directly affect investor outcomes.
- (4) **Transparency and accountability in data and technology** — firms using artificial intelligence ("AI") or algorithmic decision-making must be able to explain how those systems work and demonstrate they are fair and unbiased.
- (5) **A client-first culture** — regulators assess culture through supervisory engagement, thematic reviews, complaints data, and scrutiny of remuneration and incentive structures.
- (6) **Effective and timely reporting** — boards must insist on receiving sufficiently granular management information on product performance, investor outcomes, complaints trends, and conduct risks, enabling the board to identify emerging risks and to take corrective action before harm crystallises.

The speech also emphasised board diversity, with the Central Bank's recent thematic engagement on board effectiveness (as detailed in section 2.1 of this report) finding that a lack of diversity is a leading indicator of elevated behaviour and culture risks.

- (f) *Finance in transition: the Central Bank's approach to tokenised finance (This is a further update to section 3.4(e) of the quarterly report covering the first quarter of 2026)*

On 26 May 2026, the Central Bank published a [speech](#) delivered by Deputy Governor Vasileios Madouros entitled '*Finance in transition: the Central Bank's approach to tokenised finance*'.

The speech focused on the Central Bank's approach to the emergence of tokenised finance, acknowledging its transformative potential, including to reshape the structure of the financial system itself. The Central Bank's overall stance is positive, recognising the benefits it can offer for consumers of financial services and the economic opportunities it can unlock, while being mindful that the broader foundations – beyond technology – need to be there for that to happen, so that the system can realise the benefits of tokenisation, while managing risks.

The remarks noted the recent Eurosystem decision to accept marketable assets issued in central securities depositories using distributed ledger technology ("**DLT**"). The Central Bank has also launched an ambitious workplan to explore if, how and under what criteria assets issued using DLT – and not represented in eligible securities settlement systems – could become eligible as Eurosystem collateral in the future.

The speech concluded that the shift towards tokenised finance is an opportunity for Europe and for Ireland to strengthen our financial system so that it supports the broader economy into the future. The deadline for response to [Discussion Paper 12](#) on DLT and tokenisation in financial services is 5 June 2026 and the Central Bank want to hear from a wide range of stakeholders.

(g) Navigating and responding to change – resilience, innovation and regulation in the funds sector

On 8 June 2026, the Central Bank published a speech by Deputy Governor McMunn, Financial Regulation at the IOB Funds and Asset Management Forum entitled "[Navigating and responding to change – resilience, innovation and regulation in the Funds Sector](#)"

The speech addressed three themes shaping the funds sector: geopolitical and technological change (focusing on the deployment of AI and the development of tokenisation), the importance of resilience, and how regulation must adapt.

The remarks also announced that the Central Bank, in a joint initiative with the French AMF and Luxembourg CSSF, published [CP168 – Guidance on Money Market Fund Weekly Liquid Asset levels](#) setting out national guidance on MMF WLA levels (as detailed in section 2.4 of this report). The enhanced MMF liquidity risk management practices proposed in CP168 are based on the Commission's [recent suggested market resilience levels](#) (outlined in section 3.1(h) of this report).

In the context of ensuring resilience, the speech indicates the sector's scenario planning should now go beyond historical precedent, e.g. liquidity management frameworks should be tested against severe but plausible conditions and operational resilience planning should account for an increased threat landscape, as well as the simultaneous failure of multiple systems or service providers. The remarks also touched on the Central Bank's perspective on testing resilience of governance frameworks in times of stress, and the capacity of boards and senior management to make sound decisions under pressure. The remarks posed the question of whether boards and senior management have the expertise and confidence to take difficult governance decisions – to suspend redemptions, to override a delegate, to challenge a valuation – when deteriorating circumstances demand it?

The speech also confirmed the Central Bank has now completed its supervisory review of delegation practices in Irish fund management companies. The findings from its review will be published next month.

(h) Governor's blog - annual report and performance statement

On 5 June 2026, Governor Gabriel Makhlouf published a [blog](#) looking at Central Bank's [2025 Annual Report & Annual Performance Statement](#). The blog provides an assessment of the economic outlook, reflects on the Central Bank's achievements in 2025 and outlines the Central Bank's financial position at the end of last year.

Governor Makhlouf notes that the Annual Report outlines the priorities that will guide the Central Bank's work in the year ahead, including maintaining resilience to macro-financial and geopolitical risks, securing consumer and investor interests and responding to technology-driven transformation. He concluded that "(i)n a period of continued uncertainty and change, maintaining trust and confidence in the financial system remains critically important".

2.9 F&P Review Implementation Update

On 11 June 2026, the Central Bank published its 2026 [report](#) on implementation of recommendations of the Enria F&P review.

Building on the April 2025 [implementation update](#), the 2026 report confirms the successful implementation of all twelve recommendations from the F&P Gatekeeping [Review](#) conducted by Andrea Enria. The 2026 Implementation Report details how each of these recommendations have been embedded into the Bank's processes and approach, commits to continuous improvement and highlights notable achievements including:

- Efficiency: 97% of F&P application assessments are completed within 90 days – with average approval time of 50 calendar days.
- Clarity – consolidated Central Bank guidance into streamlined and user-friendly materials;
- Governance – established a dedicated F&P unit, as well as a Gatekeeping Decisions Committee; and
- Engagement – actively engaged with industry stakeholders, including through workshops, increasing transparency and building trust.

2.10 Authorisations and Gatekeeping Report

On 11 June 2026, the Central Bank published its annual [Authorisations and Gatekeeping Report 2025](#) detailing the Central Bank's performance with respect to authorisations and expectations from applicants. The report contains a breakdown of various authorisations in the funds sector (975 funds authorised in 2025, up from 710 in 2024). For QIAIFs, the report notes where an application was rejected the majority were due to the relevant cross border management passport clearance not being received.

In the section of the report on F&P – PCF Gatekeeping activity, the report makes reference to the High Court's judgment in *Central Bank of Ireland v CD*, noting the supplemental guidance under CP166 will be published in the coming months and will take account of the judgment. The report also records that 4 F&P Interviews were conducted in the Funds/FSP sector in 2025.

As part of its burden reduction agenda, during 2026 the Central Bank plans to remove employer references for all sectors (apart from sole traders/single director firms), whilst also maintaining a risk-based approach where an employer reference adds value and is necessary.

In her speech accompanying this report [Opportunities and responsibilities – international financial services in fragmenting times](#), Deputy Governor McMunn addressed three critical themes shaping international financial services: global fragmentation and rapid technological change, the importance of resilience and local responsibility, and how the Central Bank is delivering on its commitment to regulating and supervising well.

The speech outlined expectations for internationally orientated firms: subsidiaries based in Ireland must be part of a well-regulated, stable jurisdiction, subject to high standards and risk-based supervision. Ms McMunn highlighted that while access to global networks, infrastructure and best practices presents distinct opportunities, firms have clear responsibilities to ensure their Irish and European franchise is substantive and well governed – with local boards demonstrating both autonomy and responsibility.

The remarks also note the Central Bank are investing in and improving technology, including through automation and AI – which will provide efficiencies, transparency and consistency in the internal and external experience of the authorisation process for all sectors and products.

McMunn also referenced as part of its simplification initiatives, that the Central Bank has completed its review of the Cross-Industry Guidance on Outsourcing and has decided to remove the current guidance and replace it, removing any duplication while still assisting firms through non-mandatory good practices. The new outsourcing guidance is expected to be published in the second half of this year.

2.11 Analysis on the composition of Irish households' holdings via investment funds

On 9 April 2026, the Central Bank published an [article](#) entitled "*Behind the data: Uncovering the composition of Irish households' holdings via investment funds*".

The analysis presented in the article looked through investment fund holdings of Irish households to reveal their underlying composition (using security-level data [reported by Irish-domiciled investment funds](#), quarterly Central Bank financial accounts data, ECB statistics and data from the Eurosystem database). The article finds that household exposure to debt securities and listed equities is greater than previously quantified, and that investment funds offer greater international diversification compared to investments that households make directly, providing new insights on households' exposure to financial markets.

The key findings of the analysis include that:

- Investment funds account for a modest share of overall household wealth in Ireland, below the European average, despite relatively high saving rates.
- Investment funds owned by Irish households are mainly "containers" for listed shares and debt securities, indirectly increasing households' exposure to these instruments.
- Compared to direct holdings, listed shares and debt securities indirectly owned through investment funds are less concentrated in Ireland and more concentrated on US issuers.

2.12 Research on frauds and scams

On 28 April 2026, the Central Bank [published](#) a [research paper](#) entitled "*Caught in the net: Patterns and Predictors of Fraud Incidence in Ireland*". The findings were based on a nationally representative survey of almost 3,000 adults, providing one of the most comprehensive pictures to date of fraud incidence and its impact on Irish consumers.

The research findings revealed that more than one in three Irish adults (35%) have experienced fraud or scams, while 38% of fraud victims never reported their experience to their financial service provider or any authority. While most victims lost relatively modest amounts, with 39% losing less than €249, the research identified investment fraud as a particular concern. Despite it impacting 7% of respondents, investment fraud victims typically lose more substantial amounts.

Deputy Governor Kincaid commented that "*financial frauds and scams continue to be a key area of concern for the Central Bank, as it is for regulators and law enforcement agencies all over the world.*"

The Central Bank notes work underway with financial service providers to improve customer service for fraud cases, ensuring that where people do report fraud their financial service provider can support them.

2.13 Thematic review findings on depositaries' risk assessment of FMCs

On 11 May 2026, the Central Bank published the findings from its [thematic review](#) on depositaries' obligations to undertake a fund risk assessment at appointment and on an ongoing basis.

The review assessed how depositaries apply the relevant UCITS (Commission Delegated Regulation 2016/438/EU, Article 3(1)) and AIFMD (Commission Delegated Regulation (EU) No 231/2013, Article 92(1)) requirements at onboarding and on an ongoing basis when assessing the risks associated with the nature, scale and complexity of a fund's investment objective and strategy, and the organisation of the FMC, in order to devise oversight procedures which are appropriate to the fund and the assets in which it invests.

The thematic review focused on three key areas, namely client acceptance and onboarding; due diligence processes; and depositary independence / conflicts of interest management. The thematic review identified that some deficiencies exist in the controls established by depositaries to effectively undertake risk assessments and to effectively identify conflicts of interest that may exist. Taking this

into account, Appendix 1 of the thematic review sets out some general good practices observed during the thematic review to assist depositaries to develop consistent practices across the sector.

Depositaries should consider the good practices set out in the letter in the context of their entity and identify any potential enhancements to improve their ability to manage risks. The findings are required to be brought to the attention of the board / management body of each depositary.

2.14 Central Bank approach to supervision (*This is a further update to section 2.2 of the quarterly report covering the first quarter of 2025*)

On 26 May 2026, the Central Bank published an updated version of its supervisory [Our Approach to Supervision](#), which details the principles of the Central Bank's risk-based approach to supervision of the financial sector.

The updated document reinforces a continued focus on a risk-based and outcomes focused approach, specifically referencing the role of the board in contributing to good culture and distinguishing between sectoral supervision and "*close and continuous supervision*" (the latter applying to a number of individual firms within specific sectors). The Central Bank also outlines that it "*does not operate a no-failures regime, rather it works to ensure that firms effectively identify and manage risks and mitigate the impacts on consumers, investors and the wider economy should risks crystallise*".

2.15 Financial Stability Review 1/2026

On 27 May 2026, the Central Bank published its first [Financial Stability Review](#) of 2026. The Central Bank's [press release](#) entitled "*Global risks to Irish financial system have intensified*" was published alongside the Governor's [opening remarks](#), highlighting that since the last such review, risks facing the domestic financial system from the global environment have intensified.

The Central Bank's main risk messages explicitly flag vulnerabilities in US private credit markets, with a focus on exposures to AI, sectors at risk of AI disruption and growing cyber risks. It notes a further escalation in the middle east conflict, or a prolonged supply-chain disruption, could trigger multiple pre-existing vulnerabilities across the financial system, for example high AI valuations combined with debt-driven investments, exposures to the growing private credit market, and continuing liquidity mismatch and high leverage levels among certain global non-bank financial intermediaries ("**NBFIs**").

NBFI vulnerabilities

Concerns remain around continuing evidence of liquidity mismatch and leverage in private credit funds. Valuation and underwriting concerns contributed to a spike in redemptions in some US private credit funds. Investors are focusing on exposures to companies facing risks of disruption from AI, notably in software and services. The vulnerabilities have been evident in the underperformance of publicly listed companies with strong links to private capital.

Ireland's private credit fund sector was valued at €70 billion in 2024, of which €1 billion is issued to Irish borrowers. Ireland's private credit fund sector is characterised by closed-ended entities or structures with limited withdrawal opportunities for investors, mitigating some of the liquidity mismatch concerns seen in equivalent US funds. Direct private credit exposures across Irish-domiciled investment funds appear limited relative to portfolios net asset value.

At a global level, regulators are increasing scrutiny of interlinkages between private credit markets and banks, insurers, and other funds. The relative opacity of private credit markets is identified as a source of vulnerability in and of itself. Standard regulatory reporting by firms does not clearly segregate loans or investments connected to private credit, and the absence of a universally accepted definition of private credit exposures complicates cross-sector comparisons and potentially could significantly change the quantification of exposures. The Financial Stability Board ("**FSB**") defines private credit as lending by non-bank entities to middle-market companies through bilateral or privately negotiated structured finance arrangements, distinct from broadly syndicated loans, CLOs, and asset-backed finance which are often associated with the private credit ecosystem.

AI sector concentration and equity fund exposures

Within the financial sector, Irish-resident investment funds—and in particular equity funds—are the largest holders of technology sector shares. Irish resident funds holdings of listed shares have more than doubled in the past five years, with an increasing share accounted for by the 'Magnificent 7' large technology companies and other US equities. Investment funds have become increasingly concentrated in a select number of AI-related firms, driven primarily by equity funds which are largely unleveraged and have little liquidity mismatch. Since the end of 2019, about two thirds of the increase in tech sector equities held by Irish funds can be attributed to gains in valuation, with only a third explained by a steady flow of net purchases. AI capital expenditure is also increasingly debt-funded, making it more vulnerable to rising interest rates and negative earnings surprises and increasing the financial stability risks.

AI financing circularity: The review notes the increasing use of debt and circular deals to fund large AI investment plans (where AI infrastructure suppliers invest in AI application developers) creates compounding vulnerabilities, as in the event of an AI shock these firms face both reduced product demand and poor performance of their investments. Combined with high market concentration and debt-funded investments, this substantially increases the risk of a reappraisal of pricing in either AI-related investment or in private credit markets should AI investments underperform.

Holdings of investment fund shares create an indirect link between households and equity markets - the exposure in Ireland is small at 2% of total household financial assets, though this varies by income.

Overall, the Central Bank highlights a continued focus on operational resilience, prudent lending standards and maintaining buffers of loss-absorbing capital and liquidity as important foundations to limit the amplification of external shocks through the financial system.

2.16 Thematic assessment of the compliance function in the MiFID sector

On 14 May 2026, the Central Bank published its report on the thematic assessment of the [compliance function](#) in the MiFID investment firm sector (the "**Report**"). The objective of the assessment was to assess firms' adherence to the compliance function requirements set out in Article 22 of the MiFID II Delegated Regulation and the related ESMA guidelines. The review focused on whether firms had adequate compliance frameworks, effective planning, monitoring and testing processes, and high-quality compliance reporting to boards and sub-committees.

Overall, firms were found to have a good understanding of their obligations in relation to the establishment of an effective compliance function with appropriate levels of resources for the nature and scale of their business. The Central Bank was particularly pleased to see the active involvement of the compliance function in strategic decision-making regarding new products and business lines. Areas identified for improvement include succession planning and absences of compliance-led training, effective risk-based monitoring, horizon scanning and board challenge.

The Report aims to outline the key findings from the assessment, remind firms of their regulatory obligations, and highlight the Central Bank's expectations for all MiFID investment firms and boards in respect of their compliance functions. The Central Bank expects all MiFID investment firms to consider the contents of the report and conduct a comprehensive self-assessment of their compliance function against the findings outlined above and the relevant regulatory requirements.

2.17 Fund revocation submissions updates

On 28 May 2026, the Central Bank published its new combined [Revocation of Umbrella / Standalone / Sub-fund form](#) covering all revocations across UCITS and AIF umbrellas/standalones/sub-funds which will be accessible for submission via the Central Bank's [Portal](#) commencing from 1 June 2026. This new form and its required documentation can be submitted through the appropriate Request Change types: "Revocation of Umbrella/Standalone" or "Revocation of Sub-Fund."

Funds should have their Portal Administrator add these two Request Changes to their relevant users' and Delegate users' permissions lists. Funds should ensure that the correct users have access in order to submit these Request Changes.

2.18 Investment funds statistics Q1 2026

On 29 May 2026, the Central Bank published its Investment Fund [Statistics](#) for Q1 2026, which show the net asset value ("**NAV**") of Irish resident investment funds increased by €102bn in Q1 2026 to reach €4,718 billion. This increase was largely driven by transaction inflows. Total assets under management in Irish resident investment funds reached €5,595 billion at the end of Q1 2026, up €250 billion from Q4 2025 reflecting strong performance across all asset classes.

3. OTHER LEGAL AND REGULATORY DEVELOPMENTS

3.1 European Commission (the "Commission")

- (a) *Commission adopts delegated regulation setting out regulatory technical standards ("**RTS**") on investment firms' order execution policies (This is a further update to section 3.4(m) of the quarterly report covering the second quarter of 2025)*

On 14 April 2026, the Commission adopted a [Delegated Regulation](#) setting out MiFID RTS specifying the criteria to be taken into account by investment firms when establishing and assessing the effectiveness of their order execution policies.

The RTS sets out rules on:

- Selecting execution venues to enable investment firms to consistently achieve the best results when executing client orders.
- Monitoring investment firms' execution policies.
- Periodically assessing the effectiveness of investment firms' order execution policies.

The Council of the EU ("**Council**") and the European Parliament will now scrutinise the Delegated Regulation. If neither object, it will enter into force 20 days after being published in the official journal of the European Union ("**OJ**") and will apply 18 months after its entry into force to give investment firms time to adjust their order execution policies and related procedures and IT infrastructure.

- (b) *Delegated Directive on MiFID II research provisions amendments published in OJ (This is a further update to section 3.1(c) of the quarterly report covering the fourth quarter of 2025)*

On 2 June 2026, [Commission Delegated Directive \(EU\) 2026/374](#) amending the MiFID II Delegated Directive ((EU) 2017/593) in relation to the conditions for the provision of third-party execution services and research to investment firms that provide portfolio management or other investment or ancillary services was published in the OJ.

The amendments to the MiFID II Delegated Directive reflect the introduction of increased flexibility for investment firms in the way they choose to pay for third party execution services and research either separately or jointly.

The Delegated Directive makes amendments to Article 13 of the MiFID II Delegated Directive, including introducing new rules that:

- Specify conditions that firms operating a separate research payment account must meet in relation to the operation of that account.
- Require firms to inform their clients about the way they pay for research and execution services
- Set out the transparency requirements firms must follow if they choose to pay separately for execution services and research

The Delegated Directive entered into force on 21 June 2026, and member states are required to implement the provisions from 6 June 2026.

- (c) *Council adoption of EU anti-corruption directive*

On 21 April 2026, the Council formally [adopted](#) a Directive on combating corruption, replacing Council Framework Decision 2003/568/JHA on corruption in the private sector and the Convention on the fight against corruption involving officials of the European Communities or officials of member states of the European Union and amending Directive (EU) 2017/1371.

The new Directive incorporates international standards to set out harmonised legal definitions of corruption offences, including bribery, misappropriation, obstruction of justice, trading in influence, unlawful exercise of functions, illicit enrichment linked to corruption, concealment and private-sector corruption.

Co-operation between national authorities and EU bodies is reinforced, alongside improved information exchange and co-ordination. To strengthen prevention and governance, member states will be required to adopt and regularly update national anti-corruption strategies, involving civil society in the process. Member states will also have to conduct risk assessments, establish bodies to prevent corruption and to raise public awareness regarding corruption and ensure robust systems on conflicts of interest, political financing transparency, and integrity standards.

It also harmonises rules on sanctions to address enforcement gaps, particularly in cross-border cases. Member states must provide for common minimum levels of penalties for corruption offences. Offenders may face prison sentences ranging from three to five years, depending on the offence. Companies will also face penalties, with fines ranging from 3% to 5% of their total worldwide turnover or up to €40 million, depending on the offence.

The Directive will enter into force 20 days following that of its publication in the OJ. Member states will have 24 months to transpose the directive into national law. An exception applies to provisions on risk assessments and national strategies, for which the deadline is 36 months.

(d) *Commission Implementing Regulation on FX benchmarks exempt under Benchmarks Regulation ((EU) 2016/1011) as amended ("Amended BMR") published in the OJ (This is a further update to section 3.1(b) of the quarterly report covering the first quarter of 2026)*

On 27 April 2026, [Commission Implementing Regulation \(EU\) 2026/905](#), which supplements the Amended BMR by establishing a list of spot foreign exchange ("FX") benchmarks exempt from its application, was published in the OJ.

Spot FX benchmarks that fulfil specific criteria and have been designated by the Commission are exempt from the scope of the Amended BMR. In the Implementing Regulation, the Commission designates the following spot FX benchmarks that fulfil the conditions of Article 18a(1) and would thereby be excluded from the Amended BMR:

- the US dollar-Indian rupee benchmark (USDINR),
- the US dollar-Korean won benchmark (USDKRW),
- the US dollar-Taiwan dollar benchmark (USDTWD) and
- the US dollar-Philippine peso benchmark (USDPHP).

The Implementing Regulation applies from 17 May 2026.

(e) *Better regulation communication*

On 28 April 2026, the Commission adopted a [communication](#) entitled "Better Regulation: A simpler, clearer and better enforced EU rulebook".

The new communication aims to modernise how EU laws are designed, implemented and enforced and supplements the Commission's Better Regulation framework, which aims to improve the quality and transparency of EU laws by using tools such as impact assessments and public consultations, at predictable stages in an EU law's lifecycle.

The new communication identifies five action areas:

- Simplicity by design. The Commission aims to embed "simplicity by design" into every proposal to ensure that EU laws are easy to understand, apply and enforce
- targeted amendments to the Commission's Better Regulation system to enhance transparency, stakeholder engagement and efficiency. The new approach will be effective immediately but implemented gradually pending revision of the Better Regulation guidelines and toolbox.
- Regulatory deep cleaning to tackle inconsistencies, overlapping and overly complex provisions in existing legislation in 12 priority areas.
- Tackling regulatory gold-plating. The Commission will help member states identify and tackle unnecessary complexity and barriers to the single market where they apply stricter or more extensive requirements than those set out in EU law.
- Faster, robust enforcement. The Commission will strengthen enforcement of the single market rulebook in selected policy areas (set out in Annex II). The Commission will also focus on reducing the number of long-standing infringement cases.

(f) EDPB opens public consultation on Data Protection Impact Assessment ("DPIAs") template

On 15 April 2026, the EDPB adopted a [template](#) for DPIAs aiming to simplify GDPR compliance and strengthen consistency across the EU.

A DPIA is a formal process that a controller must carry out where its processing of personal data is likely to result in a high risk to data subjects' rights and freedoms. The controller must consider the impact of its processing on the protection of personal data, identify and assess risks, and document mitigating measures.

The EDPB has developed the template to help controllers structure and harmonise their DPIA reporting processes. Although controllers are not required to use the template, it contains predefined fields designed to ensure that all the necessary information for a DPIA is accurately recorded in a structured manner.

The EDPB has also produced an [explainer](#) to support controllers in completing the template effectively. The template is subject to a public consultation until 9 June 2026. Following the consultation, the template will be finalised, and all data protection authorities across the member states will begin the necessary steps to either adopt it or ensure national-specific templates align with it. The consultation closes on.

(g) Commission adopts Tax Simplification package

On 24 June 2026, the Commission adopted a new [tax simplification package](#) to streamline EU tax rules, reduce compliance burdens, and strengthen Single Market competitiveness. The package includes proposals for a [Direct Taxation "Omnibus"](#) and a [recast of administrative cooperation rules](#), aiming to simplify the EU's tax rules and reduce compliance burdens for companies, simplify cross-border taxation, ease reporting requirements, and support investment; with estimated savings for businesses of around €8 billion annually.

Both proposals will now proceed to the EU consultation procedure, whereby the European Parliament is asked for its opinion on the proposed legislative act before adoption by the Council.

(h) Report on MMFR and frequently asked questions ("FAQ") guidance

On 11 May 2026, the Commission published a [report](#) on the adequacy of the MMFR from a prudential and economic perspective, as well as a [notice](#) containing FAQs that provide additional guidance on the interpretation of the following aspects of the MMFR:

- The main requirements on portfolio composition.
- How to comply with the rules relating to minimum percentages of portfolio composition under the MMFR.
- Use of liquidity management tools under the MMFR by managers of certain types of MMF.

In particular, the FAQ provides that risk management teams of MMFs and their managers should intensify their scrutiny if weekly liquid assets ("**WLA**") retained by Constant NAV MMFs and Low Volatility NAV MMFs fall below a 40% resilience level. National competent authorities ("**NCA**s") should also increase their level of supervisory scrutiny and engagement where the WLA falls below this level. In the case of Variable NAV MMFs, the Commission recommends that such additional scrutiny should be applied by the MMF, its manager and the relevant NCA where the MMF's WLA falls below 20% of total assets.

The report notes that the MMF sector as a whole has managed liquidity risks responsibly, both on an ongoing basis and in times of stressed market conditions. The Commission has not proposed any legislative changes to adjust regulatory limits in the MMFR following its review.

On 5 May 2026, ESMA published a [consultation paper](#) on a proposal to replace the annual update of the parameters included in the guidelines on stress test scenarios under the MMFR with an annual update of the calibration parameters published on a dedicated page on the ESMA website. The change is intended to reduce burden and simplify the process. Annex IV to the consultation paper contains a draft version of the proposed guidelines, with red indicating the additional text ESMA will add.

The consultation closes on 6 August 2026 and ESMA expects to publish its final report in the second half of 2026. The new procedure for the update of the parameters will apply with the next update, which is expected at the end of 2026.

(i) Council adopts Digital Omnibus on AI

On 29 June 2026, the Council published a [press release](#) confirming its formal adoption of a [Regulation](#) amending Regulations (EU) 2024/1689 and (EU) 2018/1139 as regards the streamlining and simplification of the implementation of harmonised rules on artificial intelligence (Digital Omnibus on AI as part of its Omnibus VII package, simplifying digital and AI regulation).

While the AI Act ((EU) 2024/1689) provisions on high-risk AI systems were due to enter into force on 2 August 2026, the Regulation agreed on a fixed timeline for the delayed application of high-risk rules: the new application dates would be **2 December 2027** for stand-alone high-risk AI systems and **2 August 2028** for high-risk AI systems embedded in products. The Regulation also provides a three-month grace period until **2 December 2026** to comply with the transparency obligations in relation to watermarking AI-generated content.

The Regulation will now be published in the OJ and will enter into force three days later.

3.2 EU Authority for Anti-Money Laundering and Countering the Financing of Terrorism ("**AMLA**")

(a) Consultations on draft guidelines and RTS on group-wide requirements and business-wide risk assessments

On 17 April 2026, AMLA published two consultation papers under the Regulation (EU) 2024/1624 ("**AML Regulation**"):

- on [draft guidelines](#) on the business-wide risk assessment ("**BWRA**").

The draft guidelines are issued in accordance with Article 10(4) of the AML Regulation, under which obliged entities must take appropriate measures that are proportionate to the nature of their business, including its risks and complexity, and their size, to identify and assess their exposure to risks of money

laundrying and terrorist financing. The guidelines set out the minimum requirements for the content of the BWRA and the additional sources of information to consider when carrying out the BWRA.

AMLA will hold a public hearing on the draft guidelines on 28 May 2026 and intends to issue the final guidelines in Q4 2026.

- on [draft RTS](#) on group-wide requirements and additional measures on branches and subsidiaries in third countries under Articles 16(4) and 17(3) of the AML Regulation respectively.

Articles 16 and 17 of the AML Regulation contain the minimum standards for group-wide anti-money laundrying and counter-terrorist financing frameworks, including in cross-border situations and when obliged entities operate in third countries. The aim of the RTS is to provide clarity on the provisions and ensure that groups obtain a consolidated view of money laundrying and terrorist financing risks across their entire organisations and adapt their policies, procedures and control functions accordingly.

AMLA is holding a public hearing on the draft RTS on 20 May 2026 and will submit the final draft RTS to the Commission by 30 September 2026.

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

- (a) *ESMA report on common supervisory action ("CSA") on compliance and internal audit functions of fund managers (This is a further update to section 1.1 of the quarterly report covering the first quarter of 2025)*

On 11 May 2026, ESMA published its [final report](#) with findings from its 2025 CSA on the compliance and internal audit functions of FMCs. The review was conducted by NCAs throughout 2025, using desk-based reviews and, where appropriate, on-site inspections, and found that most FMCs comply with key requirements under the AIFMD and UCITS framework.

The CSA identified governance weaknesses, particularly in the independence of control functions, the quality and implementation of internal policies, and the way senior management and boards exercise oversight. While most entities had relevant policies and procedures in place, NCAs observed significant differences in their quality and practical implementation, notably depending on the size, nature and complexity of market participants concerned.

The report also sets out an annex with examples of good and poor practices identified across the compliance and internal audit functions, highlighting where controls were effective and where further strengthening is needed.

Compliance Function
<p>Good Practices</p> <ul style="list-style-type: none"> • Compliance consultation • Controls Committee • Dedicated IT tools • Internal reporting • Ad-hoc compliance reporting.
<p>Poor Practices</p> <ul style="list-style-type: none"> • Insufficient follow-up monitoring and progress updates • Lack of documentation and undocumented and inconsistent risk assessment methodology • Insufficient focus of the group's compliance function on entity-specific risks • Inadequate safeguard arrangements for electronic data processing • Restricted access to relevant information • Misallocation of compliance resources • Lack of clear recommendations/deadlines and not tracking non-compliance • Insufficient controls with relevance to investment limits • Lack of coordination between second and third lines of defence.

Internal Audit Function
Good Practice
<ul style="list-style-type: none"> Internal audit as a standing agenda item on the board agenda.
Poor Practices
<ul style="list-style-type: none"> Lack of quality and clarity of internal audit reports Insufficient internal audit details, missed deficiencies and weak follow-up Group internal audit policy not applied locally No internal audit coverage of compliance.

While acknowledging the overall positive outcome of the CSA, ESMA encourages NCAs to follow up on the breaches and vulnerabilities identified, to better understand their root causes and to ensure that effective remedial actions are implemented in a timely manner. ESMA has reiterated that FMCs always remain responsible for ensuring that the compliance and internal audit functions operate in accordance with the applicable rules. NCAs have indicated that they intend to follow up on the key findings through bilateral communications, requests for remediation or additional information, or meetings with FMCs where gaps were identified and broader engagement with industry. It is expected that the Central Bank will consider similar steps and we will monitor for its communication to industry.

Walkers Asset Management and Investment Funds group have produced an [advisory](#) with a detailed examination of ESMA's key findings for FMCs.

(b) *ESMA reports on EU reporting frameworks (This is a further update to section 3.3(f) of the quarterly report covering the first quarter of 2025)*

On 4 May 2026, ESMA [published](#) two reports on the simplification of EU reporting frameworks under its simplification and burden reduction ("**SBR**") initiative:

- [Final report on the integrated collection of funds' data](#)

The report pursuant to Article 69a(2) of AIFMD and Article 20b of the UCITS Directive focuses primarily on supervisory reporting under the AIFMD II, whilst also addressing the MMFR, the Statistics Regulation and their interaction with EMIR, Regulation ((EU) 2015/2365) (**SFTR**), MiFID/MiFIR, and DORA. The report is submitted under Article 69a(2) of AIFMD and Article 20b of the UCITS Directive.

ESMA sets out a strategic move away from fragmented national reporting systems towards a common EU reporting framework, centred on a common and single reporting template designed to remain proportionate for different fund sizes and investment strategies, while meeting supervisory needs. The aim is to reduce duplication, improve data consistency and enhance the usability of data for authorities, noting that requirements have developed incrementally across different policy frameworks and national level initiatives have led to the operation of highly fragmented, but duplicative rules

Key elements for the development of an integrated reporting system recommended by ESMA include single, integrated and dynamic reporting templates that meets to needs of EU and national level authorities. The modular and layered horizontal reporting structure for the integrated template would see core modules applying to all UCITS and AIFs, with additional modules to reflect individual fund attributes and specific supervisory reporting requirements. The reporting framework should be proportionate in relation to content, structure, frequency and granularity with a regulatory data dictionary to avoid inconsistencies in definitions and validation rules. Data validation, storage and analytics would be organised at EU level, while data collection would remain at national level. By facilitating data sharing across authorities, the centralised hub will offer efficiency gains not only for authorities while also contributing further to burden reduction by limiting duplicative data requests.

ESMA will take this forward later in 2026 in the context of its consultation paper on proposed regulatory and implementing technical standards under AIFMD II. Section 5 of the report contains a roadmap for implementation, which involves two main phases, with the first phase focusing on the integration of reporting under AIFMD and UCITS, and the second phase that would expand the integrated framework

to other reporting obligations. The report notes "go-live" of reporting is not expected until the first half of 2029 at the earliest.

- [Interim report](#) on a comprehensive approach for the simplification of financial transaction reporting

The interim report follows the previous ESMA [call for evidence on transaction reporting simplification](#) under MiFIR, EMIR, SFTR and sectoral regulation. The majority of respondents stated that overlapping and inconsistent reporting requirements, frequent and unsynchronised regulatory changes, fragmented reporting channels and dual reporting are drivers of cost and complexity.

The interim report does not contain policy recommendations yet, while acknowledging the most promising approach would involve simplifications and the implementation of a "report once" framework across EMIR, MiFIR and SFTR in the long term.

ESMA intends to publish its final report, which will contain recommendations and a cost-benefit analysis, by July 2026.

(c) *Annual risk assessment of leveraged AIFs*

On 6 May 2026, ESMA published its TRV [risk assessment of leveraged AIFs](#) performed by ESMA and NCAs in 2025, based on the end of 2024 AIFMD data.

ESMA's assessment shows that most AIFs do not employ substantial leverage, although a small number remain highly leveraged. Among substantially leveraged funds, the median leverage ratio stands at 446%, with around 70 funds reporting ratios above 1,787%. Leverage reported by funds declined on average across fund categories. 68% of open-ended AIFs offer weekly redemptions and liquidity mismatches differ significantly across fund types. The assessment covered 4,445 leveraged AIFs with EUR 3.8 trillion in assets.

(d) *Liability driven investment ("LDI") funds risk analysis*

On 23 June 2026, ESMA published its latest [TRV Risk Analysis](#) of financial stability risks entitled "LDI funds - recent developments and methods for liquidity stress testing".

ESMA find that the ability of EU-domiciled GBP LDI funds to meet liquidity demands has improved compared to September 2022 after leverage-related measures under Article 25 of AIFMD were implemented. However, results for end-2024 show that 31 LDI funds would still face a liquidity shortfall in the event of a 300 basis point interest rate shock. LDI funds were also affected by "counterparty concentration" with a handful of the largest AIFMs overseeing 77 % of industry assets, increasing financial stability risks further.

ESMA and NCAs will continue to actively monitor GBP LDI funds as a potential high-risk area within the AIF universe.

(e) *ESMA letter on prioritisation of deliverables*

On 2 June 2026, ESMA has published the attached [prioritisation letter](#) to the Commission following (i) its annual assessment of the tasks and commitments, (ii) the publication of the Market integration and supervision package ("**MISP**") proposal, and (iii) the political priority towards simplification and burden reduction.

Notably, Annex I of the letter identifies a number of planned policy deliverables that are deprioritised or postponed depending on the final outcome of the legislative negotiations of the MISP package. These include the following deliverables under AIFMD II:

- **Guidelines on suspensions and other NCA powers (currently due April 2026) [UCITSD Art. 84(3f), AIFMD Art. 50(5)(7)]**

Delayed until after adoption of MISP package: The added value of these deliverables is very limited. Each item could be impacted by the (MISP) proposal. ESMA invites the Commission to repeal or alternatively clarify these mandates as part of the ongoing review(s) of Level 1.

- **One-off report analysing market practices regarding delegation and compliance with certain AIFMD/UCITSD provisions (currently due April 2029) [UCITSD Art. 13(6), AIFMD Art. 7(8)]**

Cancel or adapt deadline in light of MISP package negotiations and timing of next review. This report is foreseen for 2029 to inform the next review of the AIFMD and UCITSD. To the extent the proposals in the MISP package foresee various amendments to the UCITSD/AIFMD, it may be worth considering its continued relevance and timing.

Annex II also identifies mandates for recurrent reports across several frameworks which ESMA proposes the Commission consider for repeal in the context of MISP negotiations.

(f) ESMA annual report

On 16 June, ESMA published its [Annual Report for 2025](#) highlighting key developments during the year as well as its achievements and delivery on ESMA's priorities set out in its 5-year strategy.

A central focus of ESMA's work in 2025 was simplifying the rulebook and reducing unnecessary burden for market participants. In this regard the report highlights flagship simplification initiatives launched throughout 2025 to streamline transaction reporting and fund reporting under AIFMD and UCITS.

(g) ESA Joint Committee annual report (This is a further update to section 3.4(k) of the quarterly report covering the first quarter of 2026)

On 24 April 2026, the Joint Committee of the ESAs published its [Annual Report for 2025](#), setting out the main priorities and achievements of its cross-sectoral work, highlighting digitalisation, cyber resilience and sustainable finance as key priorities of 2025. In 2025, the Joint Committee focused on protecting consumers in increasingly digital financial markets, strengthening operational and cyber resilience through the implementation of the Digital Operational Resilience Act (DORA), improving the effectiveness of sustainable finance disclosures, and enhancing cross-sectoral risk monitoring.

The Joint Committee also advanced a range of other cross-sectoral initiatives, including work to enhance the EU securitisation framework and progress on the European Single Access Point ("ESAP").

In line with the Commission's priorities, the Joint Committee further contributed to efforts to simplify the EU financial regulatory framework and reduce unnecessary complexity, notably in the areas of sustainable finance and packaged retail and insurance-based investment products ("PRIIPs").

(h) Amended BMR updates (This is a further update to section 3.4(f) of the quarterly report covering the first quarter of 2026)

On 22 May 2026, ESMA released an updated [public statement](#) on the transitional provisions that apply under Amended BMR, detailing the following:

- *List of pending applications for recognition or endorsement by ESMA made by third-country administrators (Article 51(5) of Amended BMR)*
- *ESMA register changes under the BMR review (Article 51(4c) of Amended BMR)*

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.

On 19 June 2026, ESMA published a [public statement](#) on significant benchmarks notified by MSCI Limited as having reached the threshold of EUR 50 billion under Article 24(2) of the Amended BMR. ESMA will update the register to include the different relevant characteristics of these benchmarks as significant pursuant to Article 24(2) of the Amended BMR.

(i) Call for evidence on restricted subscription and private credit ratings

On 16 April 2026, ESMA launched a [call for evidence](#) on the purposes, market practices, needs and risks associated with restricted subscription credit ratings and private credit ratings in the context of the regulatory framework under in the Credit Rating Agencies ("**CRAs**") Regulation ((EU)1060/2009).

Restricted subscription credit ratings are ratings issued by registered CRAs that are shared only with a limited group of subscribers with an economic interest in the rated entity, instrument, or exposure, rather than being made public. Private credit ratings (which fall outside the scope of the CRA Regulation) are ratings prepared for a specific client on request and provided only to that client.

ESMA has found that these types of ratings are increasingly being used alongside publicly available ratings or instead of them. It is concerned about the potential risks of selective access to rating information, including the risks of information asymmetry and inconsistent safeguards.

The call for evidence considers issues including:

- The characteristics and use cases of restricted subscription and private credit ratings, including their benefits compared with publicly disclosed ratings.
- The parties that obtain restricted subscription and private credit ratings, and the parties to which those ratings are disclosed or distributed.
- Evidence on whether, and to what extent, the analytical processes, governance arrangements, and internal controls applied to restricted subscription and private credit ratings are comparable to those applied to public credit ratings.
- How the more limited transparency and distribution of restricted subscription and private credit ratings may affect due diligence and market discipline.

The deadline for responses is 31 May 2026. ESMA will then assess whether regulatory adjustments or clarifications on the application of the CRA Regulation to these types of ratings are necessary.

(j) Newsletter February and March 2026

On 10 April 2026, ESMA published its latest February and March 2026 [edition](#) of the Spotlight on Markets Newsletter.

*(k) European Central Bank ("**ECB**") report on macro-prudential policies for NBFIs*

On 5 May 2026, the ECB published a Eurosystem [report](#) setting out targeted macro-prudential policy proposals for NBFIs. Those policy proposals (summarised in section 2 of the report) include:

- Implementing internationally agreed reforms to the NBFi regulatory framework. Key priorities include completing the implementation of the FSB's proposed reforms relating to MMFs, OEF resilience, liquidity preparedness of non-bank market participants, and non-bank leverage.
- Enhancing the NBFi macroprudential toolkit by introducing an explicit macro-prudential tool as a precautionary measure to mitigate OEFs' exposure to liquidity risk.
- Introducing system-wide stress testing in the EU, focused on short-term market and liquidity risks, and their interplay with solvency risks.

- Improving NBFIs data and access to data by different authorities, including through targeted changes to data access and sharing provisions in relevant EU legislation and measures to strengthen existing reporting.
- Strengthening macro-prudential governance arrangements and giving EU-level "top-up" powers to ESMA, in collaboration with the European Systemic Risk Board to implement appropriate macro-prudential powers.

(l) ECB financial stability review

On 27 May 2026, ECB published its biannual [Financial Stability Review](#). The ECB warnings on risks in the European financial system highlights three closely intertwined risks amidst the current highly uncertain geoeconomic environment:

- Further escalation in and/or more prolonged geopolitical tensions, along with growing concerns about the sustainability of public finances.
- Persistent liquidity and leverage vulnerabilities in the NBFIs sector, including opaque and interconnected private markets, could amplify any market stress through fire sales, increasing the risk of spillovers to other financial and economic sectors. The review flagged the growing use of leverage by hedge funds in sovereign bond basis trades with some having leverage ratios of around 25.
- Credit, liquidity and funding vulnerabilities in euro area banks exposed to the NBFIs sector, together with the effects of geopolitical tensions on the debt servicing capacity of borrowers.

(m) Consultation on amending Central Securities Depositories Regulation ("CSDR") guidelines to support transition to T+1 settlement (This is a further update to section 3.2(j) of the quarterly report covering the fourth quarter of 2025)

On 26 May 2026, ESMA published a [consultation paper](#) on updated guidelines on standardised procedures and messaging protocols used between investment firms and their professional clients, produced under Article 6(2) of CSDR.

The proposed amendments are designed to enhance settlement efficiency and support a smooth transition to a T+1 settlement cycle, reflecting the mandatory use of electronic, standardised communication channels and international messaging standards. ESMA also proposes clarifying the discretion available to investment firms and professional clients when documenting their contractual arrangements. It is interested in stakeholder views by 7 July 2026 on potential amendments that support its objectives of simplifying the framework and reducing regulatory burdens.

The revised guidelines would apply from 7 December 2026. ESMA reminds market participants that they should continue to prepare for the T+1 transition, which will take effect on 11 October 2027.

(n) Report on quality and use of regulatory data

On 29 May 2026, ESMA published its annual [Report on the Quality and Use of Data](#) which shows measurable improvements in data quality across major regulatory datasets, including EMIR, SFTR, MiFIR, AIFMD and MMFR supporting more effective supervision and market monitoring across the EU.

The publication also underlines how ESMA is increasing automation and use of advanced analytical tools, as well as strengthening cooperation with NCAs through common tools, shared dashboards and coordinated data quality engagement.

(o) ESMA speech

On 28 May 2026, ESMA Chair Verena Ross delivered a [keynote speech](#) at the ICMA AGM conference. Ms Ross' remarks outlined ESMA's strong support for the Commission's Savings and Investment Union & Market Integration and Supervision Package and outlined how ESMA is actively pursuing regulatory

simplification across three dimensions - policy framework, supervision and data and reporting. The speech also urged firms to be actively preparing operational readiness for migration to T+1 settlement.

3.4 Government of Ireland

On 10 June 2026, the Government [published](#) its 'Policy Programme for the Irish Presidency of the Council 2026' ahead of its 6-month Presidency of the EU Council. The Irish Presidency is tasked with finalising reform of key areas of EU financial services legislation

The policy programme highlights the competitiveness agenda and the EU Savings and Investments Union as key priorities, identifying the political reform as key areas where political progress will be sought during the Presidency: Markets Integration and Supervision Package, SFDR 2.0 and reform of the Securitisation Regulation.

3.5 UK Developments

On 14 May 2026, the UK Treasury published a [joint statement](#) with the Financial Conduct Authority ("FCA") on reforms to the regulatory framework for UK MMFs.

The Treasury intends to propose legislation to establish a new regulatory framework for UK MMFs that will replace the UK's MMF Regulation ((EU) 2017/1131). Under the new regime, most requirements for UK MMFs will be set out in FCA rules and guidance. This will include expectations that UK MMFs should hold higher levels of liquidity and a permanent access route for non-UK MMFs through a bespoke Overseas MMF regime modelled on the existing Overseas Fund Regime for UCITS. Subject to Parliamentary approval the new regime will be in place by Q4 2026 and the FCA will publish a statement shortly on its plans for the new framework.

The Treasury also intends to extend the Temporary Marketing Permissions Regime beyond 31 December 2026, if needed, to avoid any cliff-edge risks for MMF products. The statement also notes the importance of engagement with the EU on issues relating to MMFs and welcomes the recent Commission report on the functioning of EU MMFs (outlined at section 3.1(h) of this report).

3.6 Bank of International Settlements ("BIS")

On 28 June 2026, the BIS published its annual economic report [Global economic pressure points call for policy discipline](#). The report calls for policymakers to strengthen financial stability and undertaking reforms to ensure sustainable growth, amid ongoing concerns regarding the sustainability of the AI boom, financial vulnerabilities and strained public finances, along with the return of inflation.

3.7 Financial Stability Board ("FSB")

(a) Letter to G20 on financial stability and priorities

On 13 April 2026, the FSB published its Chair's [letter](#) to G20 Finance Ministers and Central Bank Governors ahead of their meeting on 16 April 2026.

The letter outlines that the conflict in the Middle East has resulted in a substantial shock to the global economy, prompting significant financial market reactions, so far notably in energy prices and government bond yields.

The FSB highlights three key areas that warrant heightened monitoring, namely sovereign bond markets, asset valuations and private credit.

The conflict in the Middle East has made the global financial environment more uncertain and unpredictable and financial markets are experiencing heightened volatility and tightening conditions. When combined with existing vulnerabilities – such as stretched asset valuations, concentrated leverage in the nonbank financial sector, liquidity mismatches, and increasing market complexity – these factors could lead to multiple shocks materialising simultaneously. The impact on financial stability will ultimately depend on the duration, scale and consequences of the conflict.

The FSB will shortly publish a report looking at the vulnerabilities arising from private credit. The FSB is also advancing analytical work on foreign exchange derivatives and other amplification channels to better understand evolving risks.

(b) Report on vulnerabilities in private credit

On 6 May 2026, the FSB published a [report](#) on vulnerabilities in private credit.

The FSB notes that private credit has expanded significantly and that this growth is driven by a number of factors including changes to bank regulation since the financial crisis, borrower demand for tailored financing solutions and fast execution coupled with the ability of private lenders to offer this, attractive yields and the opportunities for lenders to diversify.

The report focuses on potential vulnerabilities arising from the deepening interconnections between asset managers, banks insurers and private equity firms; borrower credit risk and opacity in valuation practices; concentration, leverage and liquidity issues; and data challenges faced by regulators when monitoring exposures.

The FSB encourages regulatory authorities to:

- Address data challenges.
- Deepen their analysis of how private credit interlinks with private equity and insurers and of liquidity mismatches in private credit funds.
- Share supervisory approaches on risk management and governance for banks and non-banks active in private credit, including aggregation of exposures, valuation practices, and the use of private ratings.

3.8 International Monetary Fund ("IMF")

On 29 June 2026, the IMF published its [2026 Article IV Consultation for Ireland](#), highlighting the resilience of the Irish economy while emphasising the need for continued vigilance around financial stability risks. The report recognises the Central Bank's role in advancing the regulation and supervision of non-bank financial institutions and highlights the potential benefits of deeper EU capital markets integration through initiatives such as the Savings and Investments Union.

3.9 IOSCO

(a) Recommendations on Valuing Collective Investment Schemes ("CIS")

On 1 June 2026, IOSCO published its [final report](#), on updated recommendations on valuing CIS. The report contains a final set of recommendations on the valuation of CIS, which update and consolidate **IOSCO's** previous principles on valuation for CIS and for hedge funds.

The consolidated recommendations focus on key areas including:

- Robust governance and oversight arrangements, including under stressed market conditions.
- Managing conflicts of interest.
- Sound and consistently applied valuation methodologies.
- The appropriate use and oversight of third-party valuation service providers.
- Transparency, disclosure to investors and record keeping.

The recommendations are intended to provide a globally relevant framework for securities regulators and fund managers and are intended to be proportionate and adaptable across different fund types and

jurisdictions. The updates to the recommendations aim to reflect recent developments in asset management, such as the increase in CIS holding less liquid and illiquid assets (including private assets), and increased retail investment in CIS. They are also informed by lessons learned from periods of market stress and volatility.

(b) *AI supervisory toolkit (This is a further update to section 3.8(b) of the quarterly report covering the first quarter of 2025)*

On 25 May 2026, IOSCO published its final report on its [AI Supervisory Toolkit](#) in capital markets.

The report is intended to support member authorities and complement national frameworks by providing a supervisory toolkit that supports risk-based, proportionate supervision of firms' AI use in capital markets. The toolkit aims to cover the full lifecycle of an AI system and to apply to all AI system types (from those based on machine learning to those using generative AI and agentic AI).

The toolkit has three complementary layers:

- Areas of supervisory consideration.
- Tools for supervisory oversight of four areas of focus: governance and risk management; third-party and outsourcing risk management; disclosure; and record keeping and reporting. It includes practical examples of questions supervisors may find helpful when planning reviews of firms' AI use.
- Indicators and data sources for monitoring AI adoption and use, alongside a range of engagement methods.

The report contains a "hands-on" resource authorities can refer to when assessing firms' use of AI. Stakeholders are invited to submit views on the toolkit until 26 June 2026. IOSCO will also conduct a review of emerging industry practices on disclosure, record keeping, reporting and governance.

4. SUSTAINABLE FINANCE DEVELOPMENTS

4.1 ESMA Q&As on ESG Ratings Regulation ((EU) 2024/3005) ("**Ratings Regulation**")

On 22 May 2026, ESMA published a number of new Q&As under the Ratings Regulation.

- [ESMA QA 2853](#) on *Defined ranking system*

What practical components should an ESG rating feature to demonstrate the existence of a defined ranking system of rating categories, as required by Article 3 of the Ratings Regulation?

- [ESMA QA 2854](#) on *Transitional provisions ESG rating providers*

In advance of the date of application of the Regulation on 2 July 2026, what are the different registration pathways for ESG rating providers?

The Ratings Regulation provides different routes to registration for ESG rating providers intending to operate in the Union. The answer addresses transitional provisions for both (i) small ESG rating providers within the meaning of Article 5(1) and (ii) all other ESG rating providers operating at the date of entry into force.

- [ESMA QA 2855](#) on *ESG rating providers established after date of entry into force (transitional regime)*

Which ESG rating providers established after the date of entry into force of the Ratings Regulation can benefit from the transitional regime under Article 51?

- [ESMA QA 2856](#) on *Material changes to registration information - ESG rating providers*

What is meant by “any material changes to the circumstances under which the initial authorisation was granted” under Article 6(5) of the ESGR Regulation?

4.2 Delegated regulation on provider authorisation and recognition RTS under Ratings Regulation *(This is a further update to section 4(d) of the quarterly report covering the fourth quarter of 2025)*

On 26 May 2026, the Commission adopted a [Delegated Regulation](#) with RTS supplementing the Ratings Regulation specifying the information to include in an application for authorisation or recognition to operate in the EU as an ESG rating provider. The RTS identify the common information required for applications and what additional information should be provided by non-EU entities in an application for recognition.

The Council and the European Parliament will now scrutinise the Delegated Regulation.

4.3 Commission adopts RTS specifying elements to be disclosed under Ratings Regulation *(This is a further update to section 4(d) of the quarterly report covering the fourth quarter of 2025)*

On 21 April 2026, the Commission adopted a [Delegated Regulation](#) setting out RTS specifying the elements of ESG rating products to be disclosed to the public and to users of ESG ratings, rated items and issuers of rated items under Annex III.1 and Annex III.2 of the Ratings Regulation.

Article 23(4) and Article 24(3) of the Ratings Regulation require ESMA to develop draft RTS specifying details of the elements that ESG rating providers must disclose to the public and to users of ESG ratings, rated items and issuers of rated items. These measures are intended to ensure that ESG rating providers disclose information in a comparable and consistent manner.

The Council and the European Parliament will now scrutinise the Delegated Regulation and will enter into force 20 days after publication in the OJ. The Delegated Regulation will apply from 2 July 2026 to align with the Ratings Regulation application date.

For ESG ratings issuers falling in scope of the Article 2(c) exemption (ESG ratings which are incorporated in a product or service already regulated under EU law (including under the UCITS Directive, and AIFMD), ESMA has been mandated to develop draft RTS to specify the details of the presentation and content of website information required where ESG ratings are disclosed to third parties as part of marketing communications. These RTS would also avoid duplication of information already published in accordance with applicable regulatory requirements. The adoption of the RTS under Article 2(c) and Article 2(3) have been [de-prioritised](#) by the Commission until October 2027. Accordingly, the RTS and Annex provide a useful reference for these entities to the appropriate presentation of the elements to be disclosed on websites pursuant to point 1 of Annex III, as it relates to this same transparency information required from an ESG rating provider.

ESMA has developed a self-assessment tool to assist entities in assessing whether they fall within the scope of the Ratings Regulation. The tool can be accessed via the [Self-Assessment Tool – ESG Rating Regulation \(EU 2024/3005\)](#).

4.4 Commission adopts delegated regulations on fees and penalties under Ratings Regulation

On 24 April 2026, the Commission adopted the following Delegated Regulations supplementing the Ratings Regulation:

- [Delegated Regulation on the rules of procedure on fines and periodic penalty payments imposed on ESG rating providers by ESMA](#). This Delegated Regulation contains provisions on issues including the procedures that ESMA must follow when seeking to impose fines or periodic penalty payments and the limitation periods for imposing and enforcing fines and periodic penalty payments.
- [Delegated Regulation on the fees charged by ESMA to ESG rating providers](#). This Delegated Regulation contains provisions on the fees that ESMA may charge, including annual supervisory fees, authorisation fees, registration fees and recognition fees.

The Delegated Regulations will be subject to the ordinary legislative scrutiny. The Delegated Regulation on fees will enter into force on the day following that of its publication in the OJ and the Delegated Regulation on fines and periodic penalty payments will enter into force on the twentieth day following publication in the OJ.

4.5 ESMA consultation on guidelines on endorsement regime under the Ratings Regulation

On 29 April 2026, ESMA published a [consultation paper](#) on draft guidelines setting out how ESG rating providers established in the EU can endorse ratings from outside the EU under Article 11 of the Ratings Regulation.

From 2 July 2026, entities will have one month to notify ESMA that they intend to apply for authorisation, registration or recognition. Entities that apply for authorisation can also apply to endorse ESG ratings from a legal entity established outside the EU.

The consultation paper sets out ESMA's proposed approach to endorsing non-EU ESG ratings, with guidance on the type of documents and information ESMA expects to be provided as part of an application for authorisation to endorse ESG ratings as well as the processes ESMA expects to be demonstrated after authorisation to endorse has been granted.

The consultation was open for feedback until 29 May 2026. ESMA will consider responses when it finalises the guidelines and will provide information on the consultation outcome and the guidelines' adoption before the end of July 2026. ESMA will provide information on the consultation outcome and the guidelines' adoption before the end of July 2026.

The guidelines will apply three months after the translated versions are published. ESMA will consider the guidelines for supervisory purposes and when reviewing ESG rating providers' applications for authorisation from 2 August 2026.

4.6 Economic and Monetary Affairs Committee ("**ECON**") draft report on SFDR 2.0 (*This is a further update to section 4(b) of the quarterly report covering the fourth quarter of 2025*)

On 4 May 2026, the European Parliament's ECON published a [draft report](#) prepared by Rapporteur Gerben-Jan Gerbrandy on the Commission's legislative proposal on proposed set of amendments to SFDR, the PRIIPs KID Regulation and repealing the SFDR Delegated Regulation ("**SFDR 2.0**"). The report contains a draft legislative resolution, the text of which sets out suggested amendments to the proposed Regulation on SFDR 2.0, notably including:

- All categorised financial products (ESG Basics, Transition, Sustainable) must continue to disclose on a set of mandatory principal adverse impact indicators (plus additional material ones) and disclose on their engagement strategy.
- The threshold for financial products falling within the Transition or Sustainable categories by virtue of their share of Taxonomy-aligned investments is increased to 20% (instead of 15 %).
- Non-categorised financial products must use a disclaimer to clearly distinguish from categorised products.
- The SFDR 2.0 application date should be 24 months from entry into force (not 18 months as suggested by the Commission) - leading to 1 January 2029 as the likely first application date. It also proposes that obligations under SFDR 1.0 removed by SFDR 2.0 should stop applying immediately after the entry into force of Level 1 SFDR 2.0.

The suggested amendments will be progressed as part of current Council negotiations on the proposed regulation.

4.7 ESMA statement on CSA on MiFID II sustainability aspects

On 6 May 2026, ESMA published a [statement](#) presenting the results of the CSA with NCAs on the integration of sustainability in investment firms' suitability assessment and product governance processes and procedures, pursuant to MiFID II delegated acts.

ESMA's main findings include that although firms have continued to make progress in integrating the MiFID II sustainability requirements into their suitability and product governance processes, practices remain uneven across firms and jurisdictions, and further improvements are needed in several areas notably in relation to:

- the collection and treatment of clients' sustainability preferences;
- the categorisation and matching of products to those preferences;
- the application of the portfolio approach; and
- the target market assessment of products.

However, with the aim of promoting simplification and reducing undue burden of firms and clients, ESMA invites NCAs to adopt a proportionate supervisory approach, encouraging dialogue with firms to address issues during this period of transition rather than prioritising enforcement action. ESMA will consider the findings for any future updates of the MiFID II delegated acts on sustainability and the related ESMA guidelines, with the aim to simplify the framework and support more consistent and effective application.

4.8 Platform on Sustainable Finance (the "**Platform**") response to the Commission's consultation on the Taxonomy Delegated Acts (*This is a further update to section 4.5 of the quarterly report covering the first quarter of 2026*)

On 27 May 2026, the Platform, an advisory body to the Commission submitted [280 targeted recommendations](#) on the draft revised Climate and Environmental Delegated Acts under the Taxonomy Regulation.

The Platform has submitted its recommendations to the Commission revisions to the technical screening criteria aimed at improving clarity and usability while safeguarding environmental integrity. The Platform made two broader recommendations aimed at facilitating the practical application of the taxonomy criteria:

- upgrade the [taxonomy compass](#) by linking each criterion to relevant sectoral legislation, and databases, while also incorporating guidance to support implementation of the criteria.
- conduct a comprehensive review of all taxonomy-related FAQs to ensure alignment with the updated Delegated Acts.

The Platform also identified five cross-cutting issues requiring further reflection in the medium term to support effective implementation of the EU Taxonomy, such as the need to differentiate between criteria for financing and operational reporting.

4.9 Commission delegated acts on revised sustainability reporting standards

On 6 May 2026, the Commission [published](#) two draft delegated acts for consultation that relate to standards for sustainability reporting introduced by the Corporate Sustainability Reporting Directive 2022 ((EU) 2022/2464) as amended (**CSRD**), as well as a [Q&A](#) providing additional explanatory information regarding the value chain gap:

- The first [draft delegated Regulation](#) revises and simplifies European sustainability reporting standards (**ESRS**) for entities in scope of the CSRD (**draft ESRS Regulation**), including further simplification of the materiality assessment and additional targeted flexibilities. The draft ESRS Regulation will apply for financial years from 1 January 2027, although entities subject to reporting requirements starting in 2026 may choose to apply it.

- The second [draft delegated Regulation](#) sets out voluntary standards for companies that do not exceed 1,000 employees on average during the financial year (draft Voluntary Standards Regulation), closely following Commission Recommendation 2025/1710. The Voluntary Standards Regulation will apply to CSRD in-scope entities that are undertaking value chain reporting for financial years starting in 2027. For undertakings that wish to report on a voluntary basis, it will apply from the date of entry into force.

The consultations closed on 3 June 2026 and the Commission [adopted](#) the delegated acts on 3 July 2026 and will now be subject to the scrutiny of the Council and Parliament.

4.10 Commission notice published in the OJ

On 30 April 2026, [Commission Notice](#) on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, as amended by the Omnibus Delegated Act, on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets was published in the OJ.

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.