

Asset Management and Investment Funds

Legal and Regulatory Quarterly Report

covering the period
1 July 2025 – 31 September 2025



KEY DATES	
2025	
December 2025	First reporting reference period for the Central Bank's updated resident investment funds return (MMIF) for the collection of data incorporating requirements of ECB Regulation (EU) 2024/1988 on investment fund statistics.
2026 & 2027	
1 January 2026	Regulation amending the Benchmarks Regulation to commence application, including a reduction in the regulatory burden for users of non-significant benchmarks.
24 March 2026	Revised Central Bank Consumer Protection Code (incorporating Business Standards Regulations) will take effect.
16 April 2026	Deadline for the transposition of the majority of AIFMD II provisions into national legislation governing UCITS and AIFMs as regards delegation arrangements, liquidity risk management and loan origination.
6 June 2026	Listings Act Directive amends provisions of MiFID II to remove the market capitalisation threshold for permitted joint payments for trade execution services and research.
30 June 2026	Gender Balance Regulations commence application requiring certain in-scope listed companies to satisfy specific gender quotas.
2 July 2026	Regulation on ESG Ratings Providers to commence application imposing obligations on disclosure of ESG ratings in marketing communications.
2 August 2026	EU AI Act will apply in full to high-risk AI systems and transparency rules.
10 July 2027	Application of the new AML / CFT legislative framework under the EU Single AML Rulebook.
11 October 2027	EU, UK and Switzerland will transition to a T+1 settlement cycle for listed transferable securities.

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

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QUARTERLY HIGHLIGHTS

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

The **Central Bank of Ireland** (the "**Central Bank**") published consultation paper 162 ("**CP162**") on proposed amendments to the Central Bank Alternative Investment Fund Rulebook ("**AIF Rulebook**") (**section 1.2**).

- **CP162 sets out a list of proposed updates to the AIF Rulebook which should align the AIF Rulebook with the requirements set out in AIFMD II and ELTIF 2.0, better reflect international best practice for private assets funds, enhance regulatory effectiveness and clarify Central Bank expectations.**
- **Spanning 125 separate consultation questions, CP162 represents a major milestone in Ireland's private asset regime and is the largest overhaul of the AIF Rulebook since it was originally introduced. More specifically, CP162 contains a raft of proposed regulatory changes impacting private funds in Ireland, including the removal of the Loan Origination chapter and updates to QIAIFs investing via intermediate vehicles.**

The **Central Bank** published consultation paper 161 ("**CP161**") on a series of proposed changes to both the Central Bank UCITS Regulations and the Central Bank Guidance on performance fees for UCITS and certain types of Retail Investor AIFs (**section 1.1**).

- **The proposals under CP161 will repeal and replace the Central Bank UCITS Regulations to modernise and align the domestic framework with the updated European UCITS framework, including changes introduced by AIFMD II. The changes, if implemented will update and streamline the domestic framework by incorporating outstanding updates from past consultations, clarifying provisions, embedding certain Q&As and guidance, and removing certain outdated rules.**
- **Notable proposed revisions to key rules include the operation of redemption gates for UCITS and specific measures relating to performance fees, implementing ESMA guidelines.**

The **Central Bank** updated its operational resilience guidance to ensure alignment with the Digital Operational Resilience Regulation and Directive ("**DORA**"). As a related measure, in the interests of regulatory simplification and clarity the Central Bank has withdrawn its Cross Industry Guidance in respect of Information Technology and Cybersecurity Risk Management. (**section 2.2**).

- **The guidance is complementary to DORA and is intended to benefit and aid all regulated financial services providers, whether subject to DORA or not, in strengthening their operational resilience.**

The **ESAs** published a joint report on risks and vulnerabilities in the EU financial system, advising national supervisors, financial institutions and market participants to stay alert, prepare for uncertainties and play an active role in supporting the SIU initiative (**section 3.3(b)**).

- **The ESAs draw attention to the need for vigilance against cyber risks and the importance of embedding geopolitical risks in day-to-day business operations and risk assessments, specifically noting increasing dependencies on non-EU markets and service providers.**

With the EU's **SIU** initiatives gathering momentum the **Commission** recently launched its recommendations for national Savings and Investment Accounts ("**SIAs**") frameworks and an EU-wide financial literacy strategy (**section 3.1(a)**).

- **The Commission's blueprint for SIAs aims to create strong incentives to boost retail investing in Europe with an emphasis on simplicity and effective tax incentives. If implemented, SIAs should provide access to shares, bonds and UCITS at a minimum, while other financial instruments such as interests in ELTIFs and retail AIFs may also be eligible.**

Regulatory technical standards ("**RTS**") supplementing **DORA** when sub-contracting information and communications technology ("**ICT**") services supporting critical or important functions (or material parts thereof) came into force during the period (**section 3.1(b)**).

- **In-scope financial entities should undertake a timely consideration of their contractual agreements with ICT third-party service providers in light of the now final RTS.**

ESMA released a new Q&A focusing on the question of performance fees at UCITS feeder fund level (**section 1.3**).

- **No performance fee is to be charged at the level of UCITS feeder funds unless satisfying certain specific conditions.**

In **sustainability developments**, the **Commission's** latest omnibus sustainability package contains a delegated regulation designed to simplify the reporting requirements under Article 8 of the Taxonomy Regulation ((EU) 2020/852) ("**Taxonomy**"), which focuses on disclosure requirements related to environmentally sustainable economic activities level (**section 4(f)**).

- **Amendments are also proposed to the Taxonomy Climate Delegated Act (Delegated Regulation (EU) 2021/2139) and the Taxonomy Environmental Delegated Act (Delegated Regulation (EU) 2023/2486), aimed at amending sustainability due diligence and reducing and simplifying reporting obligations of companies.**

The **ESAs** published a number of new Q&As clarifying the practical application of specific measures under Regulation (EU) 2019/2088 ("**SFDR**") and the Commission Delegated Regulation (EU) 2022/1288 (the "**SFDR Delegated Regulation**") (**section 4(a)**).

- **The Q&As will be of interest to financial market participants in relation to the preparation of the principal adverse impact statements, pre-contractual product disclosures and financial product disclosures.**

The **ESAs** published their annual report on entity and product-level principal adverse impact ("**PAI**") disclosures under SFDR (**section 4(b)**).

- **The report contains recommendations on PAIs for the Commission to consider in its forthcoming review of SFDR, as well as a list of the good and below average disclosures practices identified by the ESAs.**

ESMA published the first note in a thematic study on sustainability-related claims used in non-regulatory communications, focusing on ESG credentials, such as labels or awards (**section 4(c)**).

- **The publication does not introduce new regulatory or reporting requirements, but aims to support market participants making clear, fair and not misleading sustainability claims and so address greenwashing risks in support of sustainable investments.**

1. UCITS & AIFMD DEVELOPMENTS

1.1 Consultation Paper 161 on proposed amendments to both the Central Bank UCITS Regulations and the Central Bank Guidance on performance fees

On 9 September 2025, the Central Bank published [Consultation Paper 161](#) on proposed amendments to both the Central Bank UCITS Regulations and the Central Bank Guidance on performance fees for UCITS and certain types of Retail Investor AIFs ("**CP161**").

CP161 proposes significant changes to Ireland's UCITS regulatory framework to align with the revised framework introduced under Directive ([EU](#)) [2024/927](#) (and its ancillary regulations and technical standards) ("**AIFMD II**") including:

- UCITS funds must select at least two liquidity management tools ("**LMTs**"), disclosed in fund rules, to strengthen responses to liquidity stress. A new dedicated LMT section will set operational requirements and rules for LMT selection, side pockets, suspensions, swing pricing, and redemption gates. Administrative redemption charges and in-specie redemptions will not be treated as LMTs.
- UCITS to consider including at least one quantitative LMT (e.g., redemption gate, notice period extension) and one anti-dilution tool. UCITS must notify the Central Bank if LMTs disclosed in the prospectus are activated or deactivated outside the normal course of business.
- Redemptions in specie will be permitted only for professional investors, where provided for in the prospectus, consistent with AIFMD II. This ensures that retail investors cannot be required to accept securities instead of cash when redeeming units.
- The Central Bank proposes removing the current rule that redemption gates may only be applied if redemption requests exceed 10% of UCITS units or net asset value. Instead, UCITS responsible persons would have discretion to set their own thresholds for imposing redemption gates, provided they comply with the broader UCITS framework.

The changes contemplated by CP161 would also see certain legislative constraints in the Central Bank UCITS Regulations removed in order to fully implement ESMA's [Guidelines on performance fees in UCITS and certain types of AIFs](#). These include changes aligning the domestic performance fee rules with ESMA Guidelines to allow:

- the possibility of a performance reference period that is less than the whole life of the fund for certain fee models;
- fulcrum fee models or other models which provide for a symmetrical fee structure; and
- crystallisation of performance fees more frequently than annually for high water mark or high-on-high models that have a performance reference period of the life of the fund that cannot be reset, and fulcrum fee models or other models which provide for a symmetrical fee structure.

Additionally, the Central Bank proposes to amend the Central Bank UCITS Regulations to incorporate ESMA Q&A guidance on funds with multiple portfolio managers, ensuring consistency with the UCITS Directive.

CP161 will run for an 8-week period until 5 November 2025. Stakeholders are invited to review and respond to the queries raised by the Central Bank in respect of the individual changes which are being proposed. Following the conclusion of CP161, the Central Bank intends to publish a feedback statement, outlining the commentary received from stakeholders and setting out how the Central Bank propose to proceed in respect of the changes suggested.

Walkers Asset Management and Investment Funds group advisory on [CP161](#) highlighting the key proposed changes and outlining what's next in the consultation process.

1.2 Consultation Paper 162 on proposed amendments to the Central Bank's Alternative Investment Fund Rulebook ("**AIF Rulebook**")

On 9 September 2025, the Central Bank published [Consultation Paper 162](#) on proposed amendments to the AIF Rulebook ("**CP162**"), setting out significant changes it proposes to make to its AIF Rulebook, with a specific focus being placed on changes impacting the Qualifying Investor Alternative Investment Fund ("**QIAIF**") and the Loan Originating QIAIF ("**L-QIAIF**").

CP162 seeks to align the AIF Rulebook with the revised European rules (particularly AIFMD II and ELTIF 2.0), take account of market developments, enhance regulatory effectiveness and provide additional clarity regarding the Central Bank's expectations for regulated AIFs. CP162 proposes significant changes to Ireland's UCITS and AIF regulatory frameworks to align with the framework introduced under AIFMD II.

L-QIAIF: the L-QIAIF chapter of the AIF Rulebook will be deleted in its entirety and in its place, QIAIFs wishing to originate loans or loan-originating QIAIFs (being those QIAIFs whose investment strategy is mainly to originate loans; or for which the notional value of loans originated by the QIAIF exceeds 50% of the QIAIF's net assets), will need to comply with the requirements of AIFMD II.

Irish L-QIAIFs will no longer be subject to domestic gold plating and will have far greater flexibility in terms of the investments that can be made within the relevant funds, both in terms of asset and borrower type. Significantly, the Central Bank will also permit non-EU alternative investment fund managers ("**AIFMs**") to manage closed-ended loan originating QIAIFs. This is an important development as previously the management of L-QIAIFs was limited to authorised EEA AIFMs.

The general restriction on QIAIFs **granting loans and acting as a guarantor** for third parties will be deleted in its entirety, better aligning the QIAIF rules with AIFMD II and the ELTIF Regulations. This is a significant development and will be particularly helpful for fund financing arrangements to better facilitate cross collateralisation, which in turn could reduce financing costs for QIAIFs.

LMTs: Proposed amendments to the AIF Rulebook will incorporate disclosure and notification requirements for the selection and operation of LMTs, reflecting the AIFMD II requirements and provide for AIFMs to select further LMTs in addition to those defined in Annex V of AIFMD II. Amendments are also being made to clarify that certain administrative charges applied to the normal investor redemptions/repurchase process are distinct from (and will not trigger) requirements related to the use of LMTs under Annex V.

Investment through subsidiaries and intermediary investment vehicles: The Central Bank proposes to remove a number of onerous and ancillary requirements regarding the operation of Irish and non-Irish subsidiaries, including the requirement to have a majority of directors from the fund board on the board of the subsidiary and the requirement for the QIAIF to be party to material contracts entered into by the subsidiary. The Central Bank will no longer require that its prior approval be obtained in connection with the establishment of such wholly-owned subsidiaries which provides greater flexibility for managers.

In relation to all subsidiaries and other intermediary investment vehicles, the Central Bank proposes to place enhanced due diligence, oversight and monitoring responsibilities on the AIFM. In this regard, AIFMs must (i) disclose the use and purpose of such vehicles in the QIAIF prospectus, (ii) carry out due diligence on the vehicles and (iii) have in place documented policies and procedures for the oversight and monitoring of the vehicle.

Other notable proposed changes contained in CP162 include:

- **Changes to the requirements governing positions of significant influence in issuers:** It is proposed that QIAIFs may in the future take such positions in underlying issuers (be they private

or public) provided sufficient disclosure in respect of the ability to take legal and management control of underlying issuers is appropriately disclosed in the fund documentation.

- **Removal of equal treatment requirement:** The requirement that unitholders in a share class be treated equally has caused ambiguity around the basis upon which AIFMs and asset managers may enter into side-letter arrangements. CP162 proposes that the AIF Rulebook be amended to remove this reference to unitholders in the same class being treated 'equally' and clarify that unitholders may be treated fairly while taking into account AIFMD preferential treatment requirements.
- **Incorporating capital commitments into the QIAIF subscription mechanism:** General updates are proposed to the AIF Rulebook to better reflect the typical capital commitment and drawdown approach utilised by the promoters of private asset funds and to reflect the staged closing mechanics typically utilised by these types of (closed-ended or open-ended with limited liquidity) funds in their initial fund-raising periods. The guidance that the Central Bank published in 2021 on share class features of closed-ended funds will also be incorporated into the updated AIF Rulebook enabling all QIAIFs (both open-ended and closed-ended funds) to avail of these provisions.
- **Warehousing disclosures** – The current requirement that the QIAIF not pay more than the current market value for warehoused assets would be removed, subject to the disclosure to investors of the terms of the warehousing arrangement.
- **Connected party dealing rules** - The provisions directed at dealings with connected parties would be expanded to include unitholders in the list of entities subject to the requirements. This would address circumstances where an investment fund may enter into commercial transactions with unitholders in the fund and would not apply to transactions by unitholders in relation to their units (subscriptions, redemptions, conversions or dividend payments).
- **Suspensions in respect of Investment Limited Partnerships ("ILPs")** – Proposals if implemented would remove language restricting ILPs from calling suspensions only in exceptional circumstances and where specifically provided for in the partnership agreement.
- A number of helpful technical amendments to the AIF Rulebook are contained including expansion of the list of parties eligible for an exemption from the €100,000 minimum subscription/commitment requirement.

CP162 will run for an 8-week period until 5 November 2025. Stakeholders are invited to review and respond to the queries raised by the Central Bank in respect of the individual changes which are being proposed. Following the conclusion of the consultation, the Central Bank intends to publish a feedback statement, outlining the commentary received from stakeholders and setting out how the Central Bank proposes to proceed in respect of the changes suggested. Industry is hopeful that the entire process will be completed before year-end 2025.

Walkers Asset Management and Investment Funds group have produced an [advisory](#) entitled '*Reform of Irish private funds regulatory rules*' outlining the key proposed changes with further commentary, highlighting additional updates and the next steps in the consultation process.

1.3 ESMA Q&A on UCITS performance fees for feeder funds

On 16 July 2025, new [Q&A 2609](#) was published on ESMA's Q&A tool relating to the charging of performance fees within UCITS feeder funds.

The Q&A confirms that for the purposes of Article 58 UCITS Directive and the Guidelines on performance fees in UCITS and certain types of alternative investment funds ("**AIFs**") (the "**Guidelines**") that a manager may only charge a performance fee at the level of a feeder fund where it also manages the master fund (or both the master and feeder fund are managed by managers belonging to the same group) and where the feeder fund(s) is(are) the sole investor(s) in the master fund.

Where there is more than one feeder fund then the approach should be applied consistently to all feeder funds.

The Q&A is as set out below.

[QA 2609](#) (*Performance fees for feeder funds*)

Q. Can the manager of a feeder fund within the meaning of Article 58 of the UCITS Directive charge a performance fee?

A. Under Article 58 of the UCITS Directive, a feeder fund is a fund which has been approved to invest at least 85 % of its assets in units of another fund (master funds). Paragraph 18 of the Guidelines states that a manager “should always be able to demonstrate how the performance fee model of a fund it manages constitutes a reasonable incentive for the manager and is aligned with investors’ interests”.

Against this background, the feeder manager does not exercise sufficient discretion over the asset allocation, selection and fund strategy to warrant the charging of a performance fee and as such, the charging of a performance fee to investors should not be considered as appropriate and justified in such cases. Therefore, performance fees, if any, should only be charged at the level of the master fund. This is unless:

- the master fund and the feeder fund are managed by the same manager or by managers belonging to the same group; and
- the only investor(s) of the master fund is(are) feeder fund(s).

In which case, performance fees could be paid at the level of the feeder fund(s), and not at the level of the master fund, provided that this approach applies consistently to all feeder funds, if more than one.

2. CENTRAL BANK UPDATES

2.1 Central Bank markets update (5 of 2025)

On 9 September 2025, the Central Bank published its latest markets update ([issue 5/2025](#)), including the publication of CP161 (*outlined at section 1.1. of this report*) and CP162 (*outlined at section 1.2 of this report*), as well as certain updates and clarifications to the Central Bank's ELTIF authorisation process by way of an [updated application form and website guidance](#).

The Central Bank updated its [ELTIF application form](#) to clarify certain requirements relating to:

- establishing open-ended ELTIFs;
- disclosures required under the Sustainable Finance Disclosure Regulation ("SFDR"); and
- performance fee disclosure requirements for open-ended ELTIFs marketed to retail investors (*referencing Section 2.16.9 A of the Central Bank's RIAIF Application Form*).

The guidance relating to the authorisation process for ELTIFs has also been updated on the [website](#) to align with the updated application form and reflect certain passage of time updates.

The updated ELTIF application form and website guidance should be used for ELTIF authorisation and post-authorisation updates going forward.

2.2 Cross industry guidance on operational resilience (updated) (*This is a further update to section 3.2 of the quarterly report covering the fourth quarter of 2021*)

On 14 July 2025, the Central Bank updated and republished the [Cross industry guidance on operational resilience](#) (the "**OpRes Guidance**"), replacing its previous (December 2021) version of the Guidance.

The updated Guidance seeks to ensure alignment with the Digital Operational Resilience Regulation and Directive ("**DORA**").

The OpRes Guidance is designed to be complementary to DORA, which focuses on achieving a high level of digital operational resilience in financial entities. The OpRes Guidance is intended to benefit and aid all regulated financial services providers (firms), whether subject to DORA or not, in strengthening their operational resilience.

Revised Guideline 9 makes clear the Central Bank's expectation that *"firms that are not directly subject to DORA should nevertheless consider introducing equivalent measures as part of their operational resilience in line with the nature, scale and complexity of their operations, and, in respect of their Information and Communications Technology ("**ICT**") risk management framework, consider at least DORA's Simplified Risk Management Framework."*

Accordingly, the revised version of this Guideline 9 encourages all regulated firms including those previously not considered within scope of DORA to proportionately introduce measures equivalent to those prescribed by DORA.

The Central Bank expects that boards and senior management bodies review the OpRes Guidance and adopt appropriate measures to strengthen and improve their operational resilience frameworks and their effective management of operational resilience in line with the OpRes Guidance. Regulated firms should be able to demonstrate that they have developed a plan to meet the OpRes Guidance.

Alongside the updated Guidance, the Central Bank's [website](#) states that in order to ensure regulatory simplification and clarity, it has withdrawn its (September 2016) Cross Industry Guidance in respect of Information Technology and Cybersecurity Risk Management. The Central Bank recognises that DORA now provides clarity on a harmonised good practice minimum standard on these topics which is relevant for all participants in the financial system.

Walkers Regulatory & Risk advisory and Asset Management and Investment Funds groups have published a [briefing](#) providing an overview of the changes under the revised OpRes Guidance.

2.3 Industry Funding Regulations 2025 *(This is a further update to section 2.13 of the quarterly report covering the fourth quarter of 2024)*

On 23 July 2025, the Central Bank Act 1942 (Section 32D) [Regulations 2025 \(S.I. No. 358/2025\)](#) (the "**Industry Funding Regulations**") was signed into law, coming into operation on 25 July 2025. A schedule sets out the industry levy contribution for each category of regulated entity related to activities in 2024.

The quantum of the investment fund levies has increased from last year whereby all investment funds authorised by the Central Bank will be liable to pay a minimum levy of €8,734 (increase of €494) - single strategy & umbrella funds with one sub-fund. Umbrella funds will also pay a contribution per sub-fund of €579 (increase of €33) up to a maximum of 50 sub-funds resulting in a maximum contribution for umbrella funds with 50 sub-funds of €37,684.

All investment fund service providers, which have been authorised by the Central Bank are liable to pay the levy contribution corresponding to their respective PRISM impact categorisation (high, medium high, medium low and low). Levies for investment fund service providers falling within sub-categories E2a, E2b, E2c and E2d are consistent with the previous year.

The Central Bank has published its [Funding Strategy and Guide to the 2025 Industry Funding Regulations](#).

Regarding collection of the 2024 levy, entities should be aware that the Central Bank sends almost all regulated entities a levy invoice after the Regulations are published. The levy must be paid no later than 28 days from the date on the levy invoice. However, even if a regulated entity does not receive a levy invoice, it is still legally obliged to pay the appropriate levy for its industry funding category in the 2024 Regulations. Any such regulated entity should request a copy levy invoice by email from billing@centralbank.ie. Any firm that has still not activated its Central Bank Portal account to facilitate

the issuing of levy notices by email, should go to the Central Bank's Portal and follow the steps outlined in the Guide to add the email address.

For the 2025 invoicing cycle, all levies are based on 2024 actual costs and include adjustments for recovery rates. The guide also provides data on the universe of each industry sector and notes a 1% increase in 2024 in the number of investment funds.

2.4 Resident Money Market and Investment Fund Return (update) *(This is a further update to section 3.5(d) of the quarterly report covering the third quarter of 2024)*

On 16 July 2025, the Central Bank published updated OFI3 guidance notes for the [Resident Investment Funds Return](#) v0.4 following engagement with fund administrators concerning updates to Section 5.1 and updates to FAQs (Annex I).

On 15 September 2025, the Central Bank published an updated reporting template (V.05) and notes on compilation (V.05) in the [Money Market and Investment Fund Return Update](#) section of its website. The latest update introduces improved templates and guidance for fund returns with details of the exact items that have been modified.

The testing period for fund administrators will open in October 2025, ahead of the commencement of new reporting pursuant to the recast statistics regulation [ECB/2024/17](#). The Central Bank will communicate with firms closer to this test period to provide the relevant details and to request files. The Central Bank's Statistics team have accepted a limited number of test files from each firm since August, in order to facilitate earlier testing.

2.5 Communication concerning process for filing of the BOR for CFVs

On 18 July 2025, the Central Bank communicated a letter advising CFVs of planned changes to the mechanism for reporting your beneficial ownership information to the register maintained by the Central Bank. The Central Bank is progressing a project to implement a new reporting mechanism from Q4 2025, simplifying and enhancing the means through which the beneficial ownership details of CFV are reported to the register.

The new process will require that an existing register on the system is edited to include changes, rather than uploading a new register. Further guidance will be issued by the Central Bank in Q3 2025 and full details will be confirmed with all CFVs in advance.

2.6 Register of beneficial ownership ("**BOR**") of certain financial vehicles ("**CFVs**") – 2024 Levy

On 14 July 2025, the Central Bank published an updated version of its Beneficial Ownership Register [FAQ](#). The FAQ has been updated to reflect the 2024 levy and that CFVs (including ICAVs, limited partnerships, investment companies, common contractual funds, unit trusts) should ensure that the Central Bank is provided with an up-to-date email address for the relevant person/department in the firm responsible for the payment of levy invoices. This will ensure invoices are appropriately addressed.

The CFV [Dedicated Levy Notification](#) for 2024 was published by the Central Bank and notifies the levy amount for the 2024 period 2024 as €511 per entity. All entities will receive the levy invoice via email, save any for registered ICAVs where the CBI does not have an email address on file in which case it will be sent by post.

2.7 Investment Fund statistics Q2 2025

On 28 August 2025, the Central Bank published its Investment Fund [Statistics](#) for Q2 2025, which show the net asset value ("**NAV**") of Irish resident investment and money market funds having increased again in Q2 2025, exceeding the Q4 2024 levels and reaching €5.01 trillion. The €57bn NAV increase from Q1 to Q2 was driven by transaction inflows.

On 19 September 2025, the European Fund and Asset Management Association ("**EFAMA**") published its European Quarterly Statistical [Release](#) for Q2 2025 showing tariff pressure led to a slowdown in UCITS net sales in Q2 2025, but retail purchases remained strong.

The release shows that net assets of UCITS and AIFs **increased** by 1.6% in Q2 2025, with net inflows of €142 billion. UCITS saw net inflows of EUR 154 billion, while AIFs registered net outflows of EUR 12 billion.

The release notes that ETF sales declined in Q2 2025 while SFDR Article 9 funds saw their seventh consecutive quarter of net outflows, totalling €1.6 billion, while SFDR Article 8 funds attracted €33.6 billion in new money. Fund acquisitions by European households reached a new record in Q1 2025 (€88 billion), primarily driven by retail investors in Germany, Italy, and Spain.

3. OTHER LEGAL AND REGULATORY DEVELOPMENTS

3.1 European Commission (the "**Commission**")

(a) *Savings and Investments Union ("**SIU**") initiatives (This is a further update to section 3.2(e) of the quarterly report covering the second quarter of 2025)*

On 30 September 2025, the Commission published two significant initiatives designed to advance the SIU alongside the associated [press release](#) and Commissioners' [remarks](#):

- [Recommendation](#) for member states on increasing the availability of Savings and Investment Accounts ("**SIAs**") with simplified and advantageous tax treatment; and
- [Communication](#) on a Financial Literacy Strategy for the EU ("**FL Strategy**").

Recommendation for national SIA frameworks

SIAs are accounts provided by authorised financial services providers, even online, which enable retail investors to invest in capital markets instruments. The Commission recommends member states establish national SIA frameworks in accordance with the characteristics set out in the blueprint. These include:

- **A strong emphasis on simplicity:** Clear and intuitive account designs, no account-specific suitability assessments and simple compliance, that makes the buying and selling of assets within an SIA seamless.
- **Wide array of providers:** A wide range of authorised financial services providers (such as banks, investment firms, neo brokers), including cross-border ones, should be able to offer SIAs, boosting competition and innovation.
- **Eligible Instruments:**
 - SIAs should provide access, at a minimum, to the following financial instruments: shares, bonds and shares or units in UCITS from a broad range of issuers to ensure access to non-complex financial products.
 - Other financial instruments, such as units or shares of ELTIFs and retail AIFs may also be eligible to be held in an SIA, provided that they are adequate for retail investors.
- **No geographical restrictions for investment:** promoting better diversified portfolios, encouraging greater retail participation, while excluding highly risky or complex products. SIA providers are encouraged to provide citizens with investment options that allow them to channel their investments into the EU economy to contribute to strategic EU priorities.
- **Simple tax compliance and effective tax incentives:** Guidance on tax incentives urges member states to include simplified processes like automated tax reporting including relying on SIA providers for tax declarations, and the most favourable tax treatment possible, as tools to boost retail investing.

- **Flexibility for member states:** By issuing a Recommendation rather than a Regulation, the Commission allows Member States to implement SIAs in ways tailored to national markets while promoting the sharing of best practices.

The Commission will now work with stakeholder and members states to monitor the implementation and take-up of SIAs.

FL Strategy

The FL Strategy is designed to help EU citizens understand how to manage their money, what products and options are available, and how to adequately prepare for their retirement. Important elements contained in the financial literacy strategy are:

- **Coordination with relevant stakeholders:** In 2026, the Commission will start holding thematic meetings and workshops on financial education to foster collaboration across industries and the adoption of best practices by member states, including the development of a voluntary EU code of conduct for stakeholders by Q1 2027.
- **Targeted communications across the EU:** An EU-wide campaign will be launched promote budgeting, retirement planning, and investment, including the creation of “financial literacy ambassadors”, aimed at improving national efforts to raise citizens' financial awareness.
- **Measuring progress and impact:** A 2027 Eurobarometer survey will track progress.
- **Increased funding for research:** A dedicated website to streamline access to EU funding is expected by the end of the year, supporting innovative programs.

Ireland's [National Financial Literacy Strategy](#) was launched in February this year.

- (b) *DORA regulatory technical standards ("RTS") on sub-contracting (This is a further update to section 3.2(f) of the quarterly report covering the first quarter of 2025)*

On 2 July 2025, [Commission Delegated Regulation \(EU\) 2025/532](#) was published in the official journal of the EU (the "OJ"), supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions.

The RTS cover the following:

- The application of proportionality and the requirements within groups.
- Due diligence and risk assessment obligations that apply to financial entities when they use sub-contractors that support critical or important functions.
- Requirements relating to the conditions under which ICT services supporting critical or important functions may be sub-contracted and the terms of the contractual arrangements between the financial entity and the ICT third party service provider.
- Material changes to sub-contracting arrangements of ICT services supporting critical or important functions.
- Right to terminate the contract with the ICT third-party service provider in certain situations.

The RTS entered into force on 22 July 2025.

Changes relative to contractual agreements between the financial entity and ICT third-party service providers that provide an ICT service supporting critical or important functions or material parts thereof, made necessary to comply with the Delegated Regulation, are to be implemented in a timely manner and as soon as it is possible. The financial entity is required to document the planned timeline for the implementation.

(c) *Speeches during the period*

(i) *One year after the Draghi report*

On 16 September 2025, the EU Commission President delivered a [keynote speech](#) outlining progress made on effecting competitiveness one year since the [Draghi](#) Report. President von der Leyen highlighted the report's role as a roadmap for action to strengthen Europe's competitiveness.

Her remarks stressed the need to accelerate investment, deepen the Single Market, and remove barriers that hinder growth and innovation. Key initiatives such as the Competitiveness Fund, measures to channel savings into productive investment, and efforts to integrate Europe's energy and digital infrastructure were highlighted as essential steps to secure long-term prosperity and economic resilience.

(ii) *2025 State of the Union address*

On 10 September 2025, the Commission President delivered her [2025 State of the European Union address](#) alongside a [letter of intent](#) which focused on key priorities shaping the EU's future, including defence and security, competitiveness in global trade, and technological sovereignty.

On the role that financial services can play in supporting European economic and social prosperity, the remarks outlined the Commission's efforts to tackle the bottlenecks identified in the [Draghi](#) and [Letta](#) reports on capital and investment, including through Omnibus measures designed to reduce paperwork, overlaps, and complex rules.

The Commission will seek to partner with private investors via a multi-billion-euro Scaleup Europe Fund, enabling major investments in fast-growing companies in critical technologies. These initiatives are part of a broader Single Market Roadmap to 2028, aimed at completing Europe's Single Market in finance, energy, and telecommunications and supporting investments in clean and digital technologies.

(iii) *Commissioner Albuquerque keynote speech on the SIU*

On 18 September 2025, Commissioner Albuquerque delivered [remarks](#) outlining progress and upcoming measures under the SIU strategy. In addition to the SIA and literacy initiatives outlined at section 3.1 of this report, the Commissioner noted that there will be a legislative package on market integration and supervision published before the end of the year. This will focus on authorisation and notification procedures, reducing the scope for gold-plating, and on proposals to adapt the supervisory regime for market infrastructure and asset managers.

By the end of the year, the Commission plans to release a pensions package, including recommendations on auto-enrolment, pension tracking, and reforms to IORP II and the EU pan-European personal pension product (PEPP) frameworks, aiming to improve transparency, risk management, and investment attractiveness. Across all these initiatives, she emphasised a focus on growth, citizen participation, and alignment with EU values.

The Commissioner has also [announced](#) that the Commission will launch a public consultation on strengthening audit supervision across member states.

(d) *Delegated Regulation introducing review clauses on high-risk AML/CFT jurisdictions (This is a further update to section 3.1(a) of the quarterly report covering the second quarter of 2025)*

On 21 August 2025, Commission Delegated Regulation [\(EU\) 2025/1393](#) amending Delegated Regulation (EU) 2025/1184 to introduce a review clause on high-risk AML/CFT jurisdictions was published in the Official Journal of the European Union (the "OJ").

The delegated regulation acknowledges that countries that are not publicly identified as being subject to calls for action or increased monitoring by the FATF might still pose a threat to the integrity of the EU financial system.

By 31 December 2025, the Commission will conclude a review of third countries that are not identified as being subject to calls for action or increased monitoring by the FATF, but whose membership in that international standard-setter is suspended, to assess whether to amend the list of high-risk third countries laid down in Delegated Regulation (EU) 2016/1675 accordingly.

The delegated regulation entered into effect on 10 September 2025.

- (e) *Commission adopts Delegated Regulation relating to list of high-risk third countries under the Fourth Money Laundering Directive ((EU) 2015/849) ("MLD4") (This is a further update to section 3.1(a) of the quarterly report covering the first quarter of 2025)*

On 16 July 2025, Commission Delegated Regulation [\(EU\) 2025/1184](#), which amends Delegated Regulation (EU) 2016/1675 on the list of high-risk third countries with strategic anti-money laundering ("AML") and counter-terrorist financing ("CTF") deficiencies under Article 9(2) of the MLD4, was published in the OJ.

Delegated Regulation (EU) 2016/1675 identifies those high-risk third countries with AML and CTF regimes that pose significant threats to the EU financial system. The Delegated Regulation will amend the table listing high-risk third countries in the Annex to Delegated Regulation (EU) 2016/1675 by the:

- addition of Algeria, Angola, Côte d'Ivoire, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal and Venezuela; and
- removal of Barbados, Gibraltar, Jamaica, Panama, the Philippines, Senegal, Uganda and the United Arab Emirates.

The Delegated Regulation enters into force on 5 August 2025.

- (f) *Commission to adopt new UK adequacy decisions (This is a further update to section 3.1(c) of the quarterly report covering the first quarter of 2025)*

On 22 July 2025, the Commission announced in a [news release](#) that it has launched the process to adopt two new adequacy decisions to allow the free flow of personal data between the European Economic Area and the United Kingdom.

Following its assessment of the UK's new Data (Use and Access) Act 2025 (DUA Act), the Commission concluded that the UK's legal framework continues to provide data protection safeguards that are essentially equivalent to those provided by the EU.

The announcement noted "(b)y upholding rigorous standards, we ensure trust in digital cooperation—and this decision reaffirms our commitment to both privacy and our continued partnership with the UK."

The Commission will now send the draft adequacy decisions to the European Data Protection Board for its opinion, in accordance with the adoption procedure. The Commission will also have to seek approval from a committee of representatives of the EU member states. Furthermore, the European Parliament and the Council will have a right of scrutiny over the adequacy decisions.

3.2 Artificial Intelligence ("AI")

- (a) *Commission consultation on AI Act transparency provisions*

On 4 September 2025, the Commission published a [press release](#) to announce the launch of a consultation to develop guidelines and a code of practice on the EU Artificial Intelligence Act ((EU) 2024/1689) ("AI Act") transparency provisions which come into effect on 2 August 2026. The transparency provisions in Article 50 of the AI Act require deployers and providers of AI systems to inform people when they are interacting with an AI system, or when AI generated content is viewed by an individual.

The Commission is seeking feedback until 2 October 2025 from stakeholder including providers and deployers of interactive and generative AI models and systems.

(b) *Commission guidelines on the definition of an AI system*

On 29 July 2025, the Commission published a communication with [Guidelines](#) on the definition of an AI system established by the EU AI Act.

In acknowledgement that the definition of an AI system encompasses a wide spectrum of systems, the guidelines provide that the determination of whether a software system is an AI system should be based on the specific architecture and functionality of a given system and should take into consideration the seven elements of the definition laid down in Article 3(1) of the EU AI Act.

The vast majority of systems, even if they qualify as AI systems within the meaning of Article 3(1), will not be subject to any regulatory requirements under the AI Act. No automatic determination or exhaustive lists of systems that either fall within or outside the definition of an AI system are possible.

The guidelines aim to assist providers and other relevant persons, including market and institutional stakeholders, in determining whether a system constitutes an AI system within the meaning of the AI Act, thereby facilitating the effective application and enforcement of that Act.

(c) *AI Literacy – Questions and Answers (updated) (This is a further update to section 3.3(c) of the quarterly report covering the second quarter of 2025)*

On 18 August 2025, the Commission published an updated version of its Artificial Intelligence ("AI") Literacy - [Questions & Answers](#). Article 4 of the AI Act requires providers and deployers of AI systems to ensure a sufficient level of AI literacy of their staff and other persons dealing with AI systems on their behalf.

The Q&A updates include highlighting an introductory [training package](#) on the fundamentals of the AI Act and the EU AI Innovation ecosystem's instruments recently made available on the EDIHs' e-learning platform, as well as considerations of customers/clients as a relevant target group for AI literacy.

(d) *EIOPA opinion on AI governance and risk management*

On 6 August 2025, EIOPA published its [opinion](#) and a related [impact assessment](#) addressed to national competent authorities ("NCAs") on AI governance and risk management.

The opinion focuses on explaining supervisory expectations on interpreting existing sectoral legislation (including the Digital Operational Resilience Regulation and Directive ("DORA") as well as the Insurance Distribution Directive ((EU) 2016/972) and the Solvency II Directive (2009/138/EC)) in the context of AI systems and is aligned with the high-level principles underlying the EU AI Act and other international initiatives in this area. Although primarily relevant to EU insurance undertakings, the opinion may be informative for firms as to how supervisors in other sectors may use existing regulatory requirements to oversee AI risks.

It states that firms should assess the risks of different AI use cases and develop governance and risk management measures that are proportionate to the identified risks. The opinion highlights the key principles that need to be observed, which can be embedded into existing risk management frameworks and adapted to the specificities of different AI systems used in the insurance value chain.

EIOPA will continue working with NCAs to facilitate the smooth implementation of legal provisions applicable to the use of AI and to provide further guidance, where appropriate.

(e) *EU (Artificial Intelligence) (Designation) Regulations 2025*

On 25 July 2025, the EU (Artificial Intelligence) (Designation) Regulations 2025 ([S.I. No. 366 of 2025](#)) were signed into law.

The regulation designates the NCAs (market surveillance authorities (the Central Bank and the Data Protection Commission), notifying authorities and a single point of contact) for Irish transposition of the EU AI Act.

On 16 September 2025, the Department for of Enterprise, Tourism and Employment [announced](#) the designation of additional national competent authorities and a single central coordinating authority tasked with enforcing the AI Act. Ireland is one of the first six EU Member States to reach this stage.

A National AI Office will be established by 2 August 2026 to act as the central coordinating authority for the AI Act in Ireland for:

- co-ordinating competent authority activities to ensure consistent implementation of the EU AI Act and serving as the single point of contact for the EU AI Act;
- facilitating centralised access to technical expertise by the other competent authorities, as required; and
- driving AI innovation and adoption through the hosting of a regulatory sandbox, and act as a focal point for AI in Ireland, encompassing regulation, innovation and deployment.

(f) *Commission publishes code of practice (the "**Code**") for general-purpose AI ("**GPAI**") models under the AI Act*

On 10 July 2025, the Commission published the [final version](#) of the GPAI Code and on 11 July 2025, the Commission updated its [questions and answers](#) on the Code.

The Code is intended to provide guidance on the EU AI Act rules for GPAI models set out in Article 53 and the additional rules for GPAI models with systemic risk set out in Article 55 of the EU AI Act.

Following endorsement, providers of GPAI models who voluntarily sign the Code will be able to demonstrate compliance with the relevant EU AI Act obligations by adhering to the Code. The Code will be complemented by Commission guidelines on GPAI, to be published ahead of the entry into force of the GPAI obligations, which will clarify who is in the scope of the EU AI Act's GPAI rules.

(g) *Commission draft guidance on AI systems serious incident reporting*

On 26 September 2025, the Commission [published](#) for stakeholder consultation draft guidance and a template for reporting serious incidents involving high-risk AI systems under the EU AI Act.

From 2 August 2026, providers of high-risk AI systems must report serious incidents to their national market surveillance authority in accordance with the timeframe set out in Article 73. The Commission notes the guidance will help providers decide if an incident is serious and the template sets out a standard reporting format. The consultation seeks practical examples of the type of incidents that must be reported as well as feedback to refine the guidelines.

The guidelines for reporting serious incidents do not apply to GPAI models which are instead subject to specific rules under the EU AI Act.

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

(a) *ESMA risk monitoring report (2 of 2025)*

On 9 September 2025, ESMA published its second TRV [risk monitoring report](#) of 2025, accompanied by a [statistical annex](#). The report details the key risk drivers currently affecting EU financial markets amid heightened geopolitical uncertainties.

The report highlights significant volatility in equities, bonds, and crypto asset markets—exacerbated by escalating trade conflicts, ongoing cyber and hybrid threats, and marked by pronounced fluctuations. EU equity markets recorded a year-to-date performance of +11%, while crypto-asset markets maintain near-peak volumes at €3trn, notwithstanding a 10% drop in the first half of 2025.

ESMA has identified high to very high risks across markets, citing potential operational disruptions, service outages, and liquidity strains, following Moody's May 2025 downgrade of the US credit rating to Aa1.

Across *asset management*, the report notes EU funds experienced their highest episode of volatility since COVID-19, in 1H25 but exhibited positive performance amid muted flows. While funds have been overall resilient, leverage and liquidity risks persist in parts of the sector. In the real-estate fund sector, market prices seem to have bottomed out, but real-estate funds continued to experience sustained outflows in some jurisdictions. In this context, ESMA and the IMF performed a stress test showing the resilience of funds to a market shock with potential spillovers to the underlying bond markets

While EU ESG funds saw small net outflows in Q1 2025, demand for ESG fixed-income strategies remains strong. Continued growth in the ESG bond market and robust green bond issuance reflect sustained investor appetite. The new ESMA guidelines on ESG fund naming are driving greater alignment between fund names and investments, contributing to market integrity and reduced greenwashing risks

(b) *ESAs autumn report on risks and vulnerabilities in the EU financial system*

On 19 September 2025, following-on from the latest risk monitoring report, the ESAs joint committee published their [Autumn report](#) on risks and vulnerabilities in the EU financial system.

The Report highlights ongoing risks in particular, how tensions in global trade and the global security architecture have deepened geopolitical uncertainties. The authorities call for increased vigilance and urge financial entities to maintain adequate provisions in the tense and unpredictable environment.

The ESAs advise national supervisors, financial institutions and market participants to:

- continue embedding **geopolitical risks** in their day-to-day business operations and risk assessments, including their dependencies on **non-EU markets and service providers**;
- prepare for short- and medium-term challenges amid high uncertainties, such as market corrections, by maintaining adequate and forward-looking provisioning levels by scenario analysis and stress testing their liquidity positions;
- strengthen vigilance against **cyber risks** and their potential impact on operational and financial stability, also via third-party service providers, through full implementation of the DORA framework;
- monitor contagion risks from **crypto assets** as the market expands and interlinkages between crypto markets and the traditional financial sectors deepen;
- play an active role in supporting the SIU initiative while duly considering the liquidity characteristics and risk profiles of alternative investments and their suitability for retail investors.

On **alternative assets**, the report notes the structural shift toward alternative investments observed in the UK and US—now gradually emerging in the EU—underscores the growing importance of understanding the expanding non-bank financial intermediation ("**NBFI**") sector. The intrinsically lower liquidity and credit risk of alternative investments compared to traditional investments should be monitored to safeguard financial stability.

On firms' dependence on **non-EU service providers**, the report warns that the EU financial sector's reliance on non-EU (especially US and UK) market infrastructures, CCPs, credit rating agencies, and IT providers is flagged as a significant vulnerability. It highlights the fact that many key third-party providers of services to EU financial firms are domiciled outside the EU, with US-based information technology companies the most obvious examples. The importance of US financial markets and market infrastructure render the EU financial sector vulnerable to disruption or access risks and volatility originating from outside the EU. It concludes that while there is an increasing reliance on digital systems and technology this increases the need for robust ICT infrastructures and risk management strategies. The EU's dependence on third party service providers, CCPs and credit rating agencies based outside the EU is not negligible and highlights a need for greater EU autonomy

(c) *ESMA speech on tokenisation*

On 4 September 2025, the Executive Director of ESMA, delivered a [keynote speech](#) entitled 'Tokenisation: an opportunity for the EU's financial sector agenda?' focusing on the potential of tokenisation to transform European capital markets and support the SIU.

Her remarks outlined that tokenisation challenges existing rules on ownership, settlement, and custody and ESMA underlines the need for greater legal clarity, targeted adaptations and regulatory convergence to existing frameworks including MiFID II, UCITS, AIFMD and CSDR, in order to give market participants the confidence to scale tokenisation projects.

(d) *Guidelines on oversight of critical ICT third-party providers under DORA (This is a further update to section 3.2(h) of the quarterly report covering the first quarter of 2025)*

On 15 July 2025, ESMA published its [guide](#) to its oversight of critical ICT third-party providers in practice.

The guide provides an overview of the DORA oversight framework, including its scope, objectives, underlying principles and the role of NCAs. It also describes:

- Governance structure and organisation of the oversight framework, including the various oversight bodies and their functions.
- Oversight activities performed by the overseers, including the designation of critical third-party providers ("CTPPs"), risk assessment and oversight planning, examinations, recommendations and follow up.
- Oversight processes followed by the overseers when carrying out the oversight activities, including the processes relating to requests for information, general investigations and inspections.

It is expected the ESAs will shortly confirm its list of CTPPs.

(e) *Updated guidelines on cloud providers outsourcing (This is a further update to section 4.10(a) of the quarterly report covering the fourth quarter of 2020)*

On 11 July 2025, ESMA published its [final report](#) on updated guidelines on outsourcing to cloud providers which take into account the application of DORA. The guidelines aim to help firms address and monitor the risks that may arise from their cloud outsourcing arrangements. The updated guidelines reduce the scope to depositaries under the AIFMD and the UCITS Directive that are not subject to DORA with no other substantive changes.

On 30 September 2025, the guidelines were [published](#) in the official languages on ESMA's website and now replace its previous iteration of the guidelines (December 2020).

(f) *European Banking Authority ("**EBA**") report on use of AML and CTF SupTech tools*

On 12 August 2025, the EBA published a [report](#) on the use of technology tools in anti-money laundering ("**AML**") and counter-terrorist financing ("**CTF**") supervision ("**SupTech**").

The EBA surveyed NCAs in November 2024 on their use of SupTech tools and conducted the assessment as part of its review of current approaches to AML and CTF supervision and how they might need to change to adapt to the new EU AML and CTF framework.

Overall, the EBA found that although the adoption of AML and CTF SupTech is still at an early stage, NCAs have already seen benefits such as improved collaboration, better data quality and analytics, and more efficient risk identification. However, several risks and challenges remain, including poor data quality and governance, limited resources, legal uncertainty, operational risks, and friction related to institutional transformation. The EBA also warns that the successful implementation of AML and CTF SupTech tools could be hampered by a lack of preparedness among NCAs.

The report highlights the solutions NCAs have identified to mitigate these risks and help SupTech initiatives succeed. Those good practices include:

- Promoting digital culture initiatives such as training, leadership support and internal awareness-raising at NCAs.
- Strengthening data governance and interoperability and setting clear data protection expectations in close collaboration with data protection authorities.
- Ensuring SupTech solutions address concrete supervisory needs or challenges and establishing clear performance metrics to continuously evaluate the relevant tool's effectiveness.
- Collaborating domestically and internationally to maximise impact and ensure tools are scalable, secure and legally compliant.

The priorities and good practices set out in the report are intended to guide the continued development and deployment of SupTech tools in AML and CTF supervision. The EBA flags that SupTech must be successfully integrated by NCAs to ensure they can continue to address emerging financial crime risks.

The EBA confirms in a related [press release](#) that it will continue to support NCAs and the new Anti-Money Laundering and Countering the Financing of Terrorism Authority (AMLA) in strengthening their use of technology and fostering innovation in AML and CTF supervision.

(g) *EBA opinion on money laundering ("ML") and terrorist financing ("TF") risks affecting EU financial sector*

On 28 July 2025, the EBA published its [fifth opinion](#) on the risks of ML and TF that are affecting the EU's financial sector.

The EBA's comments include the following:

- the rapid development of financial technologies and new financial products (such as crypto-assets), together with the growing interconnectedness of financial products and services across different sectors, have introduced new vulnerabilities into the ML/TF risk landscape for the financial sector.
- RegTech tools offer the potential to improve compliance and reduce manual errors but have not been implemented effectively.
- New risks have arisen from the use of AI for ML and fraud. Financial institutions face challenges in detecting AI-driven attacks and will need to consider their own use of advanced technologies and specialised expertise. The EBA emphasises the need for responsible AI deployment, supported by robust governance, staff training and real-time monitoring capabilities.
- Increasing numbers and complexity of EU sanctions packages continue to create significant challenges for financial institutions, with many firms still lacking adequate policies and procedures.
- Concerted action by regulators, supervisors and institutions has contributed to improvements in priority risk areas. Risks related to tax crimes and unwarranted de-risking have decreased overall and levels of supervisory engagement have increased across sectors. However, the effectiveness of systems to address ML/TF risks remains uneven.

(h) *EBA report on provision of banking services from third countries*

On 23 July 2025, the EBA published a [report](#) on the direct provision of banking services from third countries under the CRD IV Directive (2013/36/EU), as amended by the CRD VI Directive ((EU) 2024/1619) ("CRD IV").

New Article 21c of the CRD IV Directive requires non-EU banks to establish a third-country branch ("TCB") in the EU if they wish to provide core banking services into EU member states. There are exemptions and carve-outs to this requirement, including the possibility for a non-EU bank to provide core banking services directly (without an EU branch) to EU credit institutions in certain circumstances.

Pursuant to Article 21(c)(6) the EBA was mandated to assess whether the exemption from the requirement to set up a TCB should be extended so that non-EU banks can provide core banking services directly to any EU financial sector entity, subject to financial stability and EU competitiveness considerations. The EBA concludes that the exemption should not be extended. The reasons it gives include:

The existing exemptions and carve-outs from the requirement to establish a TCB, including intra-group exemptions, provide a degree of flexibility for non-EU banks and may provide an adequate solution. In particular, non-EU banks can rely on the reverse solicitation exemption in some circumstances, subject to applicable conditions.

The report notes the difficulty of measuring the potential impact of core banking services being provided directly into the EU from third countries, including the potential effect on competition. It notes that Irish money market funds, AIFs and insurance undertakings tend to have a greater exposure to deposit taking and lending services from non-EU providers (based on data available) than most EU peers.

The EBA flags that CRD IV does not expressly address the interaction between Article 21c and certain provisions of the UCITS Directive (2009/65/EC), AIFMD and the Money Market Funds Regulation (2017/1131/EU) ("MMFR"), which entitle EU financial sector entities to receive core banking services (including deposit-taking and custody delegation) from non-EU banks for their ongoing operations. The EBA suggests that it could amend its Q&A tool to clarify this point.

Walkers Regulatory & Risk advisory group have published an [advisory](#) providing an overview of the branch requirement, focused on the impact for non-EU lenders.

(i) *EBA consultation on its draft guidelines for the sound management of third-party risk*

On 8 July 2025, the EBA launched a public [consultation](#) on its draft Guidelines for the sound management of third-party risk, with a focus on non-ICT services provided by external vendors and their subcontractors, particularly where critical or important functions are involved.

The proposed guidelines represent an update to the EBA's existing [outsourcing framework](#) (2019) and are intended to bring regulatory practices in line with DORA.

The draft Guidelines aim to ensure that financial institutions manage third-party arrangements consistently throughout their lifecycle, from risk assessment and due diligence to contract management, monitoring, and exit strategies. The guidelines propose a unified register for both ICT and non-ICT third-party arrangements to reduce duplication and streamline supervisory reporting, suggesting a two-year transitional period to accommodate institutions to update their registers and adapt their existing arrangements.

This consultation is open for feedback until 8 October 2025.

(j) *ESMA working paper on EU equity markets*

On 17 September 2025, ESMA published its latest [working paper](#) entitled 'Fragmentation in European Equity markets since 2019'.

The paper examines the substantial reduction in securities trading within the remaining single market following Brexit, with its long-term impact still evolving.

ESMA's analysis aims to address the issue of market fragmentation and trading concentration in the European equity markets. The study's implications suggest that increased trading concentration may affect market liquidity and competitive dynamics among trading venues, which are linked with the broader concerns of recent regulatory interventions such as the MiFIR review. The results of the

analysis are also relevant in the context of European regulatory initiatives such as the SIU, to create an integrated and competitive financial market.

(k) *ECB paper on strengthening Europe's equity markets*

On 6 August 2025, the ECB published a [paper](#) entitled "*An assessment of the benefits of equity markets and policy implications for Europe's capital markets union*".

Strengthening EU equity markets as an alternative funding source has been a policy priority under the Capital Markets Union (CMU) agenda, and more recently a key feature of the Savings and Investment Union (SIU). The paper analyses the reasons behind EU equity markets having fewer and less dynamic listed companies than the US. It examines the benefits of public listing for firms, including enhanced growth, innovation, and productivity, as well as gaps in pre-listing financing.

The paper offers policy recommendations to increase listings and improve pre-listing financing conditions by tackling long-standing obstacles in Europe's Single Market and the capital markets in particular. Recommendations include promoting venture capital development and financing, addressing regulatory barriers and tax frictions for pension funds and other private investors within the Single Market to increase listings, and supporting broader economic resilience.

(l) *ESMA newsletter*

On 18 July 2025, ESMA published its June and July 2025 [edition](#) of the Spotlight on Markets Newsletter.

(m) *TRV analysis on operational and cyber risks*

On 18 July 2025, ESMA published its latest TRV [risk analysis](#) entitled "*Operational and cyber risks in EU financial markets: measurement and stress simulation*" assessing the systemic importance of cyber risk.

This explores conceptual frameworks to examine how individual incidents can become systemic, by focusing on exposures to cyber threats, the propagation of the shock through the system, and their impact.

The paper also presents findings from a simulation analysis conducted on the EU repo market, examining scenarios in which a hypothetical cyber incident disrupts settlement operations at key market players. Results indicate that operational disruptions at a few critical institutions can trigger temporary yet severe liquidity shortages at both system and counterparty level, with widespread network effects.

The article underscores the need for robust cyber incident reporting frameworks, the development of risk metrics and monitoring tools on the basis of new sources of reporting data, and the use of conceptual models and simulations to enhance the assessment of cyber risks from a financial stability perspective. The enhancements presented in the analysis will complement ESMA's operational risk monitoring framework.

(n) *Q&As on EMIR 3 (This is a further update to section 3.4(b) of the quarterly report covering the second quarter of 2025)*

On 10 July 2025, ESMA published a [series of Q&A](#) with answers provided by the Commission to technical questions in respect of scope and methodology for calculating the active account requirement pursuant to EMIR 3.

The answers are available in order from [ESMA QA 2506](#) - [ESMA QA 2519](#).

(o) *ESMA SMSG report on simplification*

On 30 September 2025, ESMA's Securities and Markets Stakeholder Group ("**SMSG**") published its own initiative [report](#) to contribute to the current debate about regulatory simplification. The report

discusses the following main aspects: principles; tools for simplification; areas under remit of the co-legislators; ESMA's guidelines and Q&As; targeted remarks on simplification

The report provides specific comments related to simplification in the areas of reporting, the Omnibus package (*outlined at section 4(e) of this report*) and SFDR and simplifying and shortening the key information document for an EU domiciled fund.

The report highlights the risk that changes proposed in the Omnibus package, if not coordinated with other relevant regulations, will increase the gap between what companies are required to disclose and what intermediaries and other financial market participants such as banks, investment firms, and investment funds need to report to investors. As for the SFDR, the SMSG considers that the anticipated review of SFDR should aim to enhance coherence across the broader regulatory framework and ensure full alignment of data requirements and reporting with the CSRD in order not to leave asset managers with data gaps.

(p) *ESMA cross-border distribution consolidated summary*

On 21 August 2025, ESMA published its latest cross-border [distribution of investment funds summary](#), covering the national rules, expectations as well as details on fees and charges of the NCAs of the EEA states.

The summary provides hyperlinks to the websites of competent authorities with complete and up-to-date information on the applicable national laws, regulations and administrative provisions governing marketing requirements for AIFs and UCITS in member states as well as a summary of marketing requirements provided by NCAs.

(q) *Delegated Regulation on RTS on market abuse under MiCA published in OJ (This is a further update to section 3.4(j) of the quarterly report covering the second quarter of 2025)*

On 20 August 2025, Commission Delegated Regulation [\(EU\) 2025/885](#), which supplements the Regulation on markets in crypto-assets ((EU) 2023/1114) ("**MiCA**") with regard to regulatory technical standards ("**RTS**") relating to market abuse, was published in the OJ.

The RTS specify:

- The arrangements, systems and procedures to prevent, detect and report market abuse.
- The templates to use for reporting suspected market abuse.
- The co-ordination procedures between the competent authorities for the detection and sanctioning of market abuse in cross-border market abuse situations.

The delegated regulation entered into force on 9 September 2025.

(r) *ESMA registration process guide*

On 18 August 2025, ESMA published a [guide](#) to its registrations process relevant to entities subject to its direct supervision including credit rating agencies, trade repositories, securitisation repositories, administrators of EU critical benchmarks and third country benchmarks, and certain data reporting services providers.

ESMA will also become responsible for registering entities under the forthcoming additional mandates, such as external reviewers under the EU Green Bond Regulation and the regulation on ESG rating providers. Accordingly, the guide will be updated regularly to reflect these new regulatory developments.

Registration covers the various types of application processes that an entity needs to follow to be allowed to offer its services in EU financial markets and the guide provides an overview of the relevant legal frameworks.

The guide is not legally binding and intended as a practical tool to support entities involved in the registration process.

(s) *ESMA updated instructions for weekly commodity derivative position reporting*

On 25 September 2026, ESMA [published](#) updated [reporting instructions](#) and [XML schema](#) (version 1.2.0) for the weekly [reporting of commodity derivatives positions](#) under the Markets in Financial Instruments Directive II (MiFID II), reflecting the changes from the latest review.

ESMA will start applying the new XML schema and reporting instructions on 1 April 2026. As of that date, reporting entities should only use the latest version 1.2.0.

3.4 EFAMA market insights on distribution of UCITS outside Europe

On 23 September 2025, EFAMA published the [latest issue](#) of its Market Insights series entitled “*UCITS, a global success story – The distribution of UCITS outside of Europe*”.

The publication maps UCITS distribution trends internationally, providing a detailed look and identifying leading regions and countries outside of Europe. Key findings of the publication include:

- UCITS have proven to be one of the EU’s most successful financial exports, with a genuinely global footprint spanning over 50 countries beyond the EU.
- Net assets of cross-border UCITS have consistently grown year-on-year over the past decade, reaching EUR 6.1 trillion within the EU (+145%) and EUR 5.7 trillion outside the EU (+133%).
- Outside of Europe, the Asia-Pacific region is the largest UCITS owner (8.7% of all cross-border UCITS), with Hong Kong, Singapore and Taiwan as the key markets. Latin America and the Middle East & Africa are substantially smaller, making up 3.3% and 1.2% of the cross-border UCITS market, respectively.
- Regional differences could offer diversification opportunities for European asset managers seeking to broaden distribution strategies globally. For example, multi-asset UCITS — despite falling out of favour recently in Europe — have continued to record modest yet steady inflows in Asia and the Middle East & Africa.
- To safeguard Europe’s position as the global gold standard in investment funds, the paper recommends that the EU should:
 - Ensure a stable and supportive regulatory framework that avoids frequent rule changes, which could risk undermining confidence among extra-EU regulators and investors.
 - Consider how the UCITS success can be replicated for AIFs, particularly the ELTIF label.
 - Deepen engagement with foreign regulators and industry to explore how financial regulatory dialogues can help strengthen the UCITS and AIF brands.

3.5 European Systemic Risk Board (“**ESRB**”) *(This is a further update to section 4.4(b) of the quarterly report covering the second quarter of 2024)*

On 1 September 2025, the ESRB published the [2025 edition](#) of its EU NBFIs Risk Monitor highlighting cyclical and structural vulnerabilities in the non-bank financial sector, with a focus on key vulnerabilities of leverage, liquidity mismatches and interconnectedness.

These vulnerabilities are observed across UCITS, hedge funds, real estate investment funds (REIFs), other financial institutions and crypto-asset markets. The ESRB notes that, in 2024, total assets of investment funds and OFIs exceeded the size of the banking sector. The report warns that ongoing

macroeconomic challenges and heightened market volatility could amplify cyclical risks to the stability of the EU financial system due to structural vulnerabilities in NBFIs.

Though typically associated with alternative investment funds, high leverage is also prevalent in certain undertakings for collective investment in transferable securities (UCITS funds) designed for retail investors. These funds pursue hedge fund-like strategies, exposing them to significant market and liquidity risks.

The report notes that about 8 per cent of all UCITS, comprising around €731bn in assets under management, have used the Value-at-Risk ("**VaR**") approach to increase leverage to "several multiples" of the product's NAV. Within these, around 2 per cent of UCITS have used the VaR approach to have aggregate leverage levels higher than the universe of EU-authorised hedge funds. The report recommends that the EU should consider "harmonised regulatory measures to address the associated risks". Similar conclusions on synthetic leverage generated by UCITS using the absolute VaR approach were reached in ESMA's [first analysis](#) on risks in UCITS using the absolute Var approach in April 2025.

3.6 Financial Stability Board ("**FSB**") report on leverage in NBFIs (*This is a further update to section 3.7(c) of the quarterly report covering the fourth quarter of 2024*)

On 9 July 2025, the FSB published a [final report](#) on leverage in NBFIs, which has been delivered to the G20.

The report sets out an integrated approach for addressing NBFIs leverage risks. Authorities are recommended to:

- select, design and calibrate policy measures, or combinations of measures, that address the financial stability risks identified in a flexible, targeted and proportionate way.
- have a domestic framework in place to identify and monitor financial stability risks created by NBFIs leverage in an effective, frequent, timely and proportionate manner.

The recommendations give authorities flexibility to tailor their policy responses to their jurisdiction-specific circumstances. The FSB will carry out work to support authorities in applying the recommendations. Later in 2025, it will consider whether to carry out follow-up work on certain recommendations.

3.7 Irish Government

(a) *Ireland action plan on competitiveness*

On 11 September 2025, the Department of Enterprise, Tourism and Employment published its [Action Plan on Competitiveness and Productivity](#), with 85 actions for enhancing Ireland's competitiveness and productivity performance, with 26 of these identified as priority actions. Actions are set out across six themes:

- embracing research, innovation and skills;
- boosting FDI and exports and influencing at EU level;
- creating and scaling more SMEs;
- regulating for growth and controlling costs;
- increasing the state's capacity to deliver infrastructure; and
- growing sustainable Irish businesses and boosting regional development.

Each action is assigned to a government department or agency which will have responsibility for its delivery within a specified time-period. Implementation of the action plan will be overseen by a senior officials group chaired by the Department of the Taoiseach.

(b) *Legislative programme – autumn 2025 (This is a further update to section 3.9(a) of the quarterly report covering the second quarter of 2025)*

On 17 September 2025, the Irish government published its autumn 2025 [legislative programme](#).

- The Miscellaneous Provisions (Registration of Limited Partnerships and Business Names) remains listed in the other legislation (non-priority list), with heads of the bill listed as approved in July 2024.
- The Regulation of Artificial Intelligence and Non-Personal Data Bill to give full effect to the AI Act remains at the heads of bill preparation stage and is listed for priority drafting.
- The Violation of Restrictive Measures Bill to transpose EU Directive 2024/1226 on the definition of criminal offences and penalties for the violation of Union restrictive measures (sanctions) is listed on the priority list with heads of bill approved in March 2025.
- The Pay Transparency Bill to transpose the EU Pay Transparency [Directive \(EU\) 2023/970](#) is listed in the other legislation (non-priority list), with heads of the bill listed as in preparation.

(c) *Ireland for Finance 2025 action plan and 2024 progress report (This is a further update to section 4.11 of the report covering the first quarter of 2022)*

On 29 July 2025, the Department of Finance ("DoF") published its [updated action plan](#) for the Ireland for Finance strategy for the development of Ireland's international financial services sector, extended to 2026.

The DoF also published its 2024 [progress report](#) showcasing progress made and status of measurable actions under five themes of the strategy (sustainable finance; fintech and digital finance; diversity and talent; regionalisation and promotion; and operating environment).

(d) *DoF consultation on a new "Ireland for Finance" government strategy (This is a further update to section 3.2(b) of the quarterly report covering the third quarter of 2024)*

On 21 July 2025, the DoF launched a public [consultation](#) on the development of a new 'Ireland for Finance' (international financial services ("IFS")) strategy 2026-2030.

The focus of the new strategy will be on sustainable finance, innovation, regional development, and international cooperation. The public consultation seeks to identify areas of opportunity and barriers to competitiveness and growth. The consultation will explore policy measures to link the IFS sector to the real economy, support the growth of indigenous firms, attract inward investment, and develop regional financial services clusters. The strategy seeks to further develop the sustainable finance sector, mobilising private capital to fund the green transition, and positioning Ireland as a global hub for sustainable finance.

Stakeholders are invited to submit their views on topics including on:

- how Ireland can maintain and grow its position as a leading global hub for specialist IFS;
- identifying areas of high growth opportunity and potential specialisation for Ireland;
- supporting innovation, adopting new technologies, and addressing barriers to innovation;
- ensuring a strong pipeline of talent and promoting regional growth;
- potential policy measures which could position Ireland as a global hub for sustainable finance, providing evidence and examples of best practice in other jurisdictions where possible; and
- whether the new strategy expand beyond sustainable finance to focus on other investment needed for the EU economy.

Stakeholders are also asked to provide insights on emerging trends and opportunities for the sector and invited to provide examples of best practices observed in other jurisdictions, potential areas for international cooperation and measures to improve the operating environment for IFS firms.

The Programme for Government includes commitments to continue implementing the Ireland for Finance Strategy and to develop a new strategy for 2026-2030. The new strategy aims to deliver 9,000 new jobs in the IFS sector by 2030. It is expected that the new revised strategy will be approved and published by the government by mid-2026 and will align with other government initiatives, including the Funds Sector review 2030.

Responses to the consultation were sought by 19 September 2025.

(e) *European Union (Markets in Financial Instruments) (Amendment) Regulations 2025 (S.I. No. 436 of 2025)*

On 25 September 2025, the European Union (Markets in Financial Instruments) (Amendment) Regulations 2025 ([S.I. 436/12025](#)) were published. The S.I. gives effect to MiFID Amending [Directive \(EU\) 2024/790](#) rules establish EU-level 'consolidated tapes,' as well as introducing a general ban on payment for order flow, a practice involving brokers receiving payments for forwarding client orders to certain trading platforms.

The Regulations came into operation on 29 September 2025.

(f) *European Union (Information Accompanying Transfers of Funds) Regulations 2025 (S.I. No. 310/2025)*

On 10 July 2025, - the European Union (Information Accompanying Transfers of Funds) Regulations 2025 ([S.I. No. 310/2025](#)) (the "**Regulations**") were published which give effect to Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets and amending Directive (EU) 2015/849 (recast) (the "**EU Transfers of Funds Regulation**").

The EU Transfers of Funds Regulation sets out rules on the information on originators and beneficiaries that must accompany transfers of crypto-assets, for the purposes of preventing, detecting and investigating money laundering and terrorist financing (the so-called 'travel rule').

The Regulations designate the Central Bank as the NCA for the purposes of the EU Transfers of Funds Regulation and provide details on administrative sanctions and offences for breaches of the EU Transfers of Funds Regulation in Ireland.

The Regulations come into operation on 1 August 2025.

Our Regulatory & Risk Advisory practice group in Ireland have published [EU Crypto Reg - Round up](#), a roundup of key Irish and EU legislative and regulatory developments shaping the crypto-asset sector, including an overview of the Regulations.

3.8 International Monetary Fund ("IMF")

On 23 July 2025, the IMF [published](#) its Euro Area Financial System Stability Assessment ("**FSAP**").

The FSAP report assessed the Euro Area's financial system, finding that the euro area's financial system has demonstrated considerable resilience in the face of multiple economic shocks, a stability attributed to robust liquidity buffers and substantial bank capital reserves. However, it notes national fragmentation in the area hinders ongoing efforts to create a more integrated and diversified financial system.

The IMF analysed 33,000 euro-area funds, which accounted for 50% of the UCITS sector and 90% of the AIF sector, finding that corporate bond funds did not contain enough highly liquid assets to meet a two-day spike in liquidity demand and that funds primarily met liquidity demands by selling assets. The FSAP makes a number of recommendations to the Commission and ESAs respectively impacting the funds and asset management industry, including:

- Reform the MMFR in line with international standards;

- Introduce a single reporting mechanism for fund-level data and centralise data collection at ESMA;
- Compulsory supervisory colleges and consolidated supervision for large cross-border asset management groups;
- Macroprudential powers empowering ESMA to top up national measures (including leverage limits and liquidity requirements) for leveraged investment funds deemed to pose systemic risk and enforce cross-border reciprocity; and
- Introduce a more structured approach to stress testing at ESMA and systemic risk monitoring and further develop system-wide stress testing (including banks and non-banks).

3.9 Financial Action Task Force ("**FATF**")

On 28 August 2025, FATF launched the Money Laundering National Risk Assessment [toolkit](#) designed to help countries develop and strengthen their risk-based approach to fighting financial crime.

The toolkit covers four priority areas: corruption, virtual assets and virtual asset service providers, legal persons and legal arrangements and the informal economy. The toolkit focuses on these areas as they are consistently challenging to assess because of data limitations, rapidly evolving typologies, or the cross-cutting nature of risks. These areas are often linked and used in combination to launder funds, for example, corrupt officials may exploit their positions to siphon government funds and use shell companies to disguise the origin and movements of funds.

The toolkit includes examples from countries across FATF's global network to illustrate how jurisdictions are assessing risk to help them tackle money laundering relating to corruption, cash-based economies, beneficial ownership, and emerging technologies. By integrating findings across these risk areas, rather than assessing them in isolation, countries can build a more comprehensive and effective AML framework.

FATF also updated its Money Laundering National Risk Assessment [Guidance](#) to reflect amendments to [recommendation one](#) of the FATF standards and the guidance on financial inclusion and AML/CTF measures earlier this year to reinforce the expectation that controls must be implemented through a proportionate and risk-based approach, and to encourage countries to promote financial inclusion (i.e. that individuals and businesses have access to and use affordable financial products and services that meet their needs, which are delivered in a responsible and sustainable way).

These new practical resources will support countries in assessing their money laundering risks in line with FATF's standards.

4. SUSTAINABLE FINANCE

- (a) *Consolidated ESA Q&A on SFDR/ SFDR Delegated Regulation (updated) (This is a further update to section 4(c) of the quarterly report covering the third quarter of 2024)*

On 4 August 2025, ESMA published an updated consolidated [Q&A document](#) on SFDR and its Delegated Regulation ((EU) 2022/1288) (the "**SFDR Delegated Regulation**"), with four new Q&As provided by the ESAs relating to the practical application of provisions of the SFDR Delegated Regulation.

- Q&As IV.30 and IV.31 (principal adverse impact ("**PAI**") disclosures) on page 29/30, clarifying for the purposes of the PAI indicator disclosures, the meaning of the term "water usage" and how to calculate useful internal floor area for owned real estate assets.
- Q&A V.29 (pre-contractual product disclosures) on page 53, outlining best practice about disclosing percentages of environmentally sustainable investments (X%) and socially sustainable investments (Y%). The ESAs recommend that where the minimum commitment disclosed for X% and Y% do not add up to the minimum proportion of sustainable investments (Z%), the financial market participant should include an explanation to clarify why this is the case in the asset allocation section in the templates in Annexes II and III.

- Q&A V.30 (periodic product disclosures) on page 54, which details whether financial products should calculate top investments or shares of investments in periodic disclosures in a specific way over the reference period, the ESAs state that the methodologies for periodic disclosures stem from underlying sectoral rules as complemented by SFDR. Accordingly, the ESAs cannot impose a specific way of calculating investments in the periodic reports applying to all relevant sectoral legislation.
- (b) *ESA annual report on PAI disclosures under SFDR (This is a further update to section 4(k) of the quarterly report covering the fourth quarter of 2024)*

On 9 September 2025, the Joint Committee of the ESAs published its fourth [annual report](#) on PAI disclosures under SFDR.

The report refers to both mandatory and voluntary, entity and product-level PAI disclosures published by 30 June 2024 for the reference period from 1 January to 31 December 2023.

The report builds on progress identified in previous reports. The main findings include:

- A noted effort by financial market participants ("FMPs") to publish more complete and compliant information, with a general improvement in the quality of information provided.
- Confirmation of trends from previous years, such as that FMPs that are part of a larger multinational group disclose the information on sustainability in a more detailed and appropriate manner. Smaller entities are more likely to mix information on ESG and general marketing information with SFDR disclosures and do not make it clear whether PAIs are considered.

The report notes that several FMPs have taken on board good practices in previous annual reports and have improved their disclosures. A full list of the good and below average disclosures practices identified by the ESAs based both on NCAs' observations and the ESAs' own desk-based analysis is included in the Annex to the report, including the following good practices:

- **Accessibility:** easily locatable from the home page via direct link or keyword search.
- **Clarity:** following the order of SFDR Delegated Regulation, Annex I with description of actions taken or planned and targets for the next reference period.
- **Completeness:** clear explanation of year-on-year reasons for PAI data changes and detailed CO2 emissions indicators
- **Quality:** comprehensive and detailed statements containing high-quality information that is coherent, well-structured, and provide clear justification and context for each indicator, including disclosure of used calculation methodology, sources and assumptions, accompanied by specific targets and metrics
- **Quantification of actions:** inclusion of all mandatory indicators, with actions and targets, detailed information on PAI monitoring, governance and escalation systems within engagement initiatives and investment strategies and of the escalation procedure in case of a lack of PAI reduction.
- **Product level disclosures:** For funds that choose to disclose their PAIs, results are disclosed for each indicator and description of suitability and coverage in %. Funds that have sustainable investment as their objective also disclose under Article 7(1) SFDR. Exclusion and stewardship measures help manage potential negative impacts on specific PAI indicators.

The report includes recommendations to national competent authorities to ensure convergent supervision of FMP practices, including the need to clearly communicate supervisory expectations to support the effective integration of PAI into FMPs' decision-making processes.

The report also includes recommendations to the Commission for its comprehensive assessment of the SFDR, including to consider the persisting value of PAI statements, possibly in shorter form with reduced indicators, to require the disclose the proportion of investments covered by data and distinguish that from the proportion that is estimated and to consider other ways of introducing meaningful proportionality for FMPs.

(c) *Thematic note on sustainability-related claims used in non-regulatory communications*

On 1 July 2025, ESMA published a related [thematic note](#) on sustainability-related claims used in non-regulatory communications.

This publication outlines four guiding principles on making sustainability claims (accurate, accessible, substantiated and up-to-date), aligned with previous publications from the ESAs and offers practical do's and don'ts, illustrated through concrete examples of good and poor practices, based on observed market practices.

The thematic note focuses on sustainability credentials such as labels or awards, as these references are among the most used claims in retail-investor focused communications. It does not introduce new regulatory or reporting requirements, but aims to support market participants making clear, fair and not misleading sustainability claims and so address greenwashing risks in support of sustainable investments.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) outlining the key takeaways from ESMA's findings on the sustainability risk integration and disclosures.

(d) *Commission delegated regulation as regards the definition of prohibited weapons (This is a further update to section 4(d) of the quarterly report covering the second quarter of 2025)*

On 28 August 2025, the Commission adopted a [delegated regulation](#) amending Delegated Regulation (EU) 2020/1818 as regards the definition of prohibited weapons following a period of scrutiny by the co-legislators.

Following publication in the OJ and entry into force, the amending delegated regulation will apply with a transitional period of six months in relation to already existing authorised benchmarks.

(e) *European Union (Corporate Sustainability Reporting) Regulations (S.I. No. 309 of 2025) (This is a further update to section 4(c) of the quarterly report covering the second quarter of 2025)*

On 7 July 2025, the European Union (Corporate Sustainability Reporting) [Regulations \(S.I. No. 309 of 2025\)](#) (the "**CSRD Regulations**") were signed into law by the Minister for Enterprise, Tourism and Employment.

The CSRD Regulations give legal effect to further amendments to the European Union (Corporate Sustainability Reporting) Regulations 2024 (S.I. No. 336/2024) and swiftly transpose Article 1 of [Directive - EU - 2025/794](#) (the "**Stop the Clock**" Directive") as regards the dates from which certain corporate sustainability reporting requirements apply. The sustainability reporting requirements for those undertakings that are currently required to comply from financial year 2025 or 2026 depending on their size are postponed by two years respectively, to 2027 and 2028, while negotiations are progressing at EU level to agree substantive changes to the scope of CSRD and CSDDD (the "**Omnibus Proposal**"). The main Omnibus Proposal is currently being negotiated and is expected to be agreed by the co-legislators by the end of 2025.

The CSRD Regulations accordingly provide welcome clarification for Irish businesses with respect to the 'stop the clock' postponement for so-called wave 2 and wave 3 companies as well as rectifying certain anomalies identified with the earlier Irish regulations, impacting the scope of companies covered. Notably, the CSRD Regulations now confirm that for the purposes of the CSRD-reporting "*a company shall not be deemed to be a large company under section 280H [Companies Act] solely by virtue of the company ... being an ineligible entity*" (which included a broad range of regulated Irish financial services providers). Accordingly, by disapplying the deeming provisions this category of financial services provider will only be in scope for CSRD reporting where they meet the CSRD size thresholds.

Further clarifications and rectifications in the CSRD Regulations align the Irish transposition more closely with the EU law, including for example the definition of net turnover for the purposes of assessing the CSRD thresholds, delivering greater legal certainty for business at all levels in Ireland.

(f) *Commission ESRS 'quick fix' amendment for companies already conducting corporate sustainability reporting*

On 9 July 2025, the Commission adopted a [Delegated Regulation](#) amending Delegated Regulation (EU) 2023/2772 which sets out the European Sustainability Reporting Standards ("ESRS"). The ESRS specify the information which companies must disclose against pursuant to their sustainability reporting obligations under the CSRD.

The proposed 'quick fix' amendments are designed to reduce the reporting burden on companies already reporting pursuant to the CSRD for the 2024 financial year (so called 'wave one' companies). Pursuant to the 'Stop the Clock' Directive adopted as part of the sustainability omnibus package of February 2025, wave two and three companies have seen their reporting obligations delayed by two years. Wave one companies were not captured by this change.

The quick fix provides that "wave 1" companies will not have to report additional information for FY2025 and FY2026 and extends certain previously unavailable phase-in reliefs.

Preparations are underway for a broader revision of the ESRS framework as part of the sustainability omnibus package of reforms. On 27 March 2025, EFRAG was officially [mandated](#) by the Commission with simplifying the ESRS, with its simplification advice due by 31 October 2025.

In a status update in June 2025, EFRAG [announced](#) that it is aiming to reach a 50%+ reduction in mandatorily disclosable data points under the ESRS with no new data points and is due to report to the Commission on the simplified ESRS in Q4 2025.

(g) *Consultation on revised and simplified exposure drafts of ESRS (This is a further update to section 4(a) of the quarterly report covering the first quarter of 2025)*

On 31 July 2025, EFRAG published a consultation on revised and simplified [exposure drafts](#) of the ESRS. Mandatory datapoints (to be reported if material) have been cut by 57% and the full set of both mandatory and voluntary disclosures is reduced by 68% and the overall length of the standards shortened by over 55%.

The consultation on the exposure drafts closes on 29 September 2025 and EFRAG aims to deliver the revised standards to the Commission in the form of technical advice.

By the second half of 2026, the Commission plans to adopt a delegated act to simplify and clarify the ESRS, by amending the ESRS Delegated Regulation ((EU) 2023/2772), as part of its broad package of work to simplify EU sustainability obligations.

(h) *Omnibus sustainability package – Taxonomy Simplification (This is a further update to section 4(b) of the quarterly report covering the first quarter of 2025)*

On 4 July 2025, the Commission adopted a [Delegated Regulation](#) and accompanying annexes amending:

- Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act) as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities; and
- Delegated Regulations (EU) 2021/2139 (Taxonomy Climate Delegated Act) and (EU) 2023/2486 (Taxonomy Environmental Delegated Act) as regards simplification of certain technical screening criteria (TSC) for determining whether economic activities cause no significant harm to environmental objectives.

The adoption of the proposed legislation and the accompanying [Q&A](#) follow a Commission [Call for Evidence](#) on simplifying the Disclosures Delegated Act under the Taxonomy run in Q1 2025.

The Delegated Regulation forms part of the Commission's proposed omnibus package amending sustainability due diligence and reducing and simplifying reporting of companies. The simplification of reporting requirements under Article 8 of the Taxonomy, include:

- Companies will be exempt from assessing taxonomy-eligibility and alignment for economic activities that are not financially material for their business. For non-financial companies, activities are considered non-material if they account for less than 10% of a company's total revenue, capital expenditure or operational expenditure. For activities classed as financially material, the Commission believes that it is appropriate to introduce a graduated approach to the materiality of the different classes of information to be reported. Financial companies only need to report simplified key performance indicators ("**KPIs**") and have an option not to report detailed taxonomy KPIs for two years.
- Taxonomy reporting templates will be streamlined by cutting the number of reported data points by 89% for financial companies and by 64% for non-financial companies.
- Reporting templates relating to performance and exposures to fossil gas and nuclear activities will be significantly reduced by the removal of general reporting duplications. Criteria for *do no significant harm* ("**DNSH**") to pollution prevention and control related to the use and presence of chemicals will be simplified.

The Delegated Regulation will be submitted to the Council of the EU and the European Parliament for scrutiny. It is due to enter into force 20 days after publication in the OJ and will apply from 1 January 2026 and will cover the 2025 financial year. Reporting undertakings are given the option to apply the measures starting with the 2026 financial year.

(i) *Memorandum of understanding ("**MoU**") on sustainable finance*

On 20 August 2025, ESMA and the European Environment Agency (the "**EE Agency**") signed a [MoU](#) to strengthen cooperation between the two institutions in sustainable finance.

ESMA's final report on greenwashing identified the need to strengthen collaboration with the EE Agency (the EU agency responsible for delivery of knowledge and data to support Europe's environment and climate goals), starting with targeted co-operation in the field of sustainability reporting. The MoU focuses on environmental factors and their integration in the EU sustainable finance framework, including the supervision of the framework. outlining the exchange of expertise, information and data with one another and support mutual capacity building activities.

ESMA and the EE Agency will also work together on facilitating the collaboration between national regulators and authorities or agencies in charge of environmental protection. Furthermore, they will jointly work on enhancing policy dialogue on various areas of the sustainable finance agenda.

The MoU will remain in effect for four years and be automatically extended for an unlimited period of time unless objected to by either party.

(j) *Central Bank article on climate change and Irish firms*

During the period, the Central Bank published its latest [statistical data note](#) entitled 'Behind the Data - Beliefs and barriers: Climate change and Irish firms' access to finance'.

The statistical analysis explores survey data relating to Irish firms' concerns about climate change and climate-related investment, noting the private sector will play a fundamental role in financing the transition to a climate-neutral economy.

The data reveals that Irish firms are concerned about climate risks yet report lower levels of investment towards mitigating physical risk than their European peers. Both the cost of finance and climate-specific factors contribute to obstacles in accessing finance. These barriers reveal to the authors a need among Irish firms to expand sustainable finance to meet firms' needs in building climate-resilience, greening their operations, and developing sustainable products and services.

(k) *Commission recommendation on SME voluntary reporting standard (This is a further update to section 4(a) of the quarterly report covering the first quarter of 2025)*

On 30 July 2025 the Commission adopted a [recommendation](#) (the "**Recommendation**") and accompanying [Q&A](#) on a voluntary sustainability reporting standard for non-listed SMEs and micro-undertakings, currently out of scope of the CSRD

The voluntary standard is intended to limit the so-called "trickle-down effect" that is created by the requirement to conduct supply chain due diligence and report related information under the CSRD and the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) (CSDDD).

The Recommendation is presented as an interim solution to help SMEs respond to sustainability information requests from large undertakings in their value chain, financial institutions and other stakeholders, while the Omnibus Proposal is negotiated. The Commission recommends that these entities should limit as far as possible their requests for information to that contained in the voluntary sustainability reporting standard contained in Annex I to the Recommendation.

The Commission notes that any future voluntary reporting standard adopted under the Omnibus Proposal may differ from the Recommendation, in the light of the provisions of that proposal and the changes that may be made as a result of their negotiation.

This report is for information purposes only, does not purport to represent legal or taxation 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 please speak to your usual contact in Walkers or any of the Walkers' Asset Management & Investment Funds group.