

## **Asset Management and Investment Funds**

### **Legal and Regulatory Quarterly Report**

Covering the period  
1 April 2025 – 30 June 2025



KEY DATES	
2025	
25 June 2025	EMIR 3.0 active account requirement for in-scope counterparties.
30 June 2025	Fund management companies ("FMCs") managing exchange traded funds ("ETFs") to have reviewed their frameworks and practices.
30 June 2025	Deadline for in-scope Irish authorised FMCs to submit their completed delegated practices questionnaire to the Central Bank.
18 August 2025	Commencement of daily investment fund return (DIFR) phase 2 obligations (reporting data effective 14 August 2025).
December 2025	First reporting reference for the new resident investment funds return for the collection of data under ECB Regulation (EU) 2024/1988 on investment fund statistics.
2026	
1 January 2026	Regulation (EU) 2025/914 amending the Benchmarks Regulation to commence application.
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 laws.
2 July 2026	Regulation (EU) 2024/3005 on ESG Ratings Providers to commence application.

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:

**ESMA** published its technical advice to the Commission on the review of the **UCITS Eligible Assets Directive 2007/16/EC ("EAD") (section 1.1)**.

- **The report makes a number of proposals aimed at ensuring regulatory clarity, as well as uniformity across jurisdictions. If implemented, ESMA's proposed legislative updates to the EAD and UCITS Directive could have a significant impact on UCITS product rules including restricting the universe of eligible assets available to UCITS.**

**ESMA** published its final report on the 2023-2024 common supervisory action ("**CSA**") carried out with national competent authorities ("**NCA**s") on integrating sustainability risks and disclosures (**section 4(a)**).

- **The report makes a number of recommendations to both NCAs and financial market participants around enhancing supervisory convergence, improving integration of sustainability risks and strengthening disclosures, both at an entity level and for SFDR Article 8 and Article 9 funds.**

The **Central Bank of Ireland** (the "**Central Bank**") published consultation paper 160 ("**CP160**") on amendments to its **fitness and probity ("F&P")** guidance, as well as a report outlining the progress made on implementing recommendations of the independent F&P review (**section 2.4**).

- **CP160 addresses recommendations for increased clarity and transparency of supervisory expectations in relation to the F&P regime and will be of interest to regulated firms and proposed appointees to CF/PCF roles.**

In a significant development, the **Central Bank** published its updated UCITS Q&A (**section 1.4**) amending its portfolio disclosure requirements to provide that **Irish ETFs** can now disclose portfolio holdings on a periodic basis.

- **The change in Central Bank policy on portfolio transparency enables the establishment of semi-transparent ETFs in Ireland by allowing for a delayed portfolio holdings disclosure and delivers on one of the recommendations of the government's Funds Sector 2030 report as well as further enhancing Ireland's reputation as the leading European domicile for ETFs.**

The **DoF** published its feedback statement on the outcome of its consultation on its exercise of AIFMD II national discretions (**section 1.2**).

- **The feedback statement confirms the decisions taken in relation to the national discretions and paves the way for the DoF to bring forward the necessary legislation to transpose AIFMD II into Irish law by 16 April 2026.**

**ESMA** published its final reports on regulatory technical standards ("**RTS**") and Guidelines on Liquidity Management Tools ("**LMTs**") under AIFMD II (**section 1.3**).

- **ESMA's reports on its final LMT rules constitute key deliverables on Level 2 and 3 measures underpinning the implementation of AIFMD II and are relevant for open-ended AIFs and UCITS and their FMCs.**

<p><b>IOSCO</b> published its final recommendations for liquidity risk management for collective investment schemes (<b>section 3.8</b>).</p>
<ul style="list-style-type: none"> <li>• <b>The final report sets out 17 recommendations and confirms that exchange-traded funds and money-market funds are outside the scope of the Recommendations.</b></li> </ul>
<p><b>ESMA</b> published 14 principles on <b>third-party risk supervision</b> to assist supervisory authorities to identify, assess and supervise third-party risks across the EU financial system (<b>section 3.4(a)</b>).</p>
<ul style="list-style-type: none"> <li>• <b>The principles cover all types of third-party arrangements, other than ICT services under DORA and supervisors are directed to apply the principles in a proportionate manner.</b></li> </ul>
<p>The <b>Central Bank</b> launched a review of qualitative and quantitative aspects of FMC delegation practices of Irish authorised FMCs (<b>section 1.5</b>).</p>
<ul style="list-style-type: none"> <li>• <b>The review sought to supplement last years' delegation review in order to provide the Central Bank with a more holistic understanding of both the qualitative and quantitative aspects of delegation by Irish-authorised fund management companies.</b></li> </ul>
<p>The <b>Central Bank</b> and the Hong Kong Securities and Futures Commission entered into a Memorandum of Understanding on Mutual Recognition of Funds ("<b>MoU</b>") (<b>section 2.3(a)</b>).</p>
<ul style="list-style-type: none"> <li>• <b>The MoU creates a fast-track approval process to streamline registration and distribution of eligible funds in the Irish and Hong Kong markets through a Mutual Recognition Framework. Irish UCITS with Irish UCITS management companies meeting the eligibility criteria will be able to avail of the new process for registering shares in UCITS products for sale in Hong Kong.</b></li> </ul>
<p>The <b>Central Bank</b> published the template return and guidance note for phase 2 of the <b>daily investment fund return ("DIFR")</b> alongside an updated DIFR guidance note (<b>section 2.1</b>).</p>
<ul style="list-style-type: none"> <li>• <b>The return is applicable to all Central Bank authorised investment funds having a non-zero net asset value, except money market funds. Phase 2 reporting on the employment of LMTs will commence on 18 August 2025. It is the responsibility of investment funds to ensure that the DIFR submissions are completed accurately on time and in practice, it is anticipated that fund administrators will be delegated access on the Central Bank portal to submit such returns.</b></li> </ul>
<p>The Commission's work to create a <b>Savings and Investments Union ("SIU")</b> and initiatives aimed at reducing regulatory burden for firms operating within the EU, continues apace (<b>section 3.2</b>), with a number of consultations and proposals issued during the period, including a targeted consultation on obstacles to <b>capital markets integration</b> across the EU (<b>section 3.2(a)</b>).</p>
<ul style="list-style-type: none"> <li>• <b>This consultation is a key part of rolling out the SIU strategy. The focus of the consultation including the effectiveness of authorisation processes and of supervisory frameworks, demonstrates the Commission is in listening mode. The consultation will feed into a number of proposed legislative initiatives by the end of 2025 which will be of particular interest for the European asset management sector.</b></li> </ul>
<p>At a European level, the <b>Commission</b> launched its call for evidence on the revision of the <b>SFDR</b> (<b>section 4(b)</b>), ahead of its forthcoming legislative proposal scheduled for Q4 2025.</p>
<ul style="list-style-type: none"> <li>• <b>Against the backdrop of its current focus on market competitiveness and simplification, the European Commission continues its engagement on the possible options for the future of SFDR. These options include limiting the revamp of SFDR to targeted changes and clarifications to the existing disclosures or turning to a potential categorisation or labelling system.</b></li> </ul>

## 1. AIFMD AND UCITS DEVELOPMENTS

### 1.1 ESMA's technical advice to the European Commission (the "**Commission**") on the Commission Directive 2007/16/EC on UCITS Eligible Assets ("**EAD**") *(This is a further update to section 1.1 of the quarterly report covering the second quarter of 2024)*

On 26 June 2025, ESMA published its technical [advice](#) to the Commission on the review of the UCITS EAD, following ESMA's Call for Evidence ("**CfE**") and a comprehensive survey and data collection exercise carried out with national competent authorities ("**NCAs**").

The report assesses EAD implementation across member states and makes proposals aimed at ensuring regulatory clarity as well as uniformity across jurisdictions. A central element of the technical advice is the application of a look-through approach as a fundamental criterion for determining the eligibility of asset classes i.e. for at least 90% of a UCITS portfolio.

Allowing a certain degree of flexibility with a view to improving risk diversification and generating returns from uncorrelated asset classes, ESMA's advice proposes that the 10% limit under Article 50(2)(a) of the Directive 2009/65/EC, as amended (the "**UCITS Directive**") (known as the 'trash ratio') be extended to all eligible asset classes listed in the UCITS Directive, including financial derivative instruments and units or shares of open-ended alternative investment funds ("**AIFs**"). ESMA would permit in this limit indirect exposures to otherwise ineligible assets up to subject to regulatory safeguards.

ESMA highlights the importance of ensuring adequate disclosures to investors for all exposures, especially those within the trash ratio, ensuring that retail investors are able to understand the benefits and risks associated with the envisaged investments and how those risks are managed.

ESMA sees merit in not presuming the liquidity and negotiability of listed instruments which should be assessed ex-ante and on an ongoing basis.

To ensure an orderly transition, ESMA's proposals provide for granting sufficiently long transitional periods to allow relevant UCITS management company to adapt their portfolios (e.g. where UCITS have indirect exposures beyond 10% to alternative assets), where needed.

Noting currently divergent NCA positions and market practices on UCITS eligibility of relevant asset classes and to promote convergence in practice as well as to reduce technical complexities for firms, ESMA invites the Commission to use directly applicable EU regulations in the UCITS space as opposed to the current legislative approach of using minimum harmonisation directives.

ESMA's proposed legislative updates to the EAD and UCITS Directive are included in Annex VI of the final report. The Commission will now commence its review of ESMA's proposals to ascertain whether any proposed amendments are required to the EAD and/or the UCITS Directive.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) providing a detailed overview of the technical advice and next steps.

### 1.2 Department of Finance ("**DoF**") feedback statement on exercise of AIFMD II national discretions *(This is a further update to section 1.2 of the quarterly report covering the fourth quarter of 2024)*

On 8 May 2025, the DoF [published](#) the outcome of its consultation on its exercise of AIFMD II national discretions in the form of its public consultation [feedback statement](#) and an associated [regulatory impact analysis](#).

The feedback statement confirms the decisions taken in relation to the national discretions and paves the way for the necessary legislation to transpose AIFMD II into Irish law by 16 April 2026.

Ireland was required to decide on four national discretions provided by the Directive:

- Discretion 1: Ancillary activities and non-core services for AIFMs



Ireland **will** exercise this discretion in full, allowing external AIFMs to provide additional ancillary activities (including administration of benchmarks and credit servicing) and non-core services for third parties, subject to conflict of interest management.

- Discretion 2: Prohibition on loan origination to consumers

Ireland **will** exercise this discretion in full, prohibiting all AIFs (regardless of domicile) from granting loans to Irish consumers. This maintains the status quo and addresses consumer protection and reputational concerns.

- Discretion 3: Appointment of depositaries in other member states

Ireland **will not** exercise this discretion. The Central Bank will not permit Irish-domiciled AIFs to appoint depositaries established outside Ireland, as the domestic market is well-served (25 depositaries, €5.3 trillion in assets under custody).

- Discretion 4: Ancillary and non-core services for UCITS management companies

Ireland **will** exercise this discretion in full, allowing UCITS management companies to provide additional ancillary and non-core services (including reception and transmission of orders, administration of benchmarks, and certain third-party services), aligning them with AIFMs.

*Next steps:* DoF officials, with technical assistance provided by the Central Bank, will draft and implement the necessary legislation to transpose AIFMD II into Irish law by the deadline, ensuring timely and efficient implementation.

Walkers' Asset Management & Investment Funds team have published an [advisory](#) on the outcome of the consultation.

### 1.3 ESMA publishes proposed rules on AIFMD II LMTs *(This is a further update to section 2.3 of the quarterly report covering the third quarter of 2024)*

On 15 April 2025, ESMA published its draft [Regulatory Technical Standards](#) ("**RTS**") to determine the characteristics of Liquidity Management Tools ("**LMTs**") and a [final report](#) on the guidelines on the selection and calibration of LMTs (the "**Guidelines**").

The rules aim to promote convergent application of the directives for both UCITS and open-ended AIFs and to better equip EU fund managers to manage the liquidity of their funds, in preparation for stressed market situations. The draft RTS will also clarify the functioning of LMTs, such as the use of side pockets for which rules currently vary across the EU.

Following a public consultation, ESMA has responded to feedback and introduced the following changes to the original rules contained in the consultation:

- introducing flexibility in the methodology for the activation (AIFs only) and the application of redemption gates;
- removing the provisions on the application of LMTs to share classes; and
- disapplication of the rule on the pro-rata approach in the case of redemptions in kind to ETFs. Accordingly, when authorised participants/market makers use redemptions in kind for the purpose of the creation/redemption of shares of ETFs, this should not qualify as an LMT.

The Guidelines covering (i) governance and/or organisational obligations, (ii) additional disclosure to investors and (iii) the verification steps to be taken by depositaries over the LMT procedures of FMCs, have each been removed from the Guidelines. Other guidelines were removed which had imposed more restrictive obligations on the selection, activation and calibration of LMTs than in the Level 1 text, as well as some streamlining to avoid any overlaps between the Level 1 / 2 measures.

*Next steps:* The draft RTS have been submitted to the Commission for adoption. The Commission will make their decision on whether to adopt the RTS within three months. The Commission may extend that period by one month.

Should the Commission amend the draft RTS in a way that impact the Guidelines, ESMA will in turn adjust the Guidelines to ensure full consistency between the RTS and the Guidelines. The Guidelines will then apply upon the application date of the RTS. FMCs of in-scope funds existing before the date of application of the Guidelines would be grandfathered for twelve months from the application date of the RTS.

This publication is a key step in the implementation of AIFMD II and will facilitate the harmonisation and full availability of the LMTs defined in the relevant directive in all EU member states. Walkers' Asset Management & Investment Funds group have published a practical [timeline](#) '*AIFMD II: timeline to implementation*' showcasing key milestones over the coming period including the timing of ESMA's remaining key deliverables on Level 2 and 3 measures underpinning AIFMD II.

#### 1.4 Central Bank of Ireland (the "**Central Bank**") UCITS Q&A (42nd edition) *(This is a further update to section 3.1(b) of the quarterly report covering the fourth quarter of 2024)*

On 17 April 2025, the Central Bank published the [42nd edition](#) of its UCITS Q&A.

This latest edition revises Q&A ID 1012 to encompass changes to certain ETF portfolio transparency requirements by providing for the ability to establish semi-transparent ETFs. The Q&A delivers on one of the recommendations of the Department of Finance Funds Sector 2030 report to facilitate Irish-domiciled active ETFs. The Q&A provides that an ETF can now disclose its portfolio holdings as at the end of each calendar quarter within 30 business days of the end of that quarter.

Accordingly, ID 1012 provides that periodic disclosure of portfolio holdings of the ETF/ETF share class is permitted, subject to the responsible person ensuring the following:

- appropriate information is disclosed on a daily basis to facilitate an effective arbitrage mechanism with documented procedures to address circumstances where the arbitrage mechanism is impaired;
- the prospectus discloses this type of information;
- this information is made available on a non-discriminatory basis to authorised participants and market makers;
- there is a documented procedure for investors to request portfolio information; and,
- the portfolio holdings as at the end of each calendar quarter are disclosed publicly within 30 business-days of the end of the quarter.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) on the significance of this new policy position for the ETF sector.

#### 1.5 Review of delegation practices of Irish authorised fund management companies ("**FMCs**")

On 30 May 2025, the Central Bank launched a questionnaire review of qualitative and quantitative aspects of FMC delegation practices. The questionnaire seeks detailed information on governance structures, delegation of portfolio and risk management, oversight arrangements, and compliance with UCITS and AIFMD regulations.

The questionnaire follows the delegation review of Irish authorised FMCs completed by the Central Bank in 2024, which primarily used quantitative metrics to measure levels of delegation. This review seeks to supplement the 2024 exercise in order to gain a more holistic understanding of both the qualitative and quantitative aspects of delegation in the Funds Sector. The reference date for quantitative data is 30 April 2025.

The Central Bank also provided guidance notes to assist with the completion of the delegated practices questionnaire by FMCs. The Central Bank requests that management of the FMC have visibility of the final questionnaire response and are satisfied with its content prior to submission. The Central Bank expects its communication should be promptly shared with the board of the FMC.

Each recipient FMC was required to complete the questionnaire and submit the final document via the Central Bank's portal return by 30 June 2025.

## 1.6 ESMA publishes a new Q&A on cross-border marketing of UCITS

On 18 June 2025, ESMA published a new [Q&A 2575](#) relating to updated notification letters for the cross-border marketing of UCITS.

The Q&A confirms that when under Article 93(8) of the UCITS Directive a UCITS gives advance written notice to the competent authorities of the UCITS home member state and the UCITS host member states, of a change to the information in the cross-border marketing notification letter, or a change regarding share classes to be marketed, the obligation, to give written notice, should be understood as covering only the updated information in Annex 1 of the Commission Implementing Regulation (EU) 2024/910 compared to the previous notification and not the amended fund documents.

## 2. CENTRAL BANK UPDATES

### 2.1 Daily Investment Fund Return ("DIFR") – phase 2 reporting on LMTs *(This is a further update to section 2.7 of the quarterly report covering the fourth quarter of 2024)*

During June, the Central Bank [published](#) on its website the template for DIFR phase 2 reporting focused on the employment of LMTs alongside an updated DIFR guidance note. DIFR phase 2 replaces trigger-based liquidity reporting.

The DIFR applies to every Irish-resident non-money market investment fund (all trading frequencies including ad-hoc) that issues its own shares/units/interests, has a non-zero net asset value and is authorised by the Central Bank of Ireland. Money market funds are out of scope for DIFR reporting and continue to report the daily Money Market Fund Return. Responsibility for this return lies with the directors of each fund. While the investment fund may choose to delegate this activity to another party, the obligation remains with the fund.

There will be no active list of funds to be reported, due to the impracticality of scheduling returns by dealing date for all types of funds. Funds will need to be monitored to ensure submissions for each relevant dealing date. It is expected that the return will be automatically delegated to the fund administrator by default on the Central Bank's portal.

The go live date for Phase 1 was 12 December 2024. Phase 2 DIFR reporting obligations will go-live on 18 August 2025 (reporting data effective from 14 August 2025).

### 2.2 Fund profile return update *(This is a further update to section 2.4 of the quarterly report covering the fourth quarter of 2024)*

On 8 May 2025, the Central Bank published its updated [guidance](#) on the Fund Profile Return, which takes into account its revised template Fund Profile Return (version 3).

The latest template reflects a number of newly added questions and amendments to existing questions. The new questions cover the following topics; an investment fund's target market, fixed operating expenses, eligible assets characteristics, redemption and valuation frequency, a focus on bond investments and real estate holdings (each as applicable) and dividend distribution types.

## 2.3 Markets updates

### (a) Issue 4 of 2025

On 14 May 2025, the Central Bank published its latest markets update ([issue 4/2025](#)), which contains an update on the newly revised Memorandum of Understanding on mutual recognition of funds ("**MoU**") between the Central Bank and the Hong Kong Securities and Futures Commission ("**SFC**").

Pursuant to the MoU, the Central Bank has [announced](#) a streamlining of distribution arrangements for eligible funds in each of the Irish and Hong Kong markets, through a Mutual Recognition Framework ("**MFR**"). The MFR will enable regulatory cooperation and an expedited process of registration in relation to the cross-border offering of:

- (i) certain Central Bank authorised UCITS in Hong Kong, and
- (ii) Hong Kong collective investment schemes ("**CIS**") that meet certain eligibility criteria in Ireland.

Accordingly, eligible UCITS may be processed under the SFC's 'FASTrack' approach expediting the registration process.

*Central Bank authorised UCITS seeking to market to the public in Hong Kong via the MRF (outward marketing)*

The SFC [circular](#) addresses requirements for Irish covered funds to use the MFR. "Irish Covered Fund" refers to an Irish fund that is eligible for or has received SFC authorisation under the MFR.

The Central Bank-authorised UCITS must fall in one of the following categories to be eligible as a Covered Fund for the FASTrack process:

- general equity fund;
- bond fund;
- mixed fund;
- a fund that invests in other schemes;
- unlisted index fund;
- passively managed index tracking ETF;
- listed open-ended fund (active ETF); or
- feeder fund where the underlying fund falls in one of the foregoing categories.

Irish UCITS' will not qualify for FASTrack in the following circumstances:

- where leverage arising from the use of derivatives exceeds 100% of NAV calculation under the commitment approach;
- where investing in
  - crypto-assets or crypto-currencies.
  - physical commodities (including precious metals, commodity-based investments or real estate); or
  - certificates representing any of these assets.

The UCITS must appoint a Hong Kong representative and comply with applicable Hong Kong laws and regulations relating to sale, distribution and ongoing compliance. The UCITS management company must provide the template letter of confirmation and confirm it has a paid-up share capital and non-distributable reserves of HK\$10 million or its equivalent in euro.

As an initial step, the [MRF Application Form: outward application](#) must be completed in respect of an applicant UCITS and its management company and submitted via email to the Central Bank for certification.

Once the Central Bank has confirmed to the applicant that it has issued the relevant certification to the SFC, the applicant UCITS and its management company must then submit its application for

authorisation to the SFC directly in accordance with the regular FASTrack authorisation process to achieve marketing approval. The SFC undertakes to complete authorisation within 15 business days.

*Hong Kong CIS seeking to market to the public in Ireland via the MRF (inward marketing)*

The Central Bank has issued a similar [circular](#) addressing its requirements for Hong Kong CIS, that are eligible for Central Bank approval or have received Central Bank approval under the MRF (Hong Kong covered funds), to use the MFR.

A Hong Kong covered fund and its manager must engage directly with the Central Bank to achieve marketing approval by completing a [MRF Application Form: inward application](#) which should be sent together with relevant attachments, to [HongKongMRF@centralbank.ie](mailto:HongKongMRF@centralbank.ie).

The latest markets update also contains an update on the [ESMA Final Report on the Listing Act Technical Advice](#).

(b) *Issue 3 of 2025*

On 17 April 2025, the Central Bank published its latest [Markets Update](#) (issue 3 of 2025), containing the following updates:

- [Central Bank publishes 42<sup>nd</sup> Edition of the UCITS Q&A](#) (as detailed at section 1.4 of this report); and
- [Central Bank publishes a notice of intention in relation to the application of the ESMA Guidelines on stress test scenarios under the Money Market Fund \("MMF"\) Regulation](#).

The notice of intention sets out that the Central Bank expects full compliance with the stress test guidelines from 4 May 2025. It again highlights that the Central Bank intends, in due course, to consult on the incorporation of a provision in the Central Bank UCITS Regulations and AIF Rulebook that all FMCs of MMFs adhere to the stress test guidelines.

(c) *Issue 2 of 2025*

On 8 April 2025, the Central Bank published its [Markets Update](#) (issue 2 of 2025), containing the following updates:

- [Commission Consultation re prospectuses](#);

The Commission published a targeted consultation on the reduced content and the standardised format and sequence of the EU follow-on prospectus and the EU growth issuance prospectus. The consultation is addressed to all potential issuers and users (investors or others) of the EU follow-on prospectus and EU growth issuance prospectus in the EU, irrespective of the domicile of these market participants or users and is of particular relevance to listed closed-ended funds.

- [Amended Guidance on Investor Money Requirements](#);
- [ESMA Consultation re format of insider lists](#).

2.4 Consultation on amendments to the F&P regime (*This is a further update to section 2.3 of the quarterly report covering the fourth quarter of 2024*)

On 10 April 2025, the Central Bank published [consultation paper 160](#) on amendments to the F&P regime arising from the recommendations of the independent "Enria review" of the F&P regime, along with further draft [guidance](#) on the F&P standards (the "**Standards**").

CP160 addresses the recommendations for increased clarity and transparency of supervisory expectations in relation to the application of the Standards (Chapter 2) and includes a review of the list of prescribed pre-approval controlled functions ("**PCFs**") (Chapter 3).



CP160 proposes to update and consolidate the guidance on the Standards in order to aid navigation and clarity and assist with the consistent interpretation and application of the Standards. In addition, it incorporates and addresses feedback captured as part of the Enria review, that the Central Bank should provide greater certainty on its expectations for persons performing key roles at board level. Where consolidated, the Central Bank would then remove obsolete or otherwise redundant guidance from its website. By standardising these procedures, the Central Bank aims to enhance the overall quality of the F&P gatekeeping assessments.

CP160 proposes an initial targeted refinement of the categorisation of PCFs to make the list simpler and clearer. The Central Bank is undertaking a more substantive review of the overall number of roles that have been designated as requiring pre-approval throughout 2025 and 2026, with a view to identifying possible changes to the roles designated as PCFs.

The Central Bank also published the following [new F&P reports](#):

- The F&P [Implementation Report](#), which provides details on the progress made by the Central Bank on the 12 recommendations in the Enria review in its focus areas of (a) clarity of supervisory expectations; (b) internal governance of the process; and (c) fairness, efficiency and transparency of the process. The report highlights key achievements effected in strengthening its F&P gatekeeping processes:
  - Establishing a dedicated F&P Unit streamlining operations and ensuring a more cohesive assessment framework.
  - Creation of a 'Gatekeeping Decisions Committee' within the Central Bank, chaired by the Deputy Governor for Financial Regulation to consider cases of potential refusal – thereby increasing the seniority and importance of decision making.
- To assist firms, in addition to the consolidation and enhancement of F&P guidance (the subject of the consultation) the Central Bank has published a new F&P [Gatekeeper Process](#) document to explain each stage of the PCF application process. It includes the engagement that can be expected from the Central Bank through each stage of the F&P process, detailing enhancements in terms of notification of interviews, interview length (commitment to 90 minutes interviews), time to process applications and provision of feedback post interview.

To ensure transparency and accuracy, the expectation is that the Central Bank will provide minutes or other records of the interview to the regulated entity and proposed appointee within five working days, allowing a further five working days for the interviewee to respond in relation to any perceived factual inaccuracies in the minutes or other record of what was said in the interview.

The Gatekeeper Process document reiterates and emphasises the Central Bank's expectations of the financial services industry, including the primary role of regulated firms in the F&P process and the proportionate due diligence that should be completed by regulated entities prior to submitting F&P applications to the Central Bank.

The Central Bank will host an industry stakeholder meeting on F&P gatekeeping in Q2 2025, alongside ad hoc sectoral engagements when required. Submissions to the consultation proposals can be made during a three-month period until 10 July 2025.

Walkers' Regulatory & Risk Advisory group have published their latest [advisory](#) outlining the proposed changes to the F&P regime.

## 2.5 Individual Accountability Framework ("IAF") updated Questions from Stakeholders *(This is a further update to section 2.11 of the quarterly report covering the fourth quarter of 2024)*

On 18 June 2025, the Central Bank published an updated series of answers to [Questions from Stakeholders](#) ("Q&A") which will be integrated into IAF regime.

The updated Q&As 2.4 to 2.10 address recent questions from industry regarding the application of the Senior Executive Accountability Regime to non-executive directors of in-scope firms from 1 July 2025.

## 2.6 Regulatory reporting requirements

On 28 April 2025, the Central Bank published revised versions of its regulatory reporting requirements document for the following types of fund service providers:

- [Reporting Requirements for AIFMs](#)
- [Reporting Requirements for UCITS Management Companies](#)
- [Reporting Requirements for AIF Management Companies](#)
- [Reporting Requirements for Fund Administrators](#)
- [Reporting Requirements for Depositaries.](#)

## 2.7 Speeches during the period

### (a) *Irish Funds Annual Global Funds Conference*

On 21 May 2025, Deputy Governor, Mary-Elizabeth McMunn delivered the [keynote address](#) at the Irish Funds Annual Global Funds Conference entitled “*Outcomes and Opportunities – responding to challenge and change*”. Her remarks focused on geo-economic fragmentation, the Regulatory and Supervisory outlook and the EU’s Savings Investment Union (“**SIU**”) and simplification agenda.

On **Resilience and Preparedness**, the Irish financial sector has managed recent volatility well, but the Central Bank emphasises the need for continued vigilance and preparation for future shocks. The economic outlook is characterised by downside risks, including the potential for a significant slowdown, worsening trade tensions, tighter financial conditions, and complex interconnections that could amplify negative shocks. The speech urges that the current period of relative calm should be availed of to strengthen financial and operational resilience.

**Key areas of focus** for the funds sector include:

**Financial Stability:** The development of a macro-prudential policy framework for the funds sector remains a focus for the Central Bank – including via international work ongoing on liquidity risk management in open-ended funds.

Emphasis on operational resilience, particularly the implementation of the Digital Operational Resilience Act (Regulation (EU) 2022/2554) (“**DORA**”), and the effectiveness of fund management companies in governance, resourcing, and outsourcing and their operational resilience and outsourcing. Her remarks also flagged that a survey of FMCs would be launched by end of May with the objective of ensuring the Central Bank have a comprehensive understanding of different business models and approaches in the sector.

**Financial Integrity:** Strengthening AML risk assessments, governance, and oversight to protect against financial crime and market abuse.

**Consumer and Investor Protection:** Ensuring complex investment strategies do not harm consumers, and supporting innovation, product choice, and market functioning.

On **Innovation and Technology**, the speech reiterates the Central Bank’s recognition of the transformative potential of distributed ledger technology (“**DLT**”) and tokenisation. The Central Bank is engaging on the development and potential use of this technology and wants to ensure there are no unintended regulatory impediments to tokenisation of traditional assets or if enabling regulation is required. The speech stresses an onus on industry to adapt and innovate on tokenisation to remain competitive.

On the **SIU** and **Regulatory Efficiency**, the Central Bank supports tangible actions to build deeper, more liquid capital markets, including European savings and investment accounts and the development of securitisation markets, rather than focusing on building more regulatory architecture. The Funds

Sector 2030 review is a positive example of a national initiative, and the Central Bank are progressing implementation of the recommendations.

The Central Bank welcomes efforts to simplify regulatory frameworks, provided that simplification does not equate to deregulation or lower standards. Its objective is in delivering these same standards in simpler and less burdensome ways. The speech noted that the Central Bank is open to industry feedback on unnecessary complexity and to hear about areas where there are unnecessary rules or where processes or requirements can be improved.

The speech concludes with a call to embrace both the challenges and opportunities presented by the current environment.

Also at the IF annual conference, the Minister for Finance, Paschal Donohue delivered a [keynote speech](#) where he highlighted the resilience and strength of Ireland's funds and asset management industry and the need to improve financial literacy in order to develop a retail investment culture within the EU.

The Minister reiterated the Government's commitment to maintaining Ireland's leadership and expertise in the funds and asset management sector. On the **SIU**, the Minister explained that he expects Ireland will play an outsized role in progressing the EU's strategy, encompassing both Capital Markets Union and Banking Union.

On the recommendations of the DoF's **Fund sector review 2030**, he noted the review of the AIF Rulebook and associated requirements impacting on the establishment of private asset funds is being conducted in the context of the transposition of AIFMD II and that the Central Bank is engaging closely with industry on this work. His remarks also recognised that in order to capitalise on opportunities in aspects of private assets, it is important that the legislative and regulatory environment remains agile and that the authorities continue to engage closely with industry.

The Minister also updated that DoF officials are actively working on a package of measures to improve the attractiveness of the ILP for consideration in advance of this year's Finance Bill.

Walkers have contributed an [article](#) to the Irish Funds Annual Conference Magazine highlighting the dynamic rise of private assets and the opportunities for Ireland, entitled 'Ireland's Private Funds Landscape: A New Era of Growth and Opportunity'.

(b) *Innovation in a Digitalising World*

On 13 May 2025, Deputy Governor, McMunn delivered [remarks](#) entitled '*Innovation in a Digitalising World: Tokenisation, Digital Assets and MiCAR Update*' at the National Fintech Summit.

Ms McMunn's remarks outlined the Central Bank's approach to innovation in the financial sector, emphasising the balance between fostering technological advancement and managing associated risks. The speech highlighted the Central Bank's commitment to supporting innovation through initiatives such as the Innovation Hub and the newly established Innovation Sandbox Programme, which aim to deepen engagement with the fintech ecosystem and support early-stage development of solutions that benefit consumers and the financial system.

Ms McMunn addressed the regulatory landscape, noting that frameworks like Markets in Crypto-Assets Regulation ((EU) 2023/1114) ("**MiCAR**") and DORA are crucial for enabling safe digital finance and building trust. She stressed that while the Central Bank is not anti-risk or anti-innovation, it is essential that innovation is well-managed to protect consumers and maintain system integrity. On digital assets, the speech underscored the Central Bank's cautious stance towards highly volatile forms of crypto-assets, particularly those marketed to retail customers for speculative purposes, and the limitations of MiCAR in providing consumer protections. However, the Central Bank recognises the potential of DLT and tokenisation to transform financial services, provided these innovations are trustworthy and resilient.

Finally, the Deputy Governor discussed the Central Bank's role in ensuring regulation does not hinder beneficial tokenisation and in supporting public sector innovation to keep pace with private sector

developments, especially in payments and settlement systems. The speech concluded with a call for continued investment in innovation to ensure the financial sector remains robust and future-proofed amidst ongoing digital transformation and geopolitical challenges.

(c) *Blockchain Ireland Summit 2025*

On 27 May 2025, Director of Capital Markets and Funds, Gerry Cross delivered [remarks](#) at the Blockchain Ireland Summit 2025 entitled '*Technology, Innovation, Regulation – a powerful nexus for a successful financial system*'. He emphasised the Central Bank's commitment to supporting innovation while ensuring robust risk management and consumer protection.

His remarks covered the implementation of MiCAR, The revised Consumer Protection Code and the Innovation Sandbox Programme. On 30 May 2024, the Central Bank published their annual [Innovation Hub Report](#) (2024) detailing over 70 inquiries, with AI and digital assets emerging as some of the most prominent areas of interest, with sections of the report dedicated to digital asset custody, tokenisation, and decentralised finance. The Innovation Sandbox Programme provided firms a secure space for testing products under regulatory oversight. Looking ahead, the Central Bank aims to expand the Innovation Sandbox and deepen engagement with emerging technologies, particularly AI and digital assets, reinforcing its commitment to regulatory evolution.

Mr Cross also discussed the potential of DLT and tokenisation to improve efficiency in financial market infrastructure, while noting the need to address operational and governance risks and to avoid system fragmentation.

(d) *Shocks and shifts – Regulation and Supervision in a changing world*

On 3 April 2025, the Deputy Governor, Financial Regulation Mary-Elizabeth McMunn delivered a [speech](#) entitled '*Shocks and shifts – Regulation and Supervision in a changing world*' at the Institute of Banking.

Ms McMunn's remarks acknowledged the rapidly changing financial sector, which has led to the Central Bank adopting a more integrated approach to supervision. As set out in the [press release](#), addressing the EU's regulatory simplification agenda, the Deputy Governor noted the Central Bank supports simplification. "It is our job as good policymakers to ensure our regulations are proportionate and appropriate. But it is also our job as an independent central bank and regulator to call out the risks should simplification slide into de-regulation and lower standards. Simpler standards should not mean lower standards ...and still need to deliver the same outcomes."

(e) *Some reflections on geoeconomic fragmentation*

On 30 April 2025, Governor Makhoul delivered [remarks](#) entitled '*Some reflections on geoeconomic fragmentation*'.

The Governor reflected on recent global developments, what these may mean for the economic outlook, and in turn how economic policy in Ireland and Europe more generally should evolve.

## 2.8 Appointment - New Director of Policy and International

On 29 April 2025, the Central Bank [announced](#) it has appointed Mícheál O'Keeffe to the role of Director of Policy and International.

As Director, Mícheál will be a member of the Central Bank's Senior Leadership Team and will be responsible for leading the development of financial regulation domestically and internationally and will commence the role on 23 June 2025.

## 2.9 Authorisations and Gatekeeping Report (2024) *(This is a further update to section 3.2 of the quarterly report covering the second quarter of 2024)*

On 1 May 2025, the Central Bank published its annual [report](#) on authorisations and gatekeeping performance, containing a number of key points for the asset management and investment fund sector.

### *Authorisations*

- Continued strong demand for fund authorisations. The number of UCITS, RIAIFs and Retail ELTIFs authorised in 2024 was 26% higher compared to 2023. 209 QIAIFs and 10 Professional ELTIFs were authorised in 2024, with volumes 9% lower than 2023.
- The average processing time for funds authorisation was 88 calendar days in 2024, an improvement from 98 days in 2023.
- The quality of QIAIF application documents in 2024 was similar with a small increase in the number of QIAIFs rejected (14 in 2024), mainly due to issues with cross-border management passport clearance.
- 153 investment manager applications were reviewed, split between authorised entities from the EU (11 submissions) and non-EU (142 submissions).
- During 2024, 15 fund service providers ("**FSPs**") were authorised, representing a 50% increase by comparison to authorisations in the previous year. The average processing time for FSP authorisations was 202 days.
- Appendix 2 summarises a number of common challenges in the authorisation process (cross-sectoral) including:
  - inability to clearly describe business models;
  - delays in responding to queries;
  - lack of substantive local presence and adequate staffing for both pre-approval controlled functions ("**PCFs**") and non-PCF roles in Ireland, inadequate preparation; and
  - overreliance on group risk frameworks rather than localised risk frameworks that are tailored to the entity that is seeking authorisation.
- The report also highlights the Central Bank's cross-industry [guidance](#) on expectations for applicants seeking authorisation to operate as a regulated firm, published in November 2024. The guidance sets out the Central Bank's expectations regarding clarity, accuracy and completeness of application information and authorisation expectations in key areas.

#### *Fitness & probity ("**F&P**")*

- A continued improvement is observed in the quality of PCF applications submitted since the introduction of the new online portal, with a year-on-year reduction of 17% in PCF applications that were returned as incomplete.
- In 2024, a total of 47 F&P interviews were conducted (3 funds and 1 FSP).
- Common errors in the F&P application process identified include failures to upload necessary supporting documentation, application for an incorrect PCF role, firm updates not reflected in the application, or the initial proposer is no longer a valid proposer.
- A spotlight section in the report summarises the supervisory expectations of financial entities under DORA.

2.10 Annual report and annual performance statement 2024 *(This is a further update to section 2.1 of the quarterly report covering the first quarter of 2025)*

On 28 May 2025, the Central Bank published its [Annual Report and Annual Performance Statement for 2024](#), alongside a [detailed blog](#) from the Governor.

The report noted robust authorisation activity in the sector, with 710 new funds authorised in 2024 and 15 fund service provider firms approved. The Central Bank reviewed 153 investment manager applications and 3,141 post-authorisation submissions.



The Central Bank's regulatory focus on ESG included SFDR and Taxonomy implementation, ESMA's fund naming guidelines and submitting the final report on the common supervisory action ("**CSA**") on sustainability-related disclosures and the integration of sustainability risks in the investment fund sector to ESMA in Q3 2024.

The Central Bank also enhanced its data-led approach, concluding the test and learn phase of its funds' risk model and automating daily data collection on subscriptions and redemptions for all Irish authorised funds.

Key supervisory themes included liquidity and leverage risk, with thematic reviews commenced on liquidity management tools, securities lending fee arrangements, and hedge fund activities in particular, with findings anticipated to be communicated in 2025.

## 2.11 Financial Stability Review 1/2025 *(This is a further update to section 2.4 of the quarterly report covering the fourth quarter of 2024)*

On 11 June 2025, the Central Bank published its first [Financial Stability Review](#) of 2025 (the "**FSR**"). The FSR outlines the key risks facing the financial system, the Central Bank's assessment of the resilience of the economy and financial system to adverse shocks and the Central Bank's policy actions to safeguard financial stability.

A [press release](#) accompanying the FSR is entitled '*Economic and global trade policy uncertainty have increased risks for Ireland*'.

The Governor's [remarks](#) note that given the large, internationally-focused non-bank financial intermediary ("**NBFI**") sector in Ireland, the Central Bank have dedicated a part of the report on how different segments of the sector responded to the heightened volatility, observed in April 2025. With the vast majority of the Irish domiciled funds sector exposed to international real and financial economies, global trade tensions may weigh on funds' portfolio asset quality and returns, particularly for funds with large exposures to trade-sensitive sectors.

The Central Bank has identified six fund cohorts from the FSR perspective according to their underlying vulnerabilities and their interconnectedness with the wider financial system:

- High yield corporate bond funds and emerging market bond funds;
- MMFs;
- GBP liability driven investment funds and hedge funds; and
- Leveraged Irish property funds

Certain cohorts of the investment fund sector domiciled in Ireland (in particular event-driven, relative value and other hedge funds), experienced elevated redemptions and margin calls post 2 April, 2025. These funds were able to meet liquidity demands in an orderly manner. While levels of volatility increased in many markets in early April, markets functioned broadly well and there has been no evidence of unmanageable liquidity demands.

Nevertheless, the Central Bank sees that structural vulnerabilities – such as liquidity mismatch and relatively high leverage – persist across some segments of the investment funds sector, making these fund cohorts more likely to amplify severe market stress. The Central Bank continues to prioritise the development of a robust macroprudential policy framework for the funds sector.

On the broader outlook, Governor Makhoul said the fragmenting geo-economic relationships and transitions around demographics, climate and digitalisation present clear challenges but also opportunities for Ireland and Europe.

On the EU's simplification agenda, the Central Bank is engaging proactively with the simplification agenda without compromising on the standards required to deliver on our mandate and maintain resilience across the domestic financial system.

## 2.12 Beneficial ownership register of certain financial vehicles (the "**Register**") guidance

On 30 June 2025, the Central Bank published a revised version of its [guidance](#) on the Register. The guidance contains revisions to person code/Central Bank references, updated references to the legislative framework and levies, updates regarding access to the Register under legitimate interest grounds and updates to access control references.

#### 2.13 Financial stability note on risk-preferences of Irish funds

On 15 May 2025, the Central Bank published a Financial Stability Note entitled [No.2 Risk Preference of Irish-Domiciled Investment Funds](#)

In light of the SIU strategy which could increase the role of non-banks, reinforcing a shift from traditional banks to non-bank entities like investment funds, this research note examines whether the way fund managers invest can lead to risks that affect the entire financial system.

It finds that managers of bond funds in Ireland tend to invest in riskier assets when interest rates drop, to achieve higher returns and in contrast, managers of equity funds do the opposite. Furthermore, equity funds attract more investments when they take on more risk both in their investment choices and by borrowing more money to invest (increasing leverage). This can lead to excessive borrowing and rapid increases in asset prices. When fund managers seek higher returns by taking more risks, it can make the financial system more vulnerable and increase the chance of severe economic downturns. The insights from the research will be considered in monitoring financial stability implications and guiding policies for NBFIs.

#### 2.14 Investment Fund statistics Q1 2025

On 30 May 2025, the Central Bank published its Investment Fund [Statistics](#) for Q1 2025, which show the net asset value of Irish resident investment and money market funds having decreased for the first time since Q3 2022, declining to €4,945bn. The €56bn NAV decrease from Q4 2024 to Q1 2025 was due to significant negative revaluations, which were partially offset by transaction inflows.

In June 2025, the European Fund and Asset Management Association ("EFAMA") published its European Quarterly Statistical [Release](#) for Q1 2025 showing all UCITS categories attracted inflows in Q1 2025, demonstrating investor confidence despite an uncertain tariff outlook. The release shows that net assets of UCITS and AIFs declined by 1.1% in Q1 2025, with net inflows of €217 billion. The release notes that ETF sales continued to grow in Q1 2025 while long-term SFDR Article 9 funds saw their sixth consecutive quarter of net outflows, totalling €7.9 billion, while Article 8 funds attracted €42.6 billion in new money.

### 3. OTHER LEGAL AND REGULATORY DEVELOPMENTS

#### 3.1 European Commission

##### (a) Commission updates list of high-risk AML/CFT jurisdictions

On 10 June 2025, the Commission adopted a [delegated regulation](#) updating its list of high-risk jurisdictions presenting strategic deficiencies in their national anti-money laundering and countering the financing of terrorism (AML/CFT) regimes. EU entities covered by the AML framework are required to apply enhanced due diligence (EDD) measures in transactions involving these countries.

A number of third country jurisdictions were added to the list – Algeria, Angola, Côte d'Ivoire, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal and Venezuela), while other jurisdictions were delisted (Barbados, Gibraltar, Jamaica, Panama, the Philippines, Senegal, Uganda, and the United Arab Emirates).

The delegated regulation will enter into force on the twentieth day following its publication in the Official Journal of the EU (the "OJ").

##### (b) T+1 settlement cycle (This is a further update to section 3.1(d) of the quarterly report covering the first quarter of 2025)

On 18 June, the Council of the EU ("**Council**") and European Parliament [announced](#) they had reached a political agreement to shorten the settlement cycle for securities trades from two business days (T+2) to one business day (T+1), with the new rules set to take effect by 11 October 2027.

The co-legislators agreed to exempt certain securities financing transactions ("**SFTs**") from the settlement cycle requirement. In order to avoid any risks of circumvention of the T+1 settlement cycle requirement, the exemption should only apply if SFTs are documented as single transactions composed of two linked operations.

(c) *Commission extends its GDPR adequacy decision with the UK by six months*

On 24 June 2025, the Commission [confirmed](#) it has adopted a six-month technical extension of its adequacy decision with the UK under the General Data Protection Regulation (EU) 2016/679 ("**GDPR**").

The adequacy decision which was due to expire on 27 June 2025, will now remain in force until 27 December 2025 permitting the continued free flow of personal data from the EU to the UK without additional appropriate safeguards, while the Commission assesses whether the new legal framework provided in the UK's Data (Use and Access) Act (DUA Act) 2025 continues to provide an adequate level of protection for personal data under GDPR.

The Commission [implementing decision](#) (EU) 2025/1225 was published in the OJ on 26 June 2025.

*European Data Protection Board Article 48 GDPR guidelines*

On 4 June 2025, the European Data Protection Board adopted [guidelines 02/2024](#) on Article 48 GDPR clarifying how EU-based companies should assess requests from foreign authorities for access to EU personal data in light of the GDPR's rules on data processing and international transfers.

The guidelines highlight that such requests cannot be automatically recognized within the EU and outline a four-stage assessment to determine on a case-by-case basis whether a foreign request involving personal data can be lawfully fulfilled.

(d) *Amendment to BMR published in the OJ (This is a further update to section 3.4(b) of the quarterly report covering the fourth quarter of 2024)*

On 19 May 2025, Regulation (EU) [2025/914](#) amending the Benchmarks Regulation ("**BMR**") (EU) 2016/1011 as regards the scope of the rules for benchmarks, the use in the Union of benchmarks provided by an administrator located in a third country and certain reporting requirements was published in the OJ.

The key objective of the amending regulation is to reduce the burden on EU administrators and users of benchmarks, as well as to align the treatment of third country and EU-administered benchmarks as further outlined in the Commission's [frequently asked questions](#) on the amending regulation.

The Regulation amends the scope of the BMR, changes the application of requirements for some administrators of benchmarks and grants ESMA extended competence.

The amending regulation will enter into force on 8 June 2025 and will apply from 1 January 2026.

(e) *Commission adopts Delegated Regulation amending RTS on transparency requirements under MiFIR*

On 18 June 2025, the Commission adopted a [delegated regulation](#) amending regulatory technical standards (RTS) on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances, and equity instruments under the Markets in Financial Instruments Regulation (600/2014) ("**MiFIR**").

The Amending Regulation makes revisions to Commission Delegated Regulations (EU) 2017/583 and 2017/587 that reflect reforms made by Regulation (EU) 2024/791 ("**MiFIR II**") relating to the MiFIR transparency regime and the establishment of consolidated tapes ("**CTS**"). Among other things, it:

- updates and calibrates pre-trade transparency regime and the establishment of CTs;
- specifies the details of pre-trade to be made public by firms operating a trading venue in respect of certain financial instruments; and
- specifies pre-trade transparency requirements for systematic internalisers.

The Council and the European Parliament will now scrutinise the Amending Regulation. If neither object, it will enter into force 20 days after its publication in the OJ. The amendments to Commission Delegated Regulation (EU) 2017/583 will apply from 2 March 2026, together with certain amendments to Commission Delegated Regulation (EU) 2017/587. The remaining amendments will apply on the date that the Amending Regulation enters into force.

(f) *Delegated Regulation on RTS on threat-led penetration testing under DORA published in OJ*

On 18 June 2025, [Commission Delegated Regulation \(EU\) 2025/1190](#), which contains regulatory technical standards (RTS) on threat-led penetration testing ("**TLPT**") supplementing DORA, was published in the OJ.

The RTS, which reflect a mandate in Article 26(11) of DORA, set out:

- criteria for the identification of financial entities requires to perform TLPT;
- requirements relating to testing scope, testing methodology and the results of TLPT including the testing process;
- requirements and standards governing the use of internal testers; and
- rules on supervisory and other co-operation needed for implementation of TLPT and for mutual recognition of testing.

The Delegated Regulation will come into force on 8 July 2025.

(g) *Commission Delegated Regulations supplementing MiCAR published in the OJ*

On 10 June 2025, the following Commission Delegated Regulations supplementing MiCAR were published in the OJ:

- [Commission Delegated Regulation \(EU\) 2025/1140](#) supplementing MiCAR with regard to RTS specifying records to be kept of all crypto-asset services, activities, orders and transactions undertaken.
- [Commission Delegated Regulation \(EU\) 2025/1141](#) supplementing MiCAR as regards RTS specifying the requirements for policies and procedures on conflicts of interest for issuers of asset-referenced tokens.
- [Commission Delegated Regulation \(EU\) 2025/1142](#) supplementing MiCAR with regard to RTS specifying the requirements for policies and procedures on conflicts of interest for crypto-asset service providers and the details and methodology for the content of disclosures on conflicts of interest.

The Delegated Regulations enter into force on 30 June 2025.

(h) *Corrigenda to EMIR 3 published in OJ (This is a further update to section 3.2(a) of the quarterly report covering the fourth quarter of 2024)*

On 26 May 2025, a [corrigendum](#) to Regulation (EU) 2024/2987, which amends EMIR as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets (EMIR 3), was published in the OJ.

The corrigendum amends Article 3(3)(b) of EMIR 3, which relates to the Regulation on money market funds ((EU) 2017/1131).

On 27 June 2025, a [corrigendum](#) to EMIR 3 which corrects legislative citations was published in the OJ.

### 3.2 Savings and Investment Union ("SIU")

#### (a) *Consultation on integration of capital markets (This is a further update to section 3.1(c) of the quarterly report covering the first quarter of 2025)*

On 15 April 2025, the Commission [published](#) a targeted consultation on the integration of capital markets pursuant to its EU SIU strategy.

One of the SIU initiatives is the fostering of greater market integration and efficiency in capital markets in order to boost efficiency and lower costs, by identifying and removing barriers to cross-border activity. The consultation explains that various legal, regulatory, technological, and operational practices, and divergences in supervisory practices, act as barriers hindering the full integration and efficiency of EU capital markets. This prevents financial market participants from benefiting from economies of scale and operational efficiency, ultimately increasing costs and restricting the availability of financial services to businesses and citizens. The consultation seeks to identify and address barriers to facilitate a more market-driven process for developing and integrating EU capital markets, to enhance financial opportunities and boost economic competitiveness.

The consultation seeks feedback on:

- barriers in general to the integration and modernisation of trading and post-trading infrastructures, the distribution of funds across the EU and efficient cross-border operations of asset management.
- barriers specifically linked to supervision.

The consultation questions have been divided into six key topics: 1) simplification and burden reduction, 2) trading, 3) post trading, 4) horizontal barriers to trading and post-trading infrastructures, 5) asset management and funds, and 6) supervision.

Respondents are invited to indicate any areas in which regulatory simplification would be appropriate, in line with the simplification communication.

The consultation addresses the need for **simplification and burden reduction** in the UCITS and AIFMD frameworks, such as:

- whether there is a need for introducing greater proportionality in the rules applying to smaller fund managers;
- potentially adjusting the existing AIFMD threshold for sub-threshold AIFMs;
- whether certain provisions of the UCITS Directive and AIFMD should be turned into regulations;
- streamlining PRIIPs KID documentation; and
- whether more EU-level supervision would contribute to the aim of simplification and burden reduction.

**Section 5 (Asset management and funds)** seeks feedback in order to:

- identify obstacles experienced by EU funds and asset managers to accessing the single market;
- gather stakeholder insights on barriers and experiences in managing cross-border investment funds;



- explore the effectiveness of existing authorisation and passport systems; and
- explore possibilities for simplifying current requirements.

Section 5 includes questions on whether the authorisation processes and framework for FMCs and investment funds are being applied consistently across Member States and the challenges created by any divergences. Notably, section 5.8 '*Portfolio Requirements and Investment Limits of Investment Funds*' explores specific limits set out in the UCITS Directive:

- **Amendments to Article 53 of the UCITS Directive (index funds):** whether Article 53 should be amended to extend the possibility for UCITS funds to benefit from increased investment limits in a single issuer, even when the fund does not aim to replicate the composition of an index. If so increased, feedback is sought on what safeguards should be considered e.g. adaption of 40% diversification rule (Article 52(2)).
- **Securitisation Limits:** Stakeholders are asked if Article 56(2)(b) should be amended to allow UCITS to invest more than 10% in an issue of a single securitisation.

The deadline for responses was 10 June 2025. Responses will help shape the measures to be presented in a comprehensive legislative package expected from the Commission in **Q4 2025**, including to remove barriers to cross-border distribution of funds and cross-border operations of asset managers and on improving supervisory convergence.

On 24 April 2025, the Commission established a [dedicated channel](#) for market participants to report any barriers to financial market integration that they have experienced within the EU single market. Issues that may be reported include (but are not limited to) market fragmentation, divergent supervisory practices, licensing and freedom of doing business (including discriminatory practices) and overly burdensome or repetitive reporting requirements.

(b) *ESMA discussion paper on simplifying funds' data reporting*

On 23 June 2025, ESMA published a [discussion paper](#) on the integrated collection of UCITS & AIF fund data, aiming at reducing the burden for market participants.

AIFMD II mandates ESMA to submit a report to the Commission by 16 April 2026, outlining the development of an integrated reporting system of supervisory data which would reduce areas of duplication and inconsistencies and improve data standardisation. ESMA has prepared the discussion paper in order to consult interested parties (including AIFMs, UCITS management companies and branches of EU and non-EU fund managers) for the purpose of informing its decisions when developing the recommendations that will form the final report.

The three main models for integrating UCITS and AIF data reporting outlined in the discussion paper are:

- Integrated reporting with data reuse - Replace national UCITS and AIFMD reporting with a new harmonised EU-level template;
- Fully integrated EU-wide reporting framework - Replace all existing EU and national-level reporting obligations (AIFMD, UCITS, MMFR, and statistical frameworks) with a single, modular EU-wide reporting structure; or
- Fully integrated framework with national extensions - allowing national authorities to add specific reporting fields to address local supervisory needs.

On the reporting frequency, ESMA is considering monthly reporting as the baseline across all regimes, with mechanisms for less frequent reporting for certain funds (e.g., those with infrequent valuations), with standardised templates for exceptional circumstances (e.g., crises), with flexibility for additional ad-hoc requests as needed.

The discussion paper is open for feedback until 21 September 2025, with recommendations to be published in the final report to be issued by ESMA, expected in April 2026.

(c) *CfE on an approach for the simplification of financial transaction reporting*

On 23 June 2025, ESMA published a [CfE](#) on a comprehensive approach for the simplification of financial transaction reporting in the context of MiFIR, EMIR and the SFTR regulation.

The CfE presents two options for simplification of financial transaction reporting:

- eliminating overlaps without any change to the current reporting channels; or
- creating a unified reporting template based on the 'report once' principle to replace multiple reporting frameworks.

The CfE will be open for feedback until 19 September 2025. Based on the feedback received, ESMA will publish a final report by the beginning of 2026, which will include the identification of key cost drivers of supervisory reporting and outline the proposed way forward.

(d) *Commission legislative proposal to reform the EU Securitisation Regime (This is a further update to section 3.3(k) of the quarterly report covering the first quarter of 2025)*

On 17 June 2025, the Commission adopted a legislative [package](#) of proposals on review of the EU securitisation framework. The proposals are published against a backdrop of ongoing initiatives to improve access to funding for EU businesses as part of the EU's SIU and efforts to enhance the EU's competitiveness more generally.

The proposals aim to eliminate undue barriers to issuance and investment to boost engagement in securitisation activities by financial institutions by reducing operational and prudential barriers, streamlining due diligence and transparency requirements, while maintaining robust investor protection and financial stability safeguards.

Existing rules on responsibility regarding delegation of due diligence would be reversed such that legal responsibility for ensuring compliance with due diligence obligations remains with the delegating institutional investor (including fund management companies) aligning with AIFMD and the UCITS Directive.

In addition to the legislative changes included in this package, the explanatory memorandum accompanying the proposal notes that in the context of the upcoming broader review of the UCITS Directive, the Commission is also considering amending the issuer limit whereby UCITS funds are currently allowed to invest up to 10% in a single securitisation issuance.

The proposals will now be considered by the European Parliament and the Council under the ordinary legislative procedure.

(e) *Commission launches consultation on Savings and Investment Accounts ("SIAs")*

On 10 June 2025, the Commission launched a [call for evidence](#) to support the development of a European blueprint for SIAs. This initiative, part of the SIU strategy, aims to encourage retail participation in capital markets by enhancing long-term return on retail savings and increasing access to funding for EU companies.

The CfE seeks input on best practices to make SIAs a convenient entry point to capital markets for retail investors, including consideration of the tax treatment of such accounts.

The CfE is open to responses until 8 July 2025, which will be considered by the Commission when drafting its recommendation, which it expects to publish in Q3 2025.

(f) *Commission remarks on the role of the SIU*

On 18 June 2025, Commission, Directorate General for FISMA John Berrigan, the European Commissions' Directorate General for FISMA [published](#) an article entitled 'Towards a more competitive

*European Economy: the Role of the SIU* in developing a more competitive European economy. The publication explains that objective of the SIU is to eliminate fragmentation in EU capital markets, which would further enhance cross-border investment, reduce costs and improve access for citizens and businesses to financial instruments.

Additionally, through more integrated capital markets, the EU will be able to unlock household savings (approximately €10 trillion) which will support strategic priorities including the digital and green transition. The publication emphasised the importance of SIAs across the EU, and the role of financial literacy to assist citizens to invest effectively in the real economy

On April 10 2025, Commissioner Albuquerque delivered remarks at the [Eurofi High Level Seminar 2025](#) setting out the path that the Commission is expected to chart to achieve the SIU as an enabler, for growth and competitiveness, as well as ensuring that the EU's defence sector has the best possible access to private finance.

(g) *CfE on fostering evidence integration, scale and efficient supervision in single market (This is a further update to section 3.1(c) of the quarterly report covering the first quarter of 2025)*

On 8 May 2025, the Commission published a [CfE](#) on fostering integration, scale and efficient supervision in the single market as part of its SIU strategy.

The Commission's aim is that all financial market operators should receive the same supervisory treatment irrespective of their location in the EU. It intends to adopt legislative proposals in Q4 2025 on measures concerning market infrastructure, the cross-border provision of funds and reduction of operational barriers for asset managers, and efficient supervision in the single market.

In the CfE, the Commission requests stakeholder' views to:

- Identify the barriers that prevent the EU's trading and post-trading infrastructures from reaping the benefits of a truly frictionless single market;
- Examine whether the current regulatory and supervisory setting is fit for the capital markets and in particular for market operators with strong cross-border activities or operating in new or emerging sectors; and
- Review the toolbox of the ESAs to assess areas where their effectiveness and efficiency can be strengthened and improved.

The deadline for responses was 5 June 2025.

(h) *Fourth simplification omnibus package*

On 21 May 2025, the Commission adopted a [communication](#) laying down a new Strategy approach to further developing the European Single Market (the "**Strategy**"), alongside a series of [Q&As](#) and a factsheet on the Strategy.

The new approach for the Single Market focusses on reducing barriers, starting with removing the ten most important barriers holding back trade and investment, boosting the European services market, supporting small and medium-sized enterprises ("**SMEs**"), and promoting digitalisation and simplification. To make the benefits of the Single Market more tangible, the communication considers it important to increase its joint political ownership with the member states. To this end, member states should name a high-level Single Market representative (known as a Sherpa) to oversee the application of EU Single Market rules. Member states are also encouraged to prevent Single Market barriers by assessing the proportionality of their draft national measures.

Other simplification measures are presented in the [fourth Simplification Omnibus package](#), which was also published on 21 May 2025 in parallel to the new Single Market Strategy. The aim of the Omnibus packages is to address overlapping, unnecessary or disproportionate rules that are creating unnecessary burden for EU businesses. This fourth [package of proposals](#), comprising a Directive and

Regulation, primarily designed to extend support measures already available to SMEs in certain fields to a new category of company: 'small mid-caps' ("**SMCs**"). Under the proposals, companies with less than 750 employees and a turnover of less than or equal to €150m (which would currently meet the threshold for a 'large' company) will fall into the new SMC category.

To reduce reporting requirements and administrative burdens for both SMEs and SMCs the package introduces targeted amendments to eight legislative acts including:

- GDPR Regulation;
- Markets in Financial Instruments Directive (MiFiD) (Directive (EU) 2014/65); and
- Prospectus Regulation (Regulation (EU) 2017/1129).

The proposed Directives and Regulations will be considered by the co-legislators under the ordinary legislative procedure.

### 3.3 Artificial Intelligence ("**AI**")

#### (a) *Commission "AI Continent" Action Plan*

On 9 April 2025, the Commission launched the EU ambitions for its AI Continent [Action Plan](#) which outlines the EU's strategy to enhance innovation, competitiveness and regulatory compliance in artificial intelligence. As part of its AI [Strategy](#) a public consultation will be proposed including to identify stakeholders' regulatory challenges and inform possible further measures to facilitate compliance and possible simplification (and simple application) of the AI Act .

#### (b) *Commission targeted consultation to clarify rules for general-purpose AI models (This is a further update to section 3.1(e) of the quarterly report covering the first quarter of 2025)*

On 22 April 2025, the Commission launched a [targeted consultation](#) to clarify the scope of the guidelines for general-purpose AI models. The guidelines will clarify key concepts underlying the provisions in the AI Act on GPAI models.

The guidelines will not be binding but provide clarification on how the Commission, responsible for supervising and enforcing the general-purpose AI rules, will interpret and apply them under the AI Act. Both the guidelines and a final "Code of Practice" are expected to be published ahead of August 2025.

The consultation will remain open for feedback until 22 May 2025.

As part of its efforts to support stakeholders in implementing the AI Act, the Commission intends to also launch a targeted consultation on the classification of AI systems as high-risk.

#### (c) *AI Literacy guidelines (This is a further update to section 3.1(c) of the quarterly report covering the first quarter of 2025)*

On 7 May 2025, the Commission published [questions and answers](#) ("**Q&A**") on AI literacy obligations. Article 4 of the Artificial Intelligence Act ((EU) 2024/1689) ("**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 covers a range of questions, including on scope, compliance, enforcement and the approach of the EU AI Office to AI literacy. The Q&As indicate the AI Office will not be proceeding with additional sector specific requirements (e.g. for the financial sector) on AI literacy at present.

To comply with Article 4 of the AI Act, the Q&A outlines that organisations should adapt their AI literacy approach, considering their role (being providers or deployers of AI systems) as well as the risks associated to the AI systems they provide and/or deploy.

#### (d) *ESMA working paper on leveraging large language models ("**LLMs**")*

On 4 June 2025, ESMA published a [working paper](#) entitled 'Leveraging LLMs in Finance: Pathways to Responsible Adoption'.

The paper outlines practical challenges and possible mitigation approaches for responsible adoption of LLMs in finance sector. It recommends the benefits of an appropriate supervisory framework with evaluation metrics for the use of LLMs, including benchmarks, and the development of industry standards, together with adequate staff training, can facilitate this effort. It also discusses the downside posed by the carbon footprint of LLMs which will need careful evaluation as the technology spreads and its use becomes integral to the everyday operations of global businesses in the finance sector and beyond.

(e) *ECON draft report on the impact of AI on financial sector (This is a further update to section 3.1(c) of the quarterly report covering the first quarter of 2025)*

On 15 May 2025, the European Parliament's Committee on Economic and Monetary Affairs ("**ECON**") published a [draft report](#) on the impact of AI on the financial sector, considering the state of the adoption of AI in the financial sector.

It concludes that the deployment of AI has been prudent to date, with few use cases representing high-risk innovation, and that there is no immediate likelihood of a financial system run, or heavily dependent on, autonomous, auto-pilot AI models that threaten financial stability and consumers' interests. It argues that the uptake of AI holds significant potential for the sector, suggesting that it could improve the sector's efficiency, enhance consumer services, strengthen the competitiveness of European firms and support more effective anti-money laundering (AML) and fraud detection.

The report raises concerns about regulatory overlaps and legal uncertainties between the AI Act and sectoral financial services legislation and the lack of guidance on the interpretation of these regulatory overlaps and interactions. It also suggests that the requirements in the GDPR regulation impose limitations to the use of AI in financial services.

The report, includes a number of recommendations:

- Calls on the Commission to ensure clarity and guidance on how existing financial services regulations apply to the use of AI in financial services.
- Calls for consistent definitions and the simplification of the regulatory framework to avoid duplicated requirements, including risk assessment reporting requirements.
- Warns against the adoption of new sectoral legislation to regulate AI in financial services.
- Calls on the European and national supervisory authorities to support the uptake of AI by promoting consistent interpretations and avoiding overly strict application of existing regulations.

### 3.4 ESMA & ESAs

(a) *Principles for third-party risk supervision*

On 12 June 2025, ESMA the EU's financial markets regulator and supervisor, published its [principles](#) for third-party risk supervision (the "**Principles**"). The Principles aim to assist supervisory authorities to identify, assess and supervise the third-party risks of EU entities operating across the financial services industry.

The 14 Principles across four themes have been developed to address the growing risks observed over recent years in the use of outsourcing, delegation or reliance on other types of third-party services by supervised firms.

In addition, the Principles have considered and are aligned with the third-party risk management requirements of DORA. Accordingly, the management of information and communication technology ("**ICT**") risk and the use of third-party service providers to provide ICT services under DORA are outside the scope of the Principles.



The Principles apply to all types of third-party arrangements, whether the third-party belongs to the same group or not, is located in the EU or in a third-country, and independently from the underlying technology that might be used to provide the service.

The main focus of the Principles is on critical activities and the use of third-party services for such critical activities; however, ESMA highlights that using third-party services for noncritical activities may also create substantial risks.

While the Principles are non-binding they are designed to be implemented into supervisory approaches and supervisory authorities are directed to apply the Principles in a proportionate manner.

ESMA will support the progressive implementation of the Principles through supervisory discussions and case studies among NCAs.

Walkers Asset Management & Investment Fund group have published an [advisory](#) detailing the significance of the ESMA's newly developed principles.

- (b) *Final report on the active account requirements under EMIR 3 (This is a further update to section 3.4(b) of the quarterly report covering the first quarter of 2025)*

On 19 June 2025, ESMA published its [final report](#) on the RTS specifying the conditions under which the active account requirement ("**AAR**") should be met, as mandated under EMIR 3.

The AAR is a key component of EMIR 3, aimed at enhancing the resilience of the EU clearing landscape. It creates an obligation for EU market participants to maintain an active account at an EU central counterparty ("**CCP**") for certain derivatives, in order to reduce their exposure to important third-country CCPs (Tier 2 CCPs).

ESMA has streamlined the operational conditions and the stress-testing in response to feedback to its public consultation. Additionally, the final report outlines the approach on various aspects of the calculations and compliance, including a simplification of the reporting requirements related to risks and activities, the representativeness obligation and the fulfilment of the operational conditions.

The RTS will now be submitted to the Commission for endorsement, following which it will be subject to scrutiny by the European Parliament and the Council.

On 24 June 2025, ESMA published consultation papers under its EMIR 3 mandates:

- [Draft RTS on margin transparency requirements](#); and
- [Draft RTS on information on clearing fees and associated costs](#).

The consultations will remain open for feedback until 8 September 2025 and expects to publish a final report and submission of the draft technical standards to the Commission for endorsement as soon as possible and in the case of the RTS on clearing fees by December 2025.

- (c) *Consultation on EMIR clearing thresholds (This is a further update to section 3.2) of the quarterly report covering the fourth quarter of 2024)*

On 8 April 2025, ESMA published a consultation paper seeking input on a revised set of [clearing thresholds](#) under the EMIR 3.0 review. The revised clearing threshold methodology focuses on the activity in OTC derivatives not cleared at an authorised or recognised CCP.

The consultation remained open until 16 June 2025. Based on the feedback received, ESMA will publish a final report and submit the draft RTS to the Commission by the end of 2025.

- (d) *TRV articles on risks posed by the use of leverage in the fund sector*

On 24 April 2025, ESMA published the following informative reports addressing leverage in the fund sector:

- [annual risk assessment of leveraged AIFs](#); and
- [first analysis on risks in UCITS using the absolute Value-at-Risk \(VaR\) approach](#).

Both articles represent ESMA's work to identify highly leveraged funds in the EU investment sector and assess their potential systemic relevance.

ESMA's research notes while most EU investment funds make limited use of leverage, a subset of AIFs are substantially leveraged, and a group UCITS using the absolute VaR approach has very high levels of gross leverage.

Some takeaways from ESMA's analysis include:

- **Liquidity Mismatch:** AIFs face liquidity mismatches, with 66% of fund shares redeemable on a weekly basis, but only 36% of assets can be liquidated within the same period.
- **Interconnectedness:** AIFs are interconnected with other financial institutions, with institutional investors holding around 76% of the NAV. Hedge funds display the highest levels of leverage and have considerable exposures to sovereign bonds, posing a concern of market impact.
- **Leverage Trends:** The overall leverage in leveraged AIFs remains limited, but substantially leveraged funds have increased their leverage, with the median leverage ratio rising from 450% in 2022 to 530% in 2023 (see page 4 for key statistics on substantially leveraged AIFs).
- **RE funds:** Real estate (RE) funds are under pressure in some jurisdictions due to the combination of declining real estate prices and outflows from some funds, but in general the RE fund sector has been resilient at EU level. RE funds could be systemically relevant in jurisdictions where groups of RE funds own a large share of the underlying market for RE assets.
- **Absolute VaR approach:** UCITS using the absolute VaR approach to measure exposure account for at least 8% of the sector. Some UCITS funds, display complex derivative exposures and high gross leverage over 400% of NAV, with a small portion showing risk profiles comparable to those of hedge funds (ESMA labels these 'alternative UCITS' or 'alt-UCITS'). While the subset is small (2% of the UCITS segment), highly leveraged UCITS have a larger volume of assets than EU hedge funds.
- **Regulatory Implications:** The findings suggest a need for closer monitoring and further analysis of the risks posed by highly leveraged UCITS, particularly those in the absolute VaR UCITS segment and those implementing hedge-fund-like strategies which might not be suitable to all types of retail investors. Alt-UCITS have higher initial margins and lower levels of highly liquid assets compared to AIF hedge funds, indicating potential liquidity risks.

ESMA, together with NCAs across the EU, will continue to closely monitor and further analyse the risks that these funds could pose to financial stability through liquidity risks, counterparty and concentration channels.

- (e) *Central Securities Depositories Regulation (EU) 909/2014 ("CSDR") technical advice on scope of settlement discipline (This is a further update to section 3.6(j) of the quarterly report covering the fourth quarter of 2024)*

On 26 June 2025, ESMA published a [final report](#) providing technical advice to the Commission on the scope of the settlement discipline regime under the, as amended by CSDR Refit.

The report specifies the scope of Central Securities Depositories Regulation (CSDR) cash penalties, supporting the simplification and burden reduction in post-trading.

In line with the revised settlement discipline framework set out in CSDR Refit, ESMA provides technical advice to the Commission on the scope of settlement discipline, identifying:

- the causes of settlement fails that are considered as not attributable to the participants in the transaction, and
- the circumstances in which operations are not considered as trading.

According to the technical advice, a broad range of scenarios would not trigger CSDR cash penalties.

These include:

- technical failures at the CSD level, such as system outages, cyberattacks, or network disruptions;
- full-day trading suspensions of an ISIN on its most liquid market; and
- technical creation and redemption of fund units or shares on the primary market, including those related to ETFs.

The Commission will consider ESMA's technical advice when preparing a new delegated act supplementing CSDR further specifying the scope of operations and transactions subject to the settlement discipline regime.

(f) *ESMA consultation on the retail investor journey – MIFID II*

On 21 May 2025, ESMA published a [CfE](#) on the retail investor journey under MiFID II.

The purpose of the CfE is to gather industry feedback to better understand how investors engage with investment services, and whether there are any potential regulatory barriers that would discourage investment and participation in capital markets.

The CfE examines among other things:

- key retail market trends, such as the appeal of speculative products for younger investors and the influence of social media on investment decisions; and
- the practical application of MiFID II requirements in areas such as regulatory disclosures, assessment of suitability and appropriateness.

This CfE is the latest effort by ESMA to support simplification and burden reduction for European investors. ESMA, alongside NCAs, will assess whether specific regulatory adjustments or clarifications may be needed to enhance investor protection and retail engagement in financial markets.

Stakeholder input to the CfE can be submitted until 21 July 2025.

(g) *ESA consolidated PRIIPs Q&A (This is a further update to section 4.3(c) of the quarterly report covering the second quarter of 2024)*

On 5 May 2025, the ESAs published a revised version of the consolidated [Q&A](#) on the PRIIPs Regulation

The revised consolidated Q&A provides updates clarifying provisions of the PRIIPs KID Delegated Regulation relating to market risk assessment, performance scenarios and calculation of cost indicators.

(h) *ESA joint committee annual report for 2024*

On 16 April 2025, the ESAs published the 2024 annual [report](#) of their joint committee. The ESAs continued to explore and monitor potential emerging risks for financial markets participants and the financial system.

The main areas of cross-sectoral focus across the three ESAs, the Commission and the ESRB were joint risk assessments, sustainable finance, operational risk and digital resilience, consumer protection, financial innovation, securitisation, financial conglomerates and the European Single Access Point ("ESAP"). The committee's main deliverables and were policy products for the implementation of the DORA as well as ongoing work concerning the Sustainable Finance Disclosure Regulation.

(i) *Market data report*

On 30 April 2025, ESMA published the fifth edition of its [Report on the Quality and Use of Data](#) which shows how the regulatory data collected has been used by authorities in the EU and provides insight on actions taken to ensure data quality, as well as giving an overview of the sanctions imposed by the NCAs on reporting obligations.

(j) *MiCAR updates*

On 11 April 2025, ESMA published [updated Q&As](#) including MiCAR and on registered AIFMs ([2397](#)).

The Q&A confirms that Article 60(5) of MiCAR does not apply to non-authorised AIFMs and accordingly registered AIFMs may not provide crypto-asset services on the basis of the notification process provided under MiCAR.

On 29 April 2025, the Commission adopted a [delegated regulation](#) supplementing MiCAR with RTS specifying the arrangements, systems and procedures to prevent, detect and report market abuse, the templates to be used for reporting suspected market abuse, and the coordination procedures between the competent authorities for the detection and sanctioning of market abuse in cross-border market abuse situations.

On 29 April 2025, ESMA published [supervisory guidelines](#) under MiCAR to prevent and detect market abuse. The guidelines, intended for NCAs, include both general principles for effective supervision and specific measures for detecting and preventing market abuse in crypto assets. The guidelines address unique challenges in crypto trading—such as its cross-border nature and extensive use of social media.

The supervisory guidelines will be translated into all EU languages and published on ESMA's website and will start applying three months after that date. However, ESMA recommends that NCAs already start implementing the principles included in the guidelines whilst waiting for the translations.

(k) *ESMA newsletters*

On 15 April 2025, ESMA published its February and March 2025 [edition](#) of the Spotlight on Markets Newsletter.

On 10 June 2025, ESMA published its [latest edition](#) of the Spotlight on Markets Newsletter (April and May 2025).

(l) *MiFID - letter on fractional shares*

On 9 April 2025, ESMA published a [letter](#) to the Commission on inconsistent regulation of trading fractional shares. It requests that the Commission considers how best to provide clarity on this issue.

(m) *Report on order execution policies RTS (This is a further update to section 3.5(o) of the quarterly report covering the third quarter of 2024)*

On 10 April 2025, ESMA published the [final report](#) containing draft RTS on investment firms' order execution policies under MiFID II, aimed at enhancing how investment firms should establish their order execution policies and assess their effectiveness. The RTS includes requirements on:

- the establishment of an investment firm's order execution policy; classification of financial instruments and the selection of venues;
- the investment firm's procedures and criteria to monitor and regularly assess the effectiveness of its order execution arrangements and order execution policy;
- the investment firm's execution of client orders through own account dealing; and
- how an investment firm should deal with specific client instructions.

The draft RTS have been submitted to the Commission for adoption, with a decision expected within three months.

(n) *MiFIR review – derivative transparency requirements*

On 3 April 2025, ESMA issued a [consultation](#) on RTS further specifying certain transparency requirements for covering a new deferral regime for exchange traded derivatives and over-the-counter ("OTC") derivatives, package orders, and RTS on input/output data for OTC derivatives consolidated tape.

The consultation is open until 3 July 2025. ESMA will publish a final report and submit the draft technical standards to the Commission in Q4 2025.

(o) *Data Quality Engagement Framework*

On 5 May 2025, ESMA published a revised [Data Quality Engagement Framework](#) ("DQEF") and [DQEF technical document](#) on AIFMD data. The document specifies the allocation of tasks between NCAs and ESMA in relation to the data quality work of the information submitted by AIFMs on managed AIFs under AIFMD.

The latest version introduces:

- (i) a risk-based approach that identifies and deals with the most relevant issues affecting the data;
- (ii) a change to the timelines for executing the data quality tests, sharing the quality tests with NCAs and feedback expected;
- (iii) a further change to the granularity of the results shared with the NCAs; and
- (iv) a change in the ways in which the level of engagement by the relevant parties, the assessment of the quality of the data and lessons learned are reported.

ESMA also published revised DQEFs in respect of data quality under [SFTR](#), [EMIR](#) and [MMFR](#).

3.5 European Systemic Risk Board ("ESRB") report on simple, transparent and standardised ("STS") securitisations

On 5 May 2025, the ESRB published a [report](#) assessing the impact on financial stability in the EU of extending the STS criteria to on-balance-sheet securitisations.

The financial stability considerations outlined in the report include that:

- extending the STS framework to synthetic securitisation has not, to date, resulted in significant risks to financial stability in the European Union.
- the relaunch of the securitisation market must be accompanied by close risk monitoring and assessment of the risks from procyclical effects and interconnectedness.

The report concludes that regulatory changes to the STS framework should be thoroughly evaluated from a financial stability perspective to ensure that no sources of systemic risk are introduced.



### 3.6 Financial Action Task Force ("**FATF**") (This is a further update to section 3.7(a) of the quarterly report covering the first quarter of 2024)

On 13 June 2025, FATF [announced](#) the addition of the British Virgin Islands (BVI) and Bolivia to its "grey list" of jurisdictions under increased anti-money laundering (AML) monitoring.

While this signals strategic deficiencies in the BVI's AML regime, the BVI has made a high-level political commitment to work with the FATF and the Caribbean FATF to strengthen the effectiveness of its AML/CTF/CPF regimes and FATF acknowledges it has already made significant progress in this regard.

Walkers Cayman team have published an [advisory](#) on the implications of the announcement for BVI structures.

### 3.7 Financial Stability Board ("**FSB**")

On 23 April 2025, the FSB submitted its [letter](#) to G20 Finance Ministers and Central Bank Governors ahead of the G20 meeting.

The letter notes the challenging global risk outlook, with increased trade and economic policy uncertainty reflected in large price swings and heightened volatility in global financial markets. The letter calls on market participants and financial supervisors and regulators to remain vigilant.

The letter also emphasises the importance of implementing reforms and highlights the need for sustained global coordination to address emerging risks and ensure a resilient financial system.

### 3.8 International Organisation of Securities Commissions ("**IOSCO**") (This is a further update to section 3.8 of the quarterly report covering the fourth quarter of 2024)

On 27 May 2025, IOSCO, published its [final report](#) with its revised recommendations (the "**Recommendations**") for liquidity risk management for CIS alongside its [implementation guidance](#) supplementing the Recommendations with more detailed guidance and good practices to support effective implementation.

The final report sets out 17 Recommendations covering six sections:

- (i) the design process;
- (ii) liquidity management tools and measures;
- (iii) day-to-day practices;
- (iv) stress testing;
- (v) governance; and
- (vi) disclosure of relevant information to investors and authorities.

The report confirmed that exchange-traded funds and money-market funds are outside the scope of the Recommendations.

IOSCO expects securities regulators to actively promote the implementation of the Recommendations by responsible entities within the context of the relevant CIS in their respective jurisdictions. In conjunction with the FSB's own stocktake of its recommendations relating to liquidity in funds, by the end of 2026, IOSCO will review progress by member jurisdictions in implementing the revised Recommendations and the implementation guidance.

### 3.9 Irish Government

- (a) *Legislative programme – summer 2025 (This is a further update to section 3.6(b) of the quarterly report covering the first quarter of 2025)*

On 29 April 2025, the Irish government published its summer 2025 [legislative programme](#).

- The Miscellaneous Provisions (Registration of Limited Partnerships and Business Names) Bill aimed at reforming the Limited Partnership Act 1907 and the Registration of Business Names Act

1963 strengthening Ireland's regulatory framework and responding to concerns raised in relation to the transparency of Limited Partnerships 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 Bill to give full effect to the AI Act remains at the heads of bill preparation stage (non-priority list). The bill will designate NCAs responsible for implementing and enforcing the EU regulation and will provide for penalties for non-compliance. It will also provide for a lead authority to coordinate the other authorities and to deliver a number of centralised functions. While the AI Act as a regulation has direct effect, the bill would establish the national regulatory framework for AI governance in Ireland as well as national enforcement mechanisms.
- 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.

(b) *Government Action Plan on Competitiveness and Productivity*

On 18 April 2025, the Minister for Enterprise, Tourism and Employment, [announced](#) government approval to accelerate the development of a new whole-of-government Action Plan on competitiveness and productivity, alongside a suite of immediate measures designed to bolster business resilience and support competitiveness. The announcement reaffirms the government's commitment to maintaining Ireland as an attractive and competitive location for business.

As part of this plan, the Minister advised that government would produce a draft action plan by July and also will be implementing a range of immediate, targeted measures by May 2025. These actions focus on key areas including enhancing international trade promotion supports, addressing business costs through regulatory adjustments and targeted initiatives including CSRD simplification, and improving energy security and infrastructure delivery.

(c) *European Union (Gender Balance on Boards of Certain Companies) Regulations 2025*

On 30 May 2025, the European Union (Gender Balance on Boards of Certain Companies) [Regulations 2025](#) (S.I. No. 215/2025) (the "**Regulations**") was published in Iris Oifigiúil, transposing into Irish law [Directive \(EU\) 2022/2381](#) on improving the gender balance among directors of listed companies and related measures.

The Regulations impose specific obligations relating to gender representation on the board of directors of relevant listed companies, other than micro, small and medium-sized enterprises, that have a registered office in the State and the shares in which are admitted to trading on a regulated market in at least one member state.

For the purposes of the Regulations, a micro, small and medium-sized enterprise means a company that employs less than 250 persons and has an annual turnover not exceeding €50,000,000 or an annual balance sheet total not exceeding €43,000,000.

In-scope companies are subject to the objective to ensure that at least 40% of its non-executive directors are members of the underrepresented sex, whether the underrepresented sex is male or female by 30 June 2026. A schedule to the Regulations outlines how the requirement is deemed satisfied based on the number of positions on the board. For example, an in-scope company with 3 or 4 directors should have 1 non-executive director of the underrepresented sex and a board of 5 or 6 directors should have 2. This is determined based on the number of members closest to 40% and less than 49%.

All in-scope companies must set individual quantitative objectives to improve gender balance among executive directors and specify steps taken to achieve these objectives not later than 30 June 2026.

In-scope companies are subject to specific reporting obligations from 30 November 2026 on the company's website and in the company's annual corporate governance statement, as specified in the Regulations. These reporting obligations include the gender representation information, as well as the setting of quantitative objectives and steps taken to improve gender balance among executive directors.

### 3.10 UK Developments

#### (a) *FCA consults on product information framework for consumer composite investments ("CCIs")*

On 16 April 2025, the FCA published a [consultation paper](#) setting out further proposals to support the new regime for CCIs (CP25/9).

The consultation includes draft rules relating to consequential handbook changes, draft transitional provisions and simplifying transaction cost disclosures by removing the requirement for implicit transaction costs and updating how explicit costs are calculated.

The CCI regime would replace PRIIPs KID and UCITS KIID with a less prescriptive product summary document and will apply to any firm that manufactures or distributes a CCI to retail investors in the UK, including funds recognised under the Overseas Funds Regime.

The FCA plans to respond to feedback on this consultation paper and its earlier CP24/30 together in a single policy statement (in late 2025). Once finalised, the CCI rules are expected to become applicable from early 2027.

## 4. SUSTAINABLE FINANCE

#### (a) *ESMA report on CSA on sustainability-related disclosures and the integration of sustainability risks (This is a further update to section 3.12(e) of the quarterly report covering the third quarter of 2023)*

On 30 June 2025, ESMA published its [final report](#) on the 2023-2024 CSA with NCAs on the integration of sustainability risks and disclosures in the investment fund sector.

The report sets out ESMA's analysis and conclusions of the CSA exercise and presents ESMA's views on its findings, including on the assessment of whether market participants adhere to the relevant rules and standards on sustainability risks and disclosures. It also provides specific recommendations to NCAs and market participants.

The CSA results show that there is room for improvement in the level of managers' compliance with the framework on the integration of sustainability risks and disclosures. While the majority of NCAs considered that there was an overall satisfactory level of compliance of managers with the applicable regulatory requirements, they nonetheless found several vulnerabilities, which were addressed as part of the process, through bilateral letters and other supervisory orders.

ESMA re-emphasises the need for clear, specific, and accessible disclosures, robust internal processes, and the use of all available supervisory and enforcement tools to address persistent vulnerabilities. While highlighting the continued challenges linked to the definition of "sustainable investment" under Article 2(17) SFDR, ESMA notes that the concrete changes coming out of an anticipated forthcoming review of the SFDR will not be applicable in the near future. Accordingly, it stresses supervised entities should continue to be aware of regulatory expectations when seeking to comply with the current provisions.

Going forward, ESMA encourages NCAs to continue proactive engagement with market participants and follow up with those cases where vulnerabilities were detected, including enforcement, where appropriate.

Building on the findings of the CSA exercise, ESMA will continue exchanging and cooperating with NCAs on this topic and related follow-up actions. ESMA will facilitate discussions among NCAs to foster

a common supervisory culture across the EU and to promote effective, sound and consistent supervision with regard to the integration of sustainability risks and disclosures.

The Central Bank has indicated that it also intends to share an industry communication containing its findings and expectations following the CSA and the publication of the Report.

Walkers' Asset Management & Investment Funds group have published an [advisory](#) outlining the key takeaways from the final report.

(b) *CfE on revision of the SFDR (This is a further update to section 4(d) of the quarterly report covering the fourth quarter of 2024)*

On 2 May 2025, the Commission launched its [CfE](#) on the revision of the SFDR. The CfE follows on from its targeted consultations on SFDR in 2023 and the focus of the review will be on addressing undue burdens and simplifying and streamlining requirements.

The CfE notes that the review will aim for greater alignment and to strengthen the coherence of SFDR with the sustainability reporting requirements for companies under the omnibus amendments to the CSRD and the Taxonomy rules.

The Commission notes concerns about the lack of legal clarity on key SFDR concepts, the limited relevance of certain disclosure requirements, overlaps and inconsistencies with other parts of the sustainable finance framework, and data availability concerns.

It notes broad support for a revised SFDR that would:

- cater for different investor groups and types of financial products;
- make it easier for retail investors to understand investment products;
- take better account of the international reach and exposures of investments; and
- help to direct investment towards diverse sustainability-oriented aims while avoiding greenwashing (including not only activities which are already green but also investments in companies which are at earlier stages of the transition, and investments that support other objectives such as security).

The policy options presented by the Commission focus on the simplification of the current reporting framework in line with the proposals under the omnibus package and a potential categorisation system. It also notes the "unwarranted exclusion of some sectors" because of how some SFDR rules are applied in practice - it is understood this may refer primarily to the European defence and security sector.

The deadline for feedback was 30 May 2025, with the Commission confirming that its revision of SFDR is in its legislative work programme for Q4 2025.

(c) *'Stop the Clock' Directive (This is a further update to section 4(a) of the quarterly report covering the first quarter of 2025)*

On 16 April 2025, following the Council's final approval, [Directive - EU - 2025/794](#) as regards the dates from which EU member states are to apply certain corporate sustainability reporting and due diligence requirements to delay requirements of the CSRD and CSDDD (the "**Stop the Clock**" Directive") was published in the Official Journal of the EU and entered into force the following day. EU member states are required to introduce implementing legislation by the end of the year.

Walkers have published an [advisory](#) on the Stop the Clock measures.

(d) *Defence Readiness Omnibus*

On 17 June 2025, the Commission adopted the [Defence Readiness Omnibus](#) package aimed at simplifying and boosting industrial defence readiness. The package comprises a number of legislative and non-legislative measures, including a draft [Commission Notice](#) on the application of the sustainable finance framework and the CSDDD to the defence sector (the "**Notice**") and a draft [Commission Delegated Regulation](#) with Annex amending Delegated Regulation (EU) 2020/1818 (EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks) as regards the definition of "controversial weapons" (the "**Amending Delegated Regulation**").

The Notice clarifies that the EU sustainable finance framework is compatible with investing in the defence sector. The Commission recalls that the framework sets no limitations on the financing of any sector, including the defence sector, and encourages defence sector investments, like those in any other sector, to be assessed on a case-by-case basis.

In the Notice, the Commission explores risk mitigation in engagement with the defence industry. On the SFDR principle adverse impact ("**PAIs**") indicators, the Notice outlines PAI indicator 14 - '*share of investments in investee companies involved in the manufacture or selling of controversial weapons*' - only covers the disclosure of exposure to four categories of controversial weapons: anti-personnel mines, cluster munitions, chemical weapons and biological weapons, and that the definition of controversial weapons does not cover nuclear weapons.

The Notice encourages operators to not treat defence as a de facto non-contributing sector in their assessment of sectors which make a positive contribution towards social sustainability. Financial market participants may conclude, based on a careful case-by-case assessment, that economic activities conducted by the EU defence industry to safeguard peace and security contribute to social objectives, provided they do not significantly harm any other sustainability objectives and that the company conducting the activity follows good governance practices.

On the Benchmarks Regulation, the Amending Delegated Regulation clarifies that only companies involved in 'prohibited weapons' must be considered in the context of the Paris-Aligned and Climate Transition Benchmark exclusions. Prohibited weapons, shall mean anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling, of which is expressly prohibited by the international arms conventions to which the majority of member states is party. The relevant international treaties and conventions to which member states are parties reference prohibited weapons rather than controversial weapons.

The proposals are being adopted under the ordinary legislative procedure and the European Parliament and the Council must adopt the same final text before they can be formally adopted, published in the Official Journal and enter into force, with a transitional period of application for the Amending Delegated Regulation of six months regarding already existing benchmarks authorised.

(e) *CSA on ESG disclosures under BMR (This is a further update to section 3.6(b) of the quarterly report covering the fourth quarter of 2024)*

On 9 April 2025, ESMA published a [report](#) on its findings and conclusions on the CSA exercise conducted with NCAs on ESG disclosures under BMR. This was the first CSA that ESMA conducted together with NCAs in its role as a direct supervisor of benchmarks administrators.

ESMA makes recommendations to the Commission to clarify and simplify disclosure rules under BMR Level 2 measures and to alleviate the regulatory burden for benchmarks administrators. It also makes recommendations to benchmarks administrators with the objective to enhance transparency and comparability of ESG information for the benefit of users of benchmarks. It also considers the consistency and compatibility of the ESG disclosure requirements across legislation in the wider sustainable finance framework.

Building on the findings, ESMA will continue liaising and cooperating with NCAs and the Commission on follow-up actions. These will include the need to use supervisory convergence tools to build a stronger supervisory culture across the EU and promote effective, sound and consistent supervision regarding ESG disclosure.

(f) *Research on ESG funds name changes (This is a further update to section 4(a) of the quarterly report covering the fourth quarter of 2024)*



On 10 April 2025, ESMA published its [latest risk article](#) on ESG-related fund names changes and their impact on investment flows. The report explores whether fund managers' decisions to incorporate ESG terms into their funds' names lead to additional investor interest. If so, this may incentivise potential greenwashing behaviour, undermine investor trust and hinder efforts to promote sustainability within EU financial markets.

ESMA's results indicate that adding an ESG term can significantly boost fund inflows, especially in the immediate quarter following the name change, with a sustained positive impact in subsequent quarters. However, the impact varies depending on the specific ESG terms used, with environmental-related terms showing the most substantial effect on inflows, highlighting the importance of ensuring that name changes are reflected in portfolio investments. The article notes funds adding ESG-related terms to their name enjoy a cumulative increase in flows over the first year of 8.9%, all else being equal. ESMA's findings demonstrate the strong financial incentives for fund managers to consider adding ESG terms to the names of funds as well as the importance of its naming guidelines to help protect investors by ensuring that, when a fund name includes ESG language, its portfolio investments are aligned with investors' ESG preferences.

ESMA expects to incorporate the indicators developed in the current analysis and continue to monitor fund market trends and the impact of the guidelines on EU funds. In future research ESMA will explore the analysis further, including whether and how funds adjust their portfolio to align with the use of ESG terms in their name.

(g) *EU Platform on Sustainable Finance (the "**Platform**") report*

On 1 April 2025, the Platform published a [report](#) entitled 'Advancing sustainable finance' with a number of recommendations to the Commission on technical screening criteria for new activities as well as its first review of the Climate Delegated Act (Delegated Regulation (EU) 2021/2139).

(h) *ESMA consultation on technical standards on the European Green Bond Regulation (This is a further update to section 4(d) of the quarterly report covering the first quarter of 2025)*

On 7 April 2025, ESMA published its [consultation](#) on the remaining RTS for external reviewers European Green Bond Regulation.

The RTS relate to the following aspects of the external reviewer regime:

- appropriateness, adequacy and effectiveness of systems, resources and procedures;
- authority, resources, expertise and access to relevant information of the compliance function;
- soundness of administrative and accounting procedures, internal control mechanisms and effectiveness of information systems controls;
- quality and reliability of sources of the information used for external reviews;
- information, form and content of applications for recognition; and
- notification of material changes in the information provided at registration.

ESMA will consider the feedback received to the consultation by 30 May 2025 and expects to publish a final report and submit the draft RTS to the Commission for adoption by 21 December 2025 at the latest.

(i) *ESMA consultation on RTS on ESG Ratings (This is a further update to section 4(c) of the quarterly report covering the first quarter of 2025)*

On 2 May 2025, ESMA published a [consultation paper](#) on regulatory technical standards under Regulation (EU) 2024/3005 on the transparency and integrity of ESG rating activities

The draft RTS cover the following aspects that apply to ESG rating providers:

- The information that should be provided in the applications for authorisation and recognition.
- The measures and safeguards that should be put in place to mitigate risks of conflicts of interest within ESG rating providers who carry out activities other than the provision of ESG ratings.
- The information that ESG rating providers should disclose to the public, rated items and issuers of rated items, as well as users of ESG ratings.

The proposals are designed to enhance the integrity, transparency, comparability, and independence of ESG rating activities, while also aiming to simplify procedures and reduce burdens for smaller providers.

The consultation closes on 20 June 2025 and ESMA expects to publish a Final Report and submit the draft RTS to the Commission for adoption in October 2025.

(j) *Central Bank information note: 'Perspective on Planning for the Transition to Net Zero'*

During May 2025, the Central Bank published an [information note](#) providing a comprehensive perspective on the importance of transition planning for achieving net zero greenhouse gas (GHG) emissions by 2050. The goal of the publication is to assist regulated firms in understanding of the evolving sustainability landscape and to better navigate the regulatory environment. The document is not formal guidance but serves as an accessible roadmap for firms, particularly those in the financial services sector, to align their strategies with climate objectives and evolving regulatory requirements.

The Central Bank believes that clear, credible and actionable transition plans are a good practice for firms even when there is no legislative requirement to publicly disclose a transition plan. In this regard, Table 2 provides an overview of what the Central Bank sees as key components of a transition plan. It outlines that for an effective transition to net-zero, there must be leadership by firms, such as through embedding climate considerations into board and management levels, developing action plans and milestones towards decarbonising, identifying, and managing climate related financial risks.

The note also encourages all firms to transparently engage with stakeholders and investors regarding transition strategies.

*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.*