

Asset Management and Investment Funds

Legal and regulatory quarterly report

covering the period
1 January 2026 – 31 March 2026



KEY DATES

2026

24 March 2026	Revised Central Bank Consumer Protection Code (incorporating Business Standards Regulations) takes effect.
16 April 2026	Deadline for the transposition of the majority of AIFMD II provisions into national legislation governing UCITS and AIFMs as regards delegation arrangements, liquidity risk management and loan origination by alternative investment funds.
2 July 2026	Regulation (EU) 2024/3005 on ESG Ratings Providers to commence application whereby financial market participants referencing an ESG rating in marketing communications will be required to include a weblink to detailed information relating to that ESG rating.

2027

19 March 2027	Deadline for the transposition of the majority of Omnibus Directive (EU) 2026/470 narrowing the scope of corporate sustainability reporting and due diligence obligations.
16 April 2027	Application of new regulatory reporting requirements for fund management companies under AIFMD II.
16 April 2027	Transitional period ends for the compliance of open-ended AIFs and UCITS, constituted before 16 April 2026, with the AIFMD II Level 2 requirements and Level 3 guidance on liquidity management tools.
7 June 2027	End of the FCA's transitional period for ensuring compliance with the UK disclosure regime in respect of consumer composite investments ("CCIs"). The CCI disclosure framework will replace the UK's UCITS and PRIIPs disclosure requirements and will apply to firms that manufacture or distribute CCIs (including OFR-registered UCITS) for or to UK retail investors.
10 July 2027	Application of the new AML / CFT legislative framework under the EU Single AML Rulebook.
11 October 2027	The EU, UK and Switzerland will transition to a T+1 settlement cycle for certain listed transferable securities.

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

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QUARTERLY HIGHLIGHTS

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

On 27 February 2026, the **Central Bank of Ireland** (the "**Central Bank**") published its streamlined filing process for existing UCITS and AIFs seeking to update fund documentation for AIFMD II (**section 2.1(b)**).

The **Central Bank** also updated its streamlined application process (originally published on 29 January 2026) for Irish AIFMs seeking to extend their existing permissions to include loan origination (**section 2.1(a)**).

- **The streamlined filing process will apply to any changes to the prospectus, fund supplement and constitutional document arising from the implementation of AIFMD II and the amendments to the Central Bank AIF Rulebook and Central Bank UCITS Regulations (once published). It will also apply to other updates required as part of a prospectus and/or supplement refresh, subject to certain exceptions.**
- **Originating loans on behalf of an AIF is an additional AIFM function under AIFMD II requiring specific authorisation. There are no grandfathering provisions for AIFMs and so the requisite authorisation must be in place by 16 April 2026 in order to continue to manage AIFs which originate loans.**
- **The Authorisation Process Note provides that the streamlined process previously announced for Irish AIFMs to provide the function of originating loans on behalf of Irish authorised AIFs will also cover Irish AIFMs managing AIFs which originate loans and which are either unauthorised Irish AIFs or domiciled in a jurisdiction other than Ireland.**

These changes reflect the Central Bank's continued focus on streamlining regulatory procedures and enhancing supervisory clarity across the funds sector.

On 26 February 2026, the **Central Bank** published its Regulatory and Supervisory Outlook Report ("**RSO**") outlining the key trends and risks which it has identified as moulding the operating landscape of the financial sector as well as the Central Bank's consequent regulatory and supervisory priorities for the coming year (**section 2.3**).

- **This third edition of the RSO highlights the focus of the Central Bank's efforts on the effectiveness of the governance, risk management practices and culture of firms, and provide a helpful overview for boards and officers of funds, fund service providers and other market participants as they navigate the regulatory year ahead.**
- **The Central Bank has highlighted that it will undertake thematic reviews in 2026 including focusing on hard-to-value assets and on suspicious transaction reporting. Our recent [advisory](#) highlights the key sectoral risk and supervisory priorities identified for the funds sector.**

On 27 February 2026, Commission Delegated Regulations, supplementing AIFMD and the UCITS Directive specifying the characteristics of **liquidity management tools ("LMTs")**, were published in the official journal of the EU (**section 1.1**). **ESMA** has also published its official guidelines on LMTs of UCITS and open-ended AIFs (**section 1.2**).

- **The Central Bank is expected to issue feedback statements to consultation papers CP161 and CP162 in the coming weeks ahead of the transposition of Directive 2024/927/EU ("AIFMD II") into national law. The regulatory technical standards ("RTS") and ESMA**

<p>guidelines will apply from 16 April 2026 for open-ended AIFs and UCITS with existing products allowed a one-year transitional period to comply by 16 April 2027.</p>
<p>On 25 February 2026, ESMA published its final report on draft RTS specifying the values of clearing thresholds for the purpose of the obligation to centrally clear OTC trades under EMIR 3 ((EU) 2024/2987) (section 3.2(a)).</p>
<ul style="list-style-type: none"> • Under EMIR 3, financial counterparties should determine whether they are subject to the EMIR clearing obligation through calculating (i) their uncleared OTC positions, and (ii) their aggregate (cleared and uncleared) OTC positions. The changes to the clearing calculation methodologies and thresholds are scheduled to take effect upon the entry into force of the new RTS.
<p>On 5 March 2026, the Central Bank published its discussion paper on distributed ledger technology and tokenisation in financial services (section 2.2(a)).</p>
<ul style="list-style-type: none"> • The discussion paper examines liquidity management and valuation considerations in a tokenised fund environment and identifies areas where clarity is required in the legal and regulatory frameworks to enable the tokenisation of financial assets. The Central Bank intends to publish a feedback statement outlining the insights gained through its engagement and assess whether existing policy and regulatory approaches are fit for purpose.
<p>On 28 January 2026, the Central Bank published its latest consultation paper CP166 on Prohibition Notices under the fitness and probity ("F&P") regime (section 2.5). As part of the consultation, the Central Bank has published draft supplemental guidance which will clarify the Central Bank's procedures and its approach to the determination of a prohibition as well as the procedures for cessation, termination and the publication of a Prohibition Notice.</p>
<ul style="list-style-type: none"> • Following an F&P investigation, an independent decision maker may impose a prohibition on the individual, preventing them from performing certain roles indefinitely or for a specified period. The Central Bank seeks stakeholder views by 25 March 2026 on its proposed prohibition procedures before finalising the supplemental guidance.
<p>On 15 January 2026, the European Commission published a consultation on a proposal for reform of the regulatory frameworks for EU venture and growth capital funds pursuant to the savings and investments union (SIU) strategy (section 3.1(a)). The consultation seeks to develop a more dynamic and integrated market for venture and growth capital funds. It covers rules stemming from the European Venture Capital Funds (EuVECA) Regulation, AIFMD, and national legislation applicable to small-size and mid-sized AIFMs.</p>
<ul style="list-style-type: none"> • The consultation seeks views on, inter alia, the assessment and calibration (including potential increases) of the upper asset under management thresholds that apply to registered (or sub-threshold) alternative investment fund managers under AIFMD. • The consultation constitutes a survey for fund managers, as well as a separate public consultation, with a deadline for the submission of feedback by 12 March 2026, ahead of the proposed review of the EuVECA Regulation, scheduled for the third quarter of 2026.
<p>On 14 January 2026, ESMA published a thematic note on clear, fair and not misleading sustainability-related claims focusing on ESG strategies particularly with reference to ESG integration and ESG exclusions (section 4.2).</p>
<ul style="list-style-type: none"> • The thematic note provides practical "do's and don'ts" for market participants to follow to ensure claims in marketing communications regarding ESG strategies are not misleading.

1. AIFMD & UCITS DEVELOPMENTS

1.1 Commission Delegated Regulations with regulatory technical standards ("**RTS**") on liquidity management tools ("**LMTs**") under AIFMD and UCITS Directive published (*This is a further update to section 1.1 of the quarterly report covering the fourth quarter of 2025*)

On 27 February 2026, the following Commission Delegated Regulations, supplementing AIFMD and the UCITS Directive with regard to RTS specifying the characteristics of LMTs, were published in the Official Journal of the European Union ("**OJ**"):

- [Commission Delegated Regulation \(EU\) 2026/465](#) supplementing the AIFMD.
- [Commission Delegated Regulation \(EU\) 2026/466](#) supplementing the UCITS Directive.

The RTS specify the characteristics of the LMTs set out in the Annexes to the AIFMD and the UCITS Directive (that is, suspension of subscriptions, repurchases and redemptions, redemption gates, extension of notice periods, redemption fees, swing pricing, dual pricing, anti-dilution levy, redemption in kind and side pockets).

The Delegated Regulations entered into force on 19 March 2026 and will apply from 16 April 2026.

1.2 ESMA guidelines on LMTs (*This is a further update to section 1.2 of the quarterly report covering the fourth quarter of 2025*)

On 12 March 2026, ESMA [published](#) the official translations of the guidelines on LMTs of UCITS and open-ended AIFs. The guidelines are consistent with the version of the amended guidelines published in ESMA's final report on 18 December 2025.

Competent authorities and financial market participants must make every effort to comply with the guidelines from the date of application (subject to the transitional period in paragraph 1(4) of the guidelines for existing funds). Competent authorities now have two months to notify ESMA whether they comply or intend to comply with the guidelines, with reasons for non-compliance.

2. CENTRAL BANK UPDATES

2.1 Markets update (2/2026)

On 27 February 2026, the Central Bank published its latest markets update ([2/2026](#)), containing both an [Updated authorisation process for AIFMs managing loan originating AIFs and finalised filing process for updated documentation of existing UCITS & AIFs](#).

(a) *Updated Authorisation Process Note for AIFMs engaging in loan origination*

The Central Bank has updated its [Authorisation Process Note](#) implementing a streamlined application process for the extension of authorisation under AIFMD II of authorised AIFMs which manage AIFs engaging in loan origination (the "**Process Note**").

In addition to Irish authorised AIFMs that manage Irish authorised AIFs which originate loans, the Central Bank will also take a proportionate approach to the authorisation of Irish AIFMs managing AIFs which originate loans and which are either unauthorised Irish AIFs or domiciled in a jurisdiction other than Ireland to enable them to achieve authorisation.

The application documentation/information lists contained in the original authorisation note are updated to incorporate AIFMs managing AIFs which originate loans and (i) are unauthorised Irish AIFs, or (ii) are domiciled in a jurisdiction other than in Ireland.

The streamlined application procedure for the extension of authorisation under AIFMD II in **paragraph 15** of the Process Note applies to AIFMs authorised by the Central Bank which:

- manage QIAIFs which originate loans; and
- manage both QIAIFs which originate loans and non-Irish AIFs and / or unauthorised Irish AIFs which originate loans.

The streamlined application procedure for the extension of authorisation under AIFMD II in **paragraph 20** of the Process Note applies to AIFMs authorised by the Central Bank which:

- manage non-Irish AIFs which originate loans; and / or
- manage unauthorised Irish AIFs which originate loans.

The streamlined application procedure for the extension of authorisation under AIFMD II in paragraph 20 also applies to AIFMs authorised by the Central Bank which manage Irish ELTIFs which originate loans, but which otherwise do not manage AIFs which originate loans.

The category of AIFMs subject to paragraph 20 are required to provide copies of the policies, procedures and processes required for the purposes of Article 15(3)(d) of AIFMD for review and consideration by the Central Bank (advanced drafts are acceptable for initial submission).

Notably, the previous requirement to advise the Central Bank whether the AIFM had experienced any issues in relation to the management of the AIFs since authorisation is removed.

In respect of passporting updates for Central Bank authorised AIFMs managing EU AIFs established in other member states, following authorisation of an AIFM to provide the Annex I function of origination loans on behalf of an AIF the Central Bank will transmit a notification to the relevant host competent authority.

AIFMs wishing to be authorised to perform the activity of origination of loans on behalf of an Irish authorised AIF should follow the streamlined procedure set out in the Authorisation Process Note and submit an application to MancoFSPauthorisations@centralbank.ie as early as possible clearly stating "Loan origination application – [name of AIFM]" in the subject line. Should an AIFM wish to seek an extension to its authorisation to enable it to provide other functions or services permitted in AIFMD II, details are available on the Central Bank's [website](#).

AIFMs should ensure that the Programme of Activities reflects loan originating activities.

(b) *Process clarification for updates to fund documentation (UCITS/AIFs)*

In order to facilitate the orderly implementation of AIFMD II, the Central Bank will facilitate a [streamlined filing process](#) for existing UCITS and AIFs seeking to update fund prospectuses and/or supplements. Constitutional documents which have been updated to reflect requirements under AIFMD II, the revised AIF Rulebook and/or the revised Central Bank UCITS Regulations (once published) may also be submitted via the streamlined filing process.

Scope

The streamlined filing process will apply to any changes to the prospectus and/or supplement of existing UCITS and AIFs arising from the implementation of AIFMD II and the amendments to the Central Bank AIF Rulebook and Central Bank UCITS Regulations (once published). It will also apply to other updates required as part of a prospectus and/or supplement refresh, with the exception of material changes to the investment objective, policy or strategy, that will be subject to a full post-authorisation review in the context of UCITS and retail investor AIFs. The standard 24-hour filing process for QIAIFs shall continue to apply. Sustainable Finance Disclosure Regulation ("**SFDR**") reclassifications should not be filed via the streamlined filing process.

Filing Process

The relevant revised final dated documents for UCITS and AIFs, should be submitted to the dedicated mailbox, AIFMDII@centralbank.ie, by close of business on the relevant date for automated noting by the Central Bank. Documents should be dated as at the submission date. This submission must be accompanied by an attestation from the AIFM/Management company that the amendments made do not represent a change to the investment objective, policy or strategy of the fund.

More than one filing of documents in order to comply with AIFMD II is permitted under the streamlined process, as further described in the process clarification document.

Duration of streamlined process

The streamlined filing process opened from 2 March 2026. There is no set date for closure of the streamlined filing process, and the Central Bank has indicated that adequate advance notice will be provided when it is determined that the streamlined filing process will be closed.

The Central Bank will carry out a sample review of the submissions noted via the streamlined filing process at a later date.

(c) *Additional updates*

This latest edition of the markets update also highlights the following developments:

- [Statutory Instruments implementing ESAP framework in Ireland signed](#)

On 10 February 2026, the Minister for Finance signed three Statutory Instruments (S.I.s) to give full effect to Regulation (EU) 2023/2869 and Directive (EU) 2023/2864 on the European Single Access Point ("**ESAP**") framework in Ireland. The ESAP will be a 'single point of access' platform for public financial, non-financial and sustainability-related information about EU companies and financial products. ESMA is due to establish and operationalise ESAP by mid-2027. These regulations establish the foundational structure, designate national collection bodies, and amend existing financial legislation creating new procedural obligations to ensure compliance with the new EU-wide data platform.

- S.I. No. [32/2026](#) establishes the legal framework, designates bodies (the Central Bank, CRO, IAASA, and Pensions Authority) as collectors, and governs voluntary submissions with electronic seal requirements.
- S.I. No. [33/2026](#) implements Directive (EU) 2023/2864, amending a range of domestic laws including the Pensions Act 1990, the Asset Covered Securities Act 2001, as well as the UCITS Regulations 2011 and the AIFM Regulations 2013.
- S.I. No. [34/2026](#) implements Regulation (EU) 2023/2869, updating laws related to the Central Bank, market abuse, and a range of financial services regulations to align with ESAP.

Entities will be required to submit information to designated collection bodies, at the same time as publication, in data extractable format or, in machine-readable format and accompanied by prescribed metadata. Amendments to the UCITS, PRIIPS, Benchmarks and SFDR frameworks will commence from 10 January 2028, whereas amendments to the AIFMD, ELTIF and money market fund ("**MMF**") regimes will commence from 10 January 2030.

- [Updated Central Bank Guidance on Transparency Regulatory Framework](#)

The Central Bank of Ireland published [amended Guidance](#) on Transparency Regulatory Framework. In addition, the Transparency Regulatory Framework Q&A is discontinued, and the remaining relevant content has been incorporated into the Guidance document.

2.2 Markets update (3/2026)

On 19 March 2026, the Central Bank published its latest markets update ([3/2026](#)), containing the following updates:

(a) [Discussion Paper 12 - Distributed Ledger Technology \("DLT"\) & Tokenisation in Financial Services](#)

On 5 March 2026, the Central Bank published its [discussion paper](#) on DLT and Tokenisation in Financial Services. The Paper aims to:

- increase understanding of DLT and its potential to transform the underlying infrastructure of finance and create new innovative financial services;
- assess the opportunities, challenges, enablers (including legal and regulatory clarity, operational resilience and scalability, and interoperability) and risks arising from these technological innovations;
- examine how DLT and tokenisation interact and intersect with existing financial infrastructures, intermediaries and product offerings; and
- ensure that the use of DLT and tokenisation in financial services deliver the benefits of efficiency, transparency, and accessibility for the welfare of society as a whole.

The paper looks specifically at liquidity management and valuation considerations and potential use cases for MMFs and ETFs. The paper distinguishes the digital twin model—digital representation of an investor's share or unit in an investment fund (that has been the focus of proposals for initial use cases) — distinct from a future state involving tokenisation of underlying assets or digitally native tokenisation.

The paper highlights areas where legal clarity is essential, such as enforceability of claims and legal recognition of tokenised financial instruments as valid representations of ownership or rights. Equally, the paper identifies that the legal status of smart contracts — which can automate execution and settlement — needs to be clearly defined.

The Central Bank is seeking engagement from all stakeholders – market participants, technology providers, academics in order to help inform its approach and ensure that Ireland and the EU can leverage the benefits of tokenisation, while safeguarding a resilient financial system, that operates in the best interests of consumers and wider economy. The Central Bank will use the paper for further engagement on the opportunities, challenges, enablers and risks arising from these technological innovations. It will publish a feedback statement outlining the insights gained through its engagement and assess whether existing policy and regulatory approaches are fit for purpose.

Submissions in respect of the discussion paper are invited by 5 June 2026.

(b) [EBA decision on arrangements for the International Swaps and Derivatives Association Standard Initial Margin Model \(ISDA SIMM\) validation](#)

On 26 February 2026, EBA published a [decision](#) on arrangements for the Initial Margin Model Validation of ISDA SIMM, which entered into force on 1 March 2026. This decision details the operational arrangements for the validation function, including onboarding and application procedures, governance and cooperation mechanisms with competent authorities and ISDA, and the criteria for ongoing monitoring and assessment of SIMM model changes.

The EBA also confirmed that its central ISDA SIMM validation function is operational and ready to start as of 1 March 2026.

(c) [Publication of the Amendment Regulations \(S.I. No. 81 of 2026\), containing amendments to MiFID client asset provisions](#)

On 5 March 2026, the European Union (Markets in Financial Instruments) (Amendment) (No. 2) [Regulations 2026](#) (S.I. No. 81 of 2026) was published, reflecting an amendment to client asset provisions contained in Paragraphs 1(3) and (4) of Schedule 3 to the European Union (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017). The amended provisions will come into force on 31 August 2026.

2.3 Regulatory and Supervisory Outlook 2026

On 26 February 2026, the Central Bank [published](#) its [Regulatory and Supervisory Outlook 2026](#) ("RSO"), the third annual report setting out the Central Bank's view on the key trends and risks facing the financial sector, along with the regulatory and supervisory priorities for the next year in the context of those risks. The publication of the RSO was preceded by the Governor's annual [letter](#) to the Minister for Finance and is accompanied by a [Dear CEO Letter](#) highlighting industry-wide supervisory priorities for the year ahead grouped under five overlapping themes:

- Resilience to geopolitical risks and macro-financial uncertainties.
- Securing consumer and investor interests.
- Responding to technology-driven transformations– including continued focus on the use of AI in the financial sector.
- Helping to address the environmental and societal structural transitions underway.
- Enhancing how the Central Bank regulates and supervises.

The Central Bank also intends to publish a consultation on a new Regulatory Impact Assessment Framework and continue its work on innovation, including its [discussion paper](#) on DLT & tokenisation in financial services (as outlined at section 2.2(a) of this report).

The publication of the RSO is set against a backdrop of heightened geopolitical and geoeconomic uncertainty, market volatility and accelerating technology and environmental transition. As in previous years, the Central Bank restates that effective governance, strong risk management and robust organisational culture remain central pillars of supervisory expectations across all regulated sectors, including the funds and fund services ecosystem.

The report assesses the top four drivers of risk facing the financial sector as:

1. **Operational Risks and Resilience**

Operational resilience remains a core supervisory concern amid increasing cyber threats, geopolitical disruption, operational complexity and growing reliance on a small number of technology providers and infrastructure for critical services.

2. **Asset Valuation and Market Risks**

Market volatility and increased allocations to less liquid assets such as private credit and private equity, continue to present valuation challenges within equity and debt. The RSO highlights the particular revaluation risk facing AI-related stocks and firms.

3. **Financial Crime Risks**

Anti-money laundering and counter-terrorist financing ("AML/CTF") risks remain a key supervisory priority, particularly due to the shift to digital-first financial services and crypto assets which have specific vulnerabilities to financial crime and the increasing volume of unauthorised activity, financial scams and fraud.

4. **Data, Modelling and AI Risks**

The growing deployment of AI and advanced modelling tools introduces heightened operational risk, business model risk and consumer risk. The Central Bank notes that firms must ensure appropriate oversight frameworks where AI is deployed in decision-making or operational processes and calls for stronger model governance, data quality, transparency and accountability.

The RSO has identified its planned supervisory focus areas in the funds sector for 2026 as follows:

Focus area	Planned supervisory activities
1. Governance and risk management	Continuation of sectoral assessment of delegation in fund management companies ("FMCs") . <i>The first industry communication from the review will issue in H1 2026.</i>
	Conclude the Central Bank's review of the effectiveness of fund administration and depositary management of outsourcing .
	Review of governance and board effectiveness in fund administrators and depositaries.
	Review of compliance functions across fund administrators and depositaries. <i>Commencing engagement in H1 2026.</i>
	ESMA Common Supervisory Action. <i>Subject area will be confirmed by ESMA in due course.</i>
	Supporting the transition to AIFMD II for funds and fund service providers (" FSPs ").
2. Operational and cyber resilience	Focus on FMC and FSP implementation and monitoring of the requirements of the Digital Operational Resilience Act (" DORA ") including threat-led penetration testing . <i>A survey is planned to issue in H1 2026.</i>
	A risk-based approach to AML/CFT/financial sanctions will continue into 2026 through supervisory data requests including the new, enhanced Risk Evaluation Questionnaire ("REQ") . The enhanced REQ will capture detailed quantitative and qualitative risk information on ML/TF risk and the quality of AML/CFT controls.
	A thematic inspection focused on transaction monitoring and suspicious transaction report (STR) reporting and engagements with firms across the sector.
	Engagement on the execution by impacted depositaries of their Capital Requirements Directive (CRD6) compliance plans.
3. Asset valuation and market risks	Responsive supervision of proposed and implemented changes in firms operating processes and arrangements , with a focus on capacity to respond effectively to stresses in market conditions .
	Deeper dive into the appropriateness of industry approaches and processes for monitoring investment restrictions and reporting regulatory breaches .
	Value at Risk ("VaR") model review with a focus on UCITS that opt to use the VaR approach and the effectiveness of the levels of oversight by depositaries .
	Continued enhancement and use of fund data and risk models by the Central Bank to deliver a data-led, agile and risk-based approach to the effective and efficient oversight of the funds sector.
	Review of valuation oversight with a focus on hard to value assets and the oversight role of the depositary . This will involve a thematic review focusing on hard-to-value assets, reviewing policies, models and controls for level 3 assets (including real estate, private equity, private credit and other illiquid securities) across selected Irish authorised funds, managers and depositaries. This will be complemented by ongoing risk-based engagement relevant to specific cohorts of funds along with reactive supervisory work related to NAV calculation errors.

4. Liquidity and leverage risks	Review of liquidity risk management in bond funds to assess how firms manage the mismatch between investor redemptions and asset liquidity.
	Review the progress of relevant AIFMs on leverage reduction and maintenance plans across property funds .
5. Product costs and disclosures	Continued engagement both domestically with regulated firms in the funds sector and internationally with ESMA on costs and fees with a focus on value for money.
	Ongoing supervisory engagement where breaches relating to inappropriate cost/fee structures or disclosures have been identified.
	Gatekeeping, which is a vital tool for the Central Bank regarding assessing fund disclosures, levels of costs and transparency for prospective investors. Consistent application of the principles of the Consumer Protection Code, assessing how firms are implementing it.
6. Data and artificial intelligence	Continued enhancement and use by the Central Bank of fund data and risk models to deliver a data-led, agile and risk-based approach to the effective and efficient oversight of the funds sector.
	Continued engagement to understand firms' approach to and usage of AI in their business models.
7. Climate and ESG-related risks	Sustainability work will continue using the Central Bank's ESG dashboard tool to assess firms' compliance with SFDR.
	Compliance with the Fund Naming Guidelines will continue to be monitored at both the authorisation phase and through data-led supervisory reviews.

Our recent [advisory](#) outlines in further detail the Central Bank's key sectoral risks and supervisory focus for 2026, spotlight areas of interest, key regulatory initiatives and next steps for boards of funds and their service providers. Walkers will continue to keep firms and boards apprised of developments in the Central Bank's identified regulatory and supervisory priorities.

2.4 Thematic assessment of operational resilience in the MiFID Investment firm sector

On 12 January 2026, the Central Bank published the findings of its [thematic assessment](#) of operational resilience in the MiFID investment firm sector.

The Central Bank highlights the need for continued attention to building established frameworks that enable recovery of critical or important business services in light of significant unplanned disruption.

The review identified weaknesses in firms' identification and mapping of critical or important business services, scenario testing and integration with risk frameworks. The review also highlights that further supervisory work is planned throughout 2026 and 2027 in the areas of cyber and digital operational resilience.

The Central Bank recommends particular attention should be given to the following guidelines in the cross-industry [Operational Resilience Guidance](#) ("**OpRes Guidance**"), which relate to the identification and mapping of critical or important business services:

- **Guideline 4:** A firm should identify its critical or important business service.
- **Guideline 7:** A firm should understand and map out how its critical or important business services are delivered.

- **Guideline 8:** A firm should capture third party dependencies in the mapping of critical or important business services.

While the findings from the thematic assessment are addressed to MiFID investment firms only, the findings provide a clear indication of the Central Bank's expectations of compliance with the OpRes Guidance. Accordingly, the key findings will be of interest to all regulated firms within the scope of the OpRes Guidance in assessing their operational resilience frameworks and to further ensure readiness for the Central Bank's 2026/2027 supervisory engagement.

Walkers Asset Management and Investment Funds and Regulatory and Risk groups have produced an [advisory](#) outlining the key focuses highlighted by the Central Bank in its assessment, next steps and other relevant considerations.

2.5 Consultation on prohibition notices under the Fitness and Probity ("F&P") regime

On 28 January 2026, the Central Bank published its latest consultation paper [CP166](#), alongside draft supplemental [guidance](#) on prohibition notice procedures under the F&P regime and an accompanying [industry letter](#).

Under the Central Bank Reform Act 2010, the Central Bank may investigate the F&P of individuals who are performing, or who previously performed, controlled function roles (including pre-approval controlled ("PCF") function roles) in regulated financial firms. At the end of an F&P investigation, an independent decision maker acting as delegate of the Central Bank may impose a prohibition on the individual, forbidding them from performing such roles indefinitely or for a specified period. The Central Bank may publish the prohibition notice.

The Supplemental Guidance will further clarify these procedures, and in particular the Central Bank's approach to:

- Relevant circumstances for determining prohibition, including high-risk conduct examples.
- Determining the nature, scope and duration of a prohibition, including conditional prohibitions and proportionality considerations.
- Requests for termination of a prohibition agreement/notice.
- The cessation of a prohibition notice.
- The publication of a prohibition notice.

The draft supplemental guidance should be read together with [existing guidance](#) on 'Fitness and Probity Investigations, Suspensions and Prohibitions', which was published in 2023 to take account of changes introduced by the Central Bank (Individual Accountability Framework) Act 2023. The "Supplemental Guidance" is intended to eventually be subsumed into this existing guidance.

The consultation was open to stakeholder feedback until 25 March 2026. Following this, the Central Bank will review the feedback before finalising the supplemental guidance and publishing a feedback statement.

2.6 Industry letter - thematic inspection of outsourcing risk fund on administrators and depositaries

The Central Bank has published an [industry letter](#) on its Thematic Inspection of Outsourcing Risk on Fund Administrators and Depositaries in 2025.

The letter notes that robust due diligence, governance and ongoing oversight are essential to manage concentration, dependency and conduct risks. The findings of its review identified that deficiencies continue to exist in outsourcing oversight frameworks.

Appendix 1 sets out non-exhaustive general good practices consistent with the Cross-Industry Guidance including in the areas of:

- Outsourcing forums / committees.
- Dedicated Outsourcing Manager.
- Second Line of Defence formal input and sign-off
- Independent compliance due diligence and assurance testing.
- Outsourcing Risk Appetite Limits.
- Risk Metrics.
- Due Diligence and Risk Assessments.
- Outsourcing Oversight Documentation.
- Outsourcing Registers – (Depositaries only).
- NAV Oversight – (Fund Administrators only).

Administrators and depositaries should, at all times, be evaluating their own risks relating to outsourcing. The letter is required to be brought to the attention of the boards (or management bodies) of administrators and depositaries.

2.7 Central Bank speeches/blog

(a) *Inaugural Savings and Investment Forum*

On 31 March 2026, the Minister for Finance, convened the first [Annual Savings and Investment Forum](#) (the "**Forum**"), bringing together key stakeholders from across the financial services sector, consumer representatives, and policymakers to support the continued evolution of Ireland's savings and investment landscape. The establishment of the Forum was a key recommendation of the Funds Sector 2030 report

The Governor of the Central Bank delivered [remarks](#) outlining the support of the Central Bank for efforts to reduce barriers to retail investment in financial markets.

The Minister for Finance delivered a [speech](#) which welcomed measures including the Commission's Recommendation on Savings and Investment Accounts and work to improve financial literacy. The Minister formally announced that the Government is developing an Investment Account for Ireland ("**Account**"), intending to legislate for the framework in 2026 and to allow such individual Accounts to be offered from 2027. The Government will be guided in its approach by the following key principles:

- an annual flat-rate tax to the value of assets held in the Account above a tax-free threshold;
- this flat rate of tax could potentially serve as the sole form of taxation on investments made through the Account;
- that all investments made within the Account would receive consistent tax treatment;
- Account providers would be required to administer the tax to help remove complexity for investors.

Further work on a retail investment tax roadmap is ongoing and will be published in the coming months. The roadmap will set out an approach to simplify and adapt the tax framework to further support retail investment, while retaining proportionate necessary and important anti-avoidance protections.

(b) *Supervising for success*

On 15 January 2026, the Central Bank published a [speech](#) by Gerry Cross, Director, Capital Markets and Funds, at the Compliance Institute AGM entitled "*Supervising for success: some themes for a time of change*". Mr Cross' remarks covered important topics of relevance to compliance professionals and

regulators in ensuring that financial firms are well-run, including the objective of securing customers' interests, individual accountability, simplification; resilience, leveraging technology and the Central Bank's evolving approach to supervision.

(c) *Regulating with purpose – outcomes-focused regulation and supervision, a practitioner's perspective*

On 9 March 2026, the Central Bank published a [speech](#) by Deputy Governor for Financial Regulation McMunn, at the UCD Financial Services conference entitled "*Regulating with purpose – outcomes-focused regulation and supervision, a practitioner's perspective*". In her remarks, Ms McMunn addressed the Central Bank's overarching priorities for the year ahead as communicated in its annual RSO (outlined at section 2.3 of this report); what outcomes-focused regulation and supervision means; and what the Central Bank will do to deliver on these outcomes.

Ms McMunn explained that outcomes-focused regulation involves the design and section of the rule books and supervisory work towards a purpose, and the outcomes sought to be achieved (whether for society or the financial system) and complemented by robust, risk-based supervision. The Central Bank have been putting an even greater focus on outcomes and enhancing how it regulates and supervises to be more effective and efficient.

The speech outlined the importance of outcomes-focused regulation with purpose – that the rules and the supervisory process or the remediation of an issue is not a "box to be ticked" or an end in itself, but rather a means to a broader end and an enduring step towards a broader outcome. The manner of delivery of outcomes is situational and may be context dependent on the maturity of a sector, as well as the governance, a holistic view of the risk landscape they operate in and the culture of firms. At different times different tools and approaches may be necessary, and while the focus may appear on specific issues – it should always have the ultimate outcome in mind.

The Central Bank's regulatory and supervisory approach is based on five supervisory principles, all of which have outcomes at their heart:

1. **Outcomes-focused** –clear communication and timelines, as well as the use of our full supervisory toolkit and powers,.
2. **Risk based** –focusing on what matters most and what poses the greatest risks to our safeguarding outcomes.
3. **Judgement led** – using data, analysis and supervisory information to inform supervisory judgement and deliver on our objectives.
4. **Forward-looking** – delivering outcomes through time, by taking a longer-term view, anticipating the impact of current trends and emerging risks; and
5. **Firm Responsibilities** – ensuring, that firms own and internalise their responsibilities for risk identification, management and mitigation which rests first and foremost with the boards and management teams of the firms themselves.

(d) *CASP industry briefing*

On 9 March 2026, the Central Bank published a [speech](#) by Gerry Cross, Director of Capital Markets & Funds as part of continued engagement with the crypto sector. His remarks focused on reflections from 2025 authorisation experiences - successes and lessons learned.

The speech outlined further detail on the Central Bank's expectations for firms seeking authorisation in the supervised crypto asset service provider (CASP) sector.

On the interplay of AI technology and Blockchain technology, Mr Cross noted blockchain seeks to bring efficiencies including cheaper and faster solutions in financial services, while AI seeks to leverage data for deeper, faster analysis. The combination of AI with DLT has potential to strengthen fraud detection, thus supporting better outcomes for customers and the wider financial system. He also noted the

transformative potential of tokenisation including in areas such as investment funds and asset management.

(e) *Enabling a decade of higher investment*

On 12 February 2026, the Central Bank published a [speech](#) by Deputy Governor Vasileios Madouros entitled "Enabling a decade of higher investment", highlighting the path to economic policy orientation towards domestic investment in a sustainable manner, spanning public investment and increasing private sector investment including both households and businesses.

The remarks addressed how the Central Bank sees there are four dimensions towards raising Ireland's domestic investment rate sustainably:

- creating the necessary fiscal and economic space for the increase in investment;
- the efficiency of investment delivery;
- fostering domestic business dynamism (including policy orientation towards strengthening the contribution of Ireland's indigenous businesses to the economy, complementing foreign direct investment activity); and
- ensuring financing for investment is available and sustainable, through the cycle. In this regard Mr Madouros highlighted that progress on the EU's savings and investments union ("**SIU**") policy agenda is critical.

(f) *Mobilising Europe's savings in a fragmenting world*

On 27 March 2026, the Central Bank published a [speech](#) delivered by Governor Makhlouf at Eurofi entitled 'Bridge to the future: Mobilising Europe's Savings in a Fragmenting World'. The remarks focused on regulatory and fiscal considerations to encourage European retail savings to be deployed within European capital markets.

(g) *What the (latest) Middle East conflict means for inflation, growth, and monetary policy in Europe*

On 20 March 2026, the Governor published a [blog](#) concerning the monetary and economic uncertainty arising from the conflict in Iran and implication of the broader escalation of tensions across the Middle East.

2.8 Beneficial ownership guidance (updated)

On 23 February 2026, the Central Bank updated its [guidance](#) on the beneficial ownership register to reflect changes in the reporting mechanism from October 2025.

2.9 2025 Report on the Demographics of the Financial Sector Demographics

On 6 March 2026, the Central Bank published its [2025 Report](#) on the Demographics of the Financial Sector. The analysis is primarily focused on gender diversity as there is limited data on other forms of diversity (beyond age). While this is only one form of diversity, the report notes it is an important one and is also indicative of wider diversity trends.

The report notes an increase in female representation across PCF role holders in the Capital Markets & Funds sector, increasing from 34% in 2024 to 38% in 2025. It also records a decline in female PCF role holder applications across all three industry categories—Banking & Payments, Capital Markets & Funds, and Insurance— suggesting that the sectors may be experiencing headwinds that are disproportionately affecting women seeking senior roles. This reversal is particularly pronounced in the Capital Markets & Funds sector, where female applications fell from 34% to 30%, representing a step backwards in a category that accounts for nearly 70% of all applications received.

The Central Bank re-commits to a more diverse and inclusive financial services sector and where necessary, it will work with regulated firms to renew progress towards this objective.

2.10 PCF Regulations amendments (*This is a further update to section 2.1 of the quarterly report covering the fourth quarter of 2025*)

On 10 February 2026, the Central Bank Reform Act 2010 (Sections 20 and 22) (Amendment) [Regulations 2026](#) (PCF Regulations) came into effect.

The PCF Regulations add two new PCF roles to the list of PCFs (Head of Safeguarding for payment institutions and electronic money institutions (PCF-56) and Head of Safeguarding for crypto asset service providers (PCF-57)).

The Central Bank has indicated that it will undertake a substantive review of the PCF list and consult on its proposed changes in 2026.

2.11 Research paper on non-bank lenders ("**NBLs**")

On 17 February 2026, the Central Bank published a [research technical paper](#) entitled 'When the Spare Tyre Goes Flat: Monetary Policy Transmission through Non-Banks'. The paper examines how monetary policy transmits through NBLs, including retail credit firms and specialised finance providers (comprising credit and investment funds, real estate funds, and various special purpose vehicles).

The research findings showed that NBLs can act as stronger amplifiers of monetary policy than banks and increases in policy rates pass through NBLs rapidly to funding costs, imposing tighter balance-sheet constraints on non-banks and amplifying monetary policy transmission relative to banks.

2.12 Portal guide to investment fund marketing passport submissions

On 9 January 2026, the Central Bank published a [revised version of its Portal guide](#) to submitting cross border distribution of investment funds legislation ("**CBDF**") passporting applications. The guide sets out a series of minor enhancements to the CBDF passporting functionality on the Portal. The guide is available on the Central Bank's website for both [UCITS](#) and [AIF](#) funds.

The changes outlined in the guide include the introduction of a new section to capture share class information, updates to the layout of the common document upload page, and amendments to the process for issuing and receiving acknowledgement messages.

These changes were implemented on the portal on 14 January 2026.

2.13 Investment Fund statistics Q4 2025

On 5 March 2026, the European Fund and Asset Management Association ("**EFAMA**") published its European Quarterly Statistical [Release](#) for Q4 2025 showing strong performance for bond and equity funds in Q4 2025.

The release shows that net assets of UCITS and AIFs increased by 1.6% in Q2 2025, with net inflows of €142 billion. UCITS saw net inflows of € 233 billion, while AIFs registered net inflows of € 36 billion.

3. OTHER LEGAL AND REGULATORY DEVELOPMENTS

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

(a) *Commission consultation on venture and growth capital funds reform (This is a further update to section 3.1(c) of the quarterly report covering the fourth quarter of 2025)*

On 15 January 2026, the Commission published a [targeted consultation](#) and a [public consultation](#) on reform of the regulatory frameworks for EU venture and growth capital funds under the SIU strategy. The consultation covers rules stemming from the European Venture Capital Funds

("EuVECA") Regulation, AIFMD, and national legislation applicable to small-size and mid-sized AIFMs. The consultation focused on:

- Assessment and calibration of AIFMD thresholds. The consultation seeks views on whether the EUR500 million assets under management ("**AUM**") thresholds for mid-size AIFMs in AIFMD Article 3(2)(b) could be increased to thresholds between €750mn and €10bn, noting some venture and growth capital fund managers may find themselves being captured by the full-scope AIFMD regime at a relatively modest AUM scale.
- Requirements for small-size AIFMs managing less than €500 million AuM.
- Proportional requirements for mid-size EU venture and growth capital fund managers.
- Functioning of the regulatory frameworks under the EuVECA Regulation and EuSEF European Social Entrepreneurship Funds Regulation.

Feedback will inform the Commission's work under the SIU and the start-up and scale-up strategy, including a planned review of the EuVECA Regulation in Q3 2026. The deadline for responses to both of the consultations is 12 March 2026.

(b) *Commission consultation on Implementing Regulation on FX benchmarks exempt under Benchmarks Regulation ((EU) 2016/1011) as amended ("**Amended BMR**")*

On 4 February 2026, the Commission published for consultation a [draft Commission Implementing Regulation](#) supplementing the BMR by establishing a list of spot FX benchmarks exempt from its application.

The Commission has identified the following spot FX benchmarks that fulfil the conditions of Article 18a(1) of the Amended BMR, and would thereby be excluded from the Amended BMR:

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

The consultation closes on 2 March 2026.

(c) *Delegated Regulation on research and execution services MiFID II transparency (This is a further update to section 3.1(o) of the quarterly report covering the fourth quarter of 2025)*

On 2 March 2026, the Commission published its adoption of a Commission [Delegated Regulation](#) amending MiFID Delegated Directive (EU) 2017/593 under Listing Act changes, due to be implemented from June 2026, as regards the conditions for the provision of third-party execution and research services to investment firms.

This delegated act requires firms to inform their clients about the way those firms pay for research and execution services and sets out the associated transparency requirements.

(d) *Targeted consultation on private equity exits*

On 2 March 2026, the Commission published its [targeted consultation on private equity exits 2026](#) consultation on obstacles that private equity investors face when exiting their investments and possible ways to address these obstacles.

This initiative aims to gather detailed feedback on specific obstacles and potential solutions to facilitate smoother exits for private equity stakeholders. Feedback will inform the Commission's work under the SIU, in particular efforts to improve the access to finance for EU startups and scaleups.

The consultation will remain open for feedback until 27 April 2026.

(e) *Commissioner speech*

On 26 March 2026, Commissioner Albuquerque delivered a [speech](#) at Eurofi highlighting the Commission's recent achievements and outlining her key strategic priorities, including a series of initiatives designed to enhance financial literacy across Europe, aiming to empower citizens with the skills necessary to make informed investment decisions and to channel their savings into productive assets.

The Commissioner outlined that proper implementation of these initiatives will be critical to build a truly integrated market, enabling European businesses to grow, scale, and compete globally. These efforts are intended to provide Europeans with greater opportunities to participate in the financial markets and support the continent's economic growth.

(f) *Report on crisis preparedness of the EU financial sector*

On 10 March 2026, the Commission published a [report](#) on crisis preparedness in the EU financial sector.

The report notes that the EU is facing growing risks and unprecedented threats in multiple sectors including heightened uncertainty and geopolitical tensions, as well as cybersecurity threats and climate change risks. In the report, as part of the EU's preparedness union strategy, the Commission assesses how well the EU financial sector can carry out its critical functions, such as making payments and funding the economy, in all circumstances (including crises).

The report finds the sector has achieved a high level of resilience by consolidating three key pillars (strong risk-based capital requirements, and robust governance and transparency requirements) as well as continued assessments of the risks of extreme events in operational risk frameworks, business continuity and contingency plans.

The EU financial sector has demonstrated robustness and resilience through recent crises, including the COVID-19 pandemic, the conflict in Ukraine and the failure of banks in the EU.

The report concludes that the EU financial sector is resilient but that it must continue to assess its level of preparedness in the light of evolving risks. The development of the Savings and Investments Union ("SIU") and the introduction of the digital euro are expected to further improve the sector's overall resilience and level of preparedness.

3.2 EMIR Updates

(a) *ESMA final report with RTS on clearing thresholds under EMIR 3 (This is a further update to section 3.4(c) of the quarterly report covering the second quarter of 2025)*

On 25 February 2026, ESMA published a [final report](#) on draft RTS amending Commission Delegated Regulation (EU) 149/2013 which specifies the values of the clearing thresholds for the purpose of the clearing obligation under EMIR. Entities that are active in the OTC derivatives market and exceed one or more of the clearing thresholds are subject to additional requirements under EMIR, including the clearing obligation.

In its final report, ESMA confirms that, to avoid unnecessary complexity and reduce burdens on firms, it has:

- retained the five clearing threshold categories, rather than introducing additional categories or more detailed thresholds; and

- clarified the timing for calculating positions so that counterparties can apply the new thresholds during their usual assessment window (typically June each year) or earlier, if they wish to benefit sooner from the new rules, subject to the timing of publication of the RTS.

ESMA proposes increases to the thresholds for uncleared positions (positions not cleared through an EU or recognised third-country central counterparties ("**CCPs**")) in respect of the commodity and other (€4 Bn), interest rate (€2.2 Bn) and credit (€0.8 Bn) derivative asset classes from those reductions proposed in its April 2025 consultation, to reflect factors such as recent price developments and inflation.

EMIR 3.0 RTS – proposed revised clearing thresholds						
OTC derivative class		(a) OTC credit derivatives	(b) OTC equity derivatives	(c) OTC interest rate derivatives	(d) OTC foreign exchange derivatives	(e) OTC commodity and other OTC derivatives
Current	Aggregate positions (cleared and uncleared)	€1 billion	€1 billion	€3 billion	€3 billion	€4 billion <i>includes other OTC derivative contracts not provided under (a) – (d)</i>
Post - EMIR 3	Aggregate positions	€1 billion	N/A	€3 billion	N/A	N/A
	Uncleared positions (not cleared through an EU or recognised third-country CCP)	€0.8 billion	€0.7 billion	€2.2 billion	€3 billion	€4 billion <i>(uncleared OTC commodity and emission allowances derivatives only).</i>

The final draft RTS have been submitted to the Commission for endorsement. The Commission will determine whether or not to endorse the proposals within three months. ESMA notes that if the RTS enter into force following annual calculations in June 2026 (based on the EMIR Refit schedule) counterparties will be able to apply the new thresholds in their calculations in the following annual calculation cycle.

- (b) *Commission Delegated Regulation (EU) 2026/305 containing RTS specifying the operational conditions, the representativeness obligation and the reporting requirements related to the active account requirement ("**AAR**") under EMIR 3 ((EU) 2024/2987) (This is a further update to section 3.2(g) of the quarterly report covering the fourth quarter of 2025)*

On 6 February 2026, [Commission Delegated Regulation \(EU\) 2026/305](#) containing RTS specifying the operational conditions, the representativeness obligation and the reporting requirements related to the AAR under new Article 7a EMIR was published in the OJ. The Delegated Regulation entered into force on 27 February 2026. The publication follows Commission adoption of the RTS in October 2025.

The RTS include how AAR in-scope counterparties operationally use an EU CCP in terms of having in place the necessary internal systems and arrangements, ensuring that clearing in the active account is representative, and the information that must be reported. The RTS lay down the minimum standards that apply to all counterparties that are subject to the AAR obligation, on the basis that it would be disproportionate to require a more stringent treatment for counterparties with more trades.

ESMA had also issued a [public statement](#) on 11 December 2025 in relation to the expected timing for upcoming reporting obligations under AAR.

(c) *ESMA supervisory briefing on AAR representativeness obligation under EMIR 3*

On 20 February 2026, ESMA published a [supervisory briefing](#) on the active account requirement ("AAR") representativeness obligation, set out in Article 7a of EMIR and Commission [Delegated Regulation \(EU\) 2026/305](#) (the "**Delegated Regulation**"). The AAR obliges certain financial and non-financial counterparties to maintain an active account and clear a number of trades at an EU central counterparty for certain derivatives.

In the supervisory briefing, ESMA sets out guidance on how counterparties should:

- Identify the most relevant subcategories for the purpose of the AAR representativeness obligation.
- Report trades for the purpose of Article 9 and Annex III of the Delegated Regulation.

The supervisory briefing also contains a worked example of compliance with reporting of the representativeness obligation.

(d) *ESMA consultation paper on CCP collateral under EMIR 3*

On 23 February 2026, ESMA published a [consultation paper](#) on draft RTS relating to guarantees as CCP collateral under EMIR 3, addressing:

- the relevant conditions under which public guarantees, public bank guarantees and commercial bank guarantees may be accepted by CCPs as collateral;
- the conditions under which debt instruments can be considered as eligible financial instruments for the purpose of CCP investment policy; and
- the highly secured arrangements in which emission allowances posted as margins or default fund contributions can be deposited.

The consultation is open to feedback until 30 April 2026.

(e) *Final report on margin transparency requirements and clearing fees and associated costs*

On 2 March 2026, ESMA published the following final reports on RTS under EMIR 3:

- [final report](#) on draft RTS on margin transparency requirements which introduced more detailed requirements on the margin model information and the margin simulation tool to be provided by CCPs. IT also specifies new requirements for clearing service providers ("**CSPs**") to improve transparency of their margin models and to provide simulations of their margin requirements to clients.
- [final report](#) on draft RTS on information on clearing fees and associated costs charged by CSPs to these clients for providing clearing services including on-boarding fees, fixed fees and transaction fees as well as other associated costs related to the provisions of clearing services.

ESMA has submitted both draft RTS to the Commission for endorsement.

(f) *EBA consultations on the authorisation of initial margin models*

On 17 March 2026, the EBA launched two public consultations on draft [Guidelines](#) and draft [RTS](#) on initial margin model ("**IMM**") authorisation under EMIR 3.

Under EMIR 3 rules, counterparties using internal IMMs must obtain prior authorisation from their competent authority. The draft Guidelines specify the minimum information and documentation that counterparties must submit for their application to be considered complete.

The Draft RTS set out the assessment techniques that CAs will apply when authorising IMMs. They only apply to counterparties belonging to groups with an aggregate monthly average notional amount of non-centrally cleared OTC derivatives exceeding €750 billion. Where an IMM relies on a pro-forma model, it must be validated by the EBA prior to authorisation by the competent authority. The EBA's [No Action Letter on the application of EMIR](#), published in December 2024 will cease to apply once the new Guidelines enter into force.

The deadline for the submission of comments is 17 June 2026.

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

(a) *AMLA strategic programming document 2026-28*

On 4 February 2026, AMLA published its [Single Programming Document](#) ("**SPD**") sets out its work programme, objectives and planned activities for 2026-2028.

AMLA identifies the following five interlinked activities that will shape its work in 2026 and continue to have impact across all three years covered by the SPD:

- **Delivering on core regulatory mandates.** AMLA will deliver 24 of its 40 mandates under the EU AML/CTF Single Rulebook, prioritising mandates that are most important for the industry, and those needed to implement its supervisory and financial intelligence unit (**FIU**) tasks.
- **Advancing direct supervision.** From 2028, AMLA will directly supervise 40 major financial institutions. The first selection process will take place in 2027. In 2026, AMLA will finalise the methodology to determine how entities will be selected for direct supervision. It will begin the data collection exercise to assist with the testing and calibration of the model in March 2026.
- **FIU framework.** AMLA will strengthen co-operation, consistency, and effectiveness among EU FIUs. In 2026 it will focus on mechanisms for joint analyses, embedding harmonised technical standards and mediation mechanisms. It will also begin peer reviews.
- **Indirect supervision.** AMLA has indirect supervisory powers across the entire financial sector and oversight powers over certain elements of the non-financial sector. It will develop a strategy and framework for each sector.
- **Risk frameworks.** In 2026, AMLA will build its risk analysis framework, which will include mapping data sources and creating the infrastructure to collect data, both at procedural and IT level.

(b) *AMLA consultation on draft RTS for harmonised supervision under MLD6 and AML Regulation*

On 9 February 2026, AMLA published three consultation papers under each of Sixth Money Laundering Directive ([\(EU\) 2024/1640](#)) ("**MLD6**") and Regulation [\(EU\) 2024/1624](#) (the "**AML Regulation**"):

- A [consultation paper](#) on draft RTS on pecuniary sanctions, administrative measures and periodic penalty payments under Article 53(10) MLD6. AMLA proposes that, as a first step, supervisors will assess the level of gravity of a breach and the draft RTS set out a list of indicators that all supervisors will consider. They also set out how breaches should be classified into one of four categories by order of severity and list the criteria that supervisors will apply. The consultation was closed to feedback on 9 March 2026.
- A [consultation paper](#) on draft RTS on customer due diligence ("**CDD**") under Article 28(1) of the AML Regulation. The draft RTS contain proportionate, risk-based CDD measures that contribute to harmonising the way AML/CFT requirements are applied in the EU and show track changes,

highlighting the amendments it has made to the EBA version. The consultation is open to feedback until 8 May 2026.

- A [consultation paper](#) on draft RTS on criteria for identifying business relationships, occasional and linked transactions and lower thresholds under Article 19(9) of the AML Regulation. The criteria in the draft RTS apply to all obliged entities across both the financial and non-financial sectors. Although some criteria are universal, others are tailored to specific categories of obliged entities. The consultation is open to feedback until 8 May 2026.

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

(a) *ESMA principles for risk-based supervision ("RBS")*

On 9 January 2026, ESMA published a report setting out [non-binding principles](#), to promote the development of a common EU supervisory culture by providing a structured framework for identifying, assessing, prioritising and addressing risks.

The principles set out an entity-based approach, which can be adapted to other identification models (such as transaction or product based) depending on an authority's supervisory process.

Authorities are expected to implement the RBS principles under their own framework in a practical way. When following the principles, national authorities should use their supervisory judgment and consider the specific risks and characteristics of their national market and the entities and products under their supervision.

The principles define RBS as a holistic, forward-looking, judgement-led and data-informed approach that focuses supervisory resources on the most significant risks rather than exhaustive rule-checking, accepting some risk within a clear risk tolerance.

The report outlines foundational elements (supervisory strategy, risk appetite, governance, methodologies and parameters) and a practical RBS cycle (industry-wide and entity-based risk identification, probability/impact assessment with scoring and aggregation, and risk prioritisation, reprioritisation and treatment through dynamic supervisory work plans).

The report applies to national competent authorities ("NCAs") and ESMA when carrying out direct supervision and provides a useful understanding of supervisory expectations for market participants of risk frameworks.

(b) *Third report on marketing requirements and communications under the Cross-border Distribution of Funds Regulation ("CBDR")*

On 6 January 2026, ESMA published its [third report](#) on marketing requirements and marketing communications under the CBDR.

The report identifies that Luxembourg and Ireland are the leading notifying jurisdictions, accounting for 59% and 30% respectively. UCITS notifications comprise 56% of the total fund notifications, while alternative investment funds account for 44%. The report notes that national rules governing the marketing of funds have not undergone any significant changes since the previous report in 2023.

(c) *ESMA cross-border distribution consolidated summary (This is a further update to section 3.3(p) of the quarterly report covering the third quarter of 2025)*

On 25 March 2026, ESMA published its latest cross-border [distribution of investment funds summary](#), covering the national rules, expectations as well as details on fees and charges of the NCAs of the EEA states.

The summary provides hyperlinks to the websites of competent authorities with complete and up-to-date information on the applicable national laws, regulations and administrative provisions governing

marketing requirements for AIFs and UCITS in member states as well as a summary of marketing requirements provided by NCAs.

(d) *2025 guidelines on stress test scenarios under Regulation on money market funds ((EU) 2017/1131) ("**MMF Regulation**")*

On 26 March 2026, ESMA published the [translated versions](#) of its 2025 version of its guidelines on stress test scenarios under the MMF Regulation. The annual updates to the guidelines are highlighted in red throughout. The guidelines are updated at least every year to take into account the latest market developments.

The updated guidelines, including the new 2025 parameters, will apply two months from 26 May 2026.

On 20 March 2026, Commissioner Albuquerque [announced](#) that the Commission will soon publish an analysis of the MMF regulatory framework and provide targeted clarifications on certain rules and key concepts (e.g. appropriate liquidity levels), to ensure certainty and keep EU MMFs strong and competitive. The report is expected to address targeted areas within the existing regulations rather than proposing sweeping changes.

(e) *European Central Bank ("**ECB**") announcement on DLT as eligible collateral*

On 27 January 2026, the ECB published a [press release](#) confirming the Eurosystem is to accept marketable assets issued in central securities depositories ("**CSDs**") using DLT as eligible collateral for Eurosystem credit operations as of 30 March 2026. These DLT-based assets must meet the standard collateral eligibility and settlement requirements, including settlement via TARGET2-Securities.

The Eurosystem has launched a work plan to explore if, how and under what criteria assets issued using DLT and not represented in eligible securities settlement systems could become eligible and be mobilised as Eurosystem collateral in the future.

(f) *Amended BMR updates (This is a further update to section 3.1(h) of the quarterly report covering the fourth quarter of 2025)*

On 21 January 2026, ESMA released an updated [public statement](#) on the transitional provisions that apply under Amended BMR, detailing:

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

Under revised Article 51(5) of the Amended BMR, where ESMA has received an application for recognition or endorsement from a third-country administrator by 31 December 2025 concerning a benchmark within the revised scope of the Amended BMR, benchmarks provided by that administrator can continue to be used in the EU unless the application is refused by ESMA.

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

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

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

On 30 January 2026, [Commission Delegated Regulation \(EU\) 2026/264](#) on third country benchmark administrator recognition applications amending the RTS in Delegated Regulation (EU) 2018/1645, as regards the form and content of an application for recognition with ESMA and in Delegated Regulation (EU) 2018/1646, as regards the information to be provided in an application for authorisation and registration, was published in the OJ.

The amendments reflect the expansion of ESMA's supervisory powers concerning third-country benchmark administrators under the Amended BMR. The Delegated Regulation will enter into force on, and apply from, 19 February 2026.

- *Significant benchmarks*

During the period ESMA published the following public statements on significant benchmarks notified under Article 24(2) of the Amended BMR as reaching the relevant threshold of €50 billion:

- [19 January 2026](#) (ICE, LBMA);
- [19 March 2026](#) (CME);
- [17 March 2026](#) (MSCI); and
- [13 March 2026](#) (Nasdaq).

(g) *European Data Protection Board ("**EDPB**") updated FAQs for businesses on the EU-U.S. Data Privacy Framework ("**DPF**") and recommendations on EU Processor Binding Corporate Rules ("**BCR**")*

On 27 January 2026, the EDPB published [updated FAQs](#) for businesses on the EU-U.S. DPF.

The FAQs offer practical guidance for businesses evaluating or relying on the DPF for transatlantic data transfers. The FAQs address eligibility and certification considerations, scope of coverage for controllers and processors, requirements around vendor due diligence and onward transfers, and the interplay between the DPF and other transfer tools such as standard contractual clauses and binding corporate rules.

On 15 January 2026, the EDPB announced in a [press release](#) that, it adopted [Recommendations 1/2026](#) on EU Processor Binding Corporate Rules ("**BCR**") under Article 47 of Regulation (EU) 2016/679 as amended (GDPR).

BCRs allow groups of companies to transfer personal data outside the EEA to processors within the same group. The Recommendations provide a standard application form, instructions for selecting a "BCR Lead" supervisory authority and set out a number of specific enforceable elements that BCRs must contain including:

- *Binding nature*: Legally binding obligations for all group members and employees.
- *Liability regime*: At least one EEA member must accept liability for breaches outside the EEA
- *Third-party beneficiary rights*: Data subjects can enforce BCRs directly.
- *Transparency*: Easy access to BCRs and clear information about rights.
- *Effectiveness mechanisms*: Regular audits, staff training, and complaints procedures.
- *Government access requests*: Commitments to assess foreign laws and procedures for government data requests.

The Recommendations are open for public consultation until 2 March 2026.

(h) *Research on AI adoption and trends*

On 20 February 2026, ESMA published a [research article](#) on AI adoption and trends. The article evaluates recent trends related to the use of AI in securities markets, based on a survey conducted in summer 2025 across the EU. It examines financial market participants' self-reported use of AI and yields insights on the benefits and the challenges associated with AI's growing relevance for firms' competitiveness. It highlights AI adoption remains partial and uneven across the financial sector, with smaller firms lagging behind larger ones. It also highlights operational risk in firms' reliance on a small number of AI infrastructure providers creating third-party dependencies.

(i) *ESMA report on costs and performance of retail products*

On 3 March 2026, ESMA published its 2025 [market report](#) on the costs and performance of EU retail investment products and accompanying statistical [Annex](#), providing an overview of key developments up to the end of 2024.

The headline finding in the report shows that ongoing costs in the EU continued to decline mostly due to new investment funds entering the market, as they usually charge lower fees. Cost reductions for long-standing funds remained more limited.

The key findings in the report are:

- **UCITS costs declined gradually, driven mainly by new funds**, with ongoing costs falling by 8% for retail equity funds, and by almost 15% for retail bond funds. Cost reductions were more limited for existing funds, at 3% for equity funds and 9% for bond funds.
- **UCITS performance improved significantly in 2024**. Equity and mixed funds achieved their second-best results since 2020, while bond funds reached their highest level of returns. Real net returns were positive across all fund categories.
- **ESG UCITS continued to have lower costs than non-ESG**. However, in 2024, ESG funds underperformed their non-ESG equivalents. Similarly, funds classified under SFDR Article 9 recorded lower returns than Article 6 funds.
- **Alternative Investment Funds (AIFs) remained dominated by professional investors**, and between 2022 and 2024 the share of retail investors investing in these products decreased from 14% to 9%. Annual net returns were positive across all categories of AIFs in 2024.
- **Structured Retail Product costs remained broadly stable** in 2024, while interest-rate linked products continued to gain market share, reaching 27% – up from just 1% in 2021.

ESMA again highlights the importance of cost transparency and competition, as well as the obligation for asset managers and investment firms to act in the best interest of investors.

(j) *ESMA's Trends, Risks and Vulnerabilities Report*

On 12 March 2026, ESMA published its first Trends, Risks and Vulnerabilities [Report](#) for 2026 alongside its [statistical annex](#). The key developments are highlighted in the [press release](#) entitled "*EU financial markets enter 2026 amid high-risk environment*".

The report was completed before the current shocks to the global economy from the war in the Middle East commenced in late February.

ESMA's chair notes "*The recent escalation of conflict in the Middle East continues to significantly affect markets, leading to sharp increases in energy and commodity prices, as well as elevated volatility. ESMA's latest risk monitoring analysis highlights the potential for disorderly corrections that could spill over across markets. In this context, disciplined risk monitoring and risk management remain essential to ensure orderly markets, a core objective for ESMA.*"

The report sets out market developments and conditions across key segments of EU financial markets during the second half of 2025. It also provides deep dives on selected topics such as EU sovereign bonds' sensitivity to unexpected events, funds' exposure to private finance (page 21), EU listings trends, and physical risk and catastrophe bonds (page 43).

On **asset management**, equity funds saw strong performance. This was largely driven by valuations, through increased exposure to the US market. ESMA notes the growth of private finance funds contributes to the funding of the real economy, but requires monitoring given opacity and interconnectedness concerns.

On **vulnerabilities**, financial firms and infrastructures are increasingly targeted by cyber and hybrid threats and vulnerable to operational dependencies likely to propagate shocks.

On **sustainable finance**, a cooling in global climate policy sentiment weighed on ESG investing. Meanwhile, rising awareness of physical climate risks drove catastrophe bond issuance to record highs in 2025, with EU funds increasingly offering exposure to these instruments.

On **financial innovation**, tokenisation adoption remained low but gained momentum, including with the growth of tokenised MMFs.

(k) *ESA Spring update on risks and vulnerabilities in the EU financial system*

On 27 March 2025, ESA's Joint Committee published their [Spring 2026 update](#) on risks and vulnerabilities in the EU financial system.

The update focuses on the challenges arising from ongoing geopolitical tensions and developments in private finance. The ESAs warn that ongoing geopolitical tensions, namely the war in the Middle East, pose significant risks to the global financial landscape through higher energy prices, potential inflationary pressures and weaker economic growth. The ESAs [had previously warned about](#) the risks of sudden repricing and liquidity reductions at times of elevated equity market valuations and compressed spreads in bond markets. Higher interest rates may further tighten funding conditions and affect asset quality.

The update also highlights emerging risks in private finance driven by limited data, low transparency, prolonged growth and complex, opaque interconnections with the broader financial system.

Recent developments in certain US private credit funds, linked to AI replacing more traditional software businesses, illustrate potential vulnerabilities related to changes in investor sentiment.

Given the ongoing geopolitical tensions, the update calls on supervisors and market participants to maintain a high level of readiness. This includes proactive risk assessments with appropriate tools, the prudent management of sovereign exposures and the inclusion of geopolitical context in risk management.

Financial institutions, authorities and investors are also encouraged to closely monitor and manage risks associated with private markets, considering limited transparency, rising exposures, and potential shifts in risk profiles, linked to upcoming Solvency II 2027 changes.

(l) *Report on retail participation MiFID II*

On 12 March 2026, ESMA published a [report](#) following its call for evidence on the *retail investor journey: understanding retail participation in capital markets*, relating to investment products within the scope of MiFID II. ESMA outlines potential technical actions and operational improvements that it will explore in the light of feedback from the call for evidence, including:

- Streamlining disclosure requirements and tackling information overload for investors. This includes adjusting periodic reporting and encouraging a 'digital-first' approach for information on key firm policies. ESMA will also consider developing best practices on layering information and addressing the impact of local language requirements for certain disclosure documents.
- Making suitability and appropriateness assessments less complex, while maintaining investor protection including further streamlining information collection for suitability assessments and wider use of digital tools.

- Simplifying MiFID II requirements on sustainability preferences. This includes simplifying the definition of 'sustainability preferences', reducing operational complexity in collecting and updating those preferences, and supporting financial education on sustainability topics.

ESMA plans to use the report to guide its future technical advice on MiFID II delegated acts and potential simplifications of its suitability and sustainability guidelines, aligned with the final outcome of the Retail Investment Strategy ("**RIS**").

(m) *ESMA Q&As*

On 27 February 2026, ESMA published a series of [Q&A updates](#), including a number of answers in respect of the AAR obligation under the new Article 7a of EMIR.

OTC derivatives, central counterparties and trade repositories (EMIR) – CCPs

1. [AAR threshold calculation](#) (2418)
2. [AAR representativeness obligation](#) (2776)
3. [AAR representativeness obligation](#) (2777)
4. [AAR stress testing](#) (2778)
5. [AAR threshold calculation](#) (2779)

On 3 March 2026, ESMA published [QA 2794](#) on the SFTR Article 4 reporting obligation in respect of updating the loan value and security price fields following lifecycle events.

(n) *ECB blog advocating for a joint national / European supervision of large asset managers in the EU (This is a further update to section 3.1(a) of the quarterly report covering the third quarter of 2025)*

On 13 February 2026, the ECB published a [blog](#) advocating for an EU perspective regarding the supervision of large asset managers.

The blog notes that assets under management in Europe have surpassed €20 trillion, of which €6.3 trillion worth of assets are managed by 10 to 15 asset managers, highlighting the high concentration levels of the European fund industry. The blog calls for a more consistent EU framework for supervision to level the playing field in the application of European rules and help remove barriers to cross-border fund distribution, which would in turn enable larger scale and lower costs for retail investors.

The blog notes shortcomings in the risk analysis of the current framework, namely that national supervisors may be more likely to overlook potential spillover effects to other countries. Moreover, countries that could be affected by stress in the investment fund sector are often not responsible for supervising the relevant funds and therefore lack the ability to pre-empt emerging risks. Such nationally fragmented oversight leaves room for supervisory blind spots that could be addressed through integrated supervision.

The blog points to how the EU is moving closer towards its ambition of building a deeper, more integrated capital market, especially in light of the SIU strategy and how a closer supervisory regime of ESMA could help eliminate supervisory blind spots in order to keep pace with the ambitions of the SIU.

(o) *ECB occasional paper: One market, one supervision*

On 30 March, 2026, the ECB published its occasional paper entitled [One market, one supervision - Rethinking the supervisory landscape for a truly integrated capital market in Europe](#). The paper provides an evidence-based assessment of the EU supervisory landscape by combining a comprehensive mapping of supervisory models and authorities operating across the E.U. with an analysis of capital market players across key sectors, including asset management (sections 3.2.3. and 5.4).

With the increasing focus on encouraging retail level investment across the EU and recent policy steps towards a truly integrated capital market and EU supervision model, the paper notes that markets and end users – especially cross-border ones – would also gain from a more level playing field and lower compliance costs, while domestic actors could continue benefitting from the local focus and expertise of national supervisors.

(p) *ESMA supervisory briefing on algorithmic trading under MiFID II*

On 26 February 2026, ESMA published a [supervisory briefing](#) on algorithmic trading in the EU. The briefing provides guidance to investment firms and NCAs on the supervision of algorithmic trading under MiFID II, with the aim of promoting convergence in supervisory practices. The guidance considers requirements under Article 17 of MiFID II and under Commission Delegated Regulation (EU) 2017/589, which contains RTS 6 on the organisational requirements of investment firms engaged in algorithmic trading.

In the briefing, ESMA sets out guidance on:

- key concepts, including the definitions of an algorithm and of algorithmic trading.
- key issues relating to algorithmic trading including governance, testing of algorithms, outsourcing and interactions with the EU AI Act
- guidance on pre-trade controls ("**PTCs**"), which reflects lessons learned from the common supervisory action undertaken in 2024 following the 2022 flash crash in Nordic stock markets. The guidance covers issues including the scope of the requirement to establish PTCs, outsourcing arrangements, hard blocks and soft blocks, and governance practices.

ESMA encourages NCAs to incorporate the guidance into their supervisory practices, including authorisation processes, thematic reviews, and on-site inspections, and suggests that investment firms may use this briefing to verify their compliance with the requirements on algorithmic trading.

(q) *ESMA speeches*

On 24 February 2026, ESMA delivered a [speech](#) entitled "Strengthening Europe's Asset Management Sector" which addressed digitalisation: AI and tokenisation, T+1 settlement and the market integration package.

On 3 February 2026, ESMA Chair Verena Ross delivered a [speech](#) on digital finance which covered the issues to be overcome to see broader adoption of tokenisation in the wide European financial services ecosystem.

(r) *Newsletter*

On 13 February 2026, ESMA published its January and February 2026 [edition](#) of the Spotlight on Markets Newsletter.

(s) *Postponement of commodity derivatives weekly position reporting*

On 27 March 2026, ESMA [announced](#) that it is postponing the rollout of the new solution for Commodity Derivatives Weekly Position Reporting under MiFID II, [originally scheduled for 1 April 2026](#).

The decision follows the identification of issues during the final testing phase, which require further corrective actions to ensure system stability and data quality.

A revised go live date will be communicated once the necessary fixes have been fully implemented and validated. Until then, stakeholders should continue using the current version.

3.5 EFAMA market insights

(a) *Fund redemptions amid periods of shock: evidence from UCITS corporate bond fund outflows*

On 25 March 2026, EFAMA published [insights](#) examining fund redemptions during periods of market stress, highlights concerns that outflows from UCITS corporate bond funds may amplify systemic risk due to perceived liquidity mismatches, and assessing whether such dynamics are driven by underlying liquidity constraints or first-mover advantage behaviour.

(b) *The rise of private debt and loan originating funds ("LOFs")*

On 27 January 2026, EFAMA published the [latest issue](#) of its Market Insights series entitled "*Market-based Finance in Europe: The rise of private debt and loan originating funds*".

The publication highlights key developments, structural trends, and its growing importance within the capital markets landscape of the private debt and loan-origination market in Europe. Key findings of the publication include:

- New EU private debt investments have expanded sharply since 2013, reaching nearly €75 billion in 2024, supported by investor demand for long-term yield and the growing complementarity between private debt and private equity.
- Europe remains the second-largest global private debt hub. US-domiciled funds captured over 60% of global private debt commitments during 2020–2024, while Europe's share fluctuated between 21% and 24%.
- LOFs are a key driver of private debt growth, accounting for around two-thirds of private debt commitments in 2020–2024, with direct lending strategies being in the majority.
- LOFs remain concentrated in a few financial centres, with Luxembourg accounting for 57% of commitments in 2024. This dynamic may shift following the recent AIFMD review, as harmonised rules on loan origination are expected to foster a more integrated EU market for these funds.

3.6 International Monetary Fund

(a) *Good Practises in Cyber Risk Regulation and Supervision*

On 6 January 2026, the International Monetary Fund published a report on [Good Practices in Cyber Risk Regulation and Supervision](#) recommending that financial authorities adopt a proactive, risk-based approach to cyber regulation and supervision, blending principles-based and prescriptive rules. The practices are aimed at supporting authorities worldwide in enhancing cyber resilience by ensuring that financial institutions and market infrastructures are resilient to cyber incidents.

3.7 IOSCO

(a) *2026 Work Program*

On 9 February 2026, IOSCO published its [2026 Work Program](#).

IOSCO's work in 2026 will include contributing to the Financial Stability Board's deep dive on private credit and researching the functioning of public equity markets, targeted reforms in commodity derivatives markets and updated valuation guidance for evolving asset classes.

Among other things, IOSCO will advance its crypto-asset roadmap by finalising a formal methodology for crypto and digital assets assessments, start further thematic reviews, and continue to monitor developments arising from financial technology adoption. It will also develop a supervisory toolkit on AI and guidance for firms on disclosures and governance on AI.

4. SUSTAINABLE FINANCE DEVELOPMENTS

4.1 EU Taxonomy simplification amendments published (*This is a further update to section 4(h) of the quarterly report covering the third quarter of 2025*)

On 8 January 2026, Commission [Delegated Regulation \(EU\) 2026/73](#) amending Delegated Regulation (EU) 2021/2178, Delegated Regulations (EU) 2021/2139 and (EU) 2023/248, as regards simplification of certain technical screening criteria ("**TSC**") for determining whether economic activities cause no significant harm to environmental objectives under the Taxonomy Regulation was published in the OJ.

Key amendments include new simplified Taxonomy reporting templates, a new materiality threshold for collecting data on taxonomy-eligible or taxonomy-aligned assets (10% where the use of proceeds is known) and updates to the technical screening criteria, notably concerning the do no significant harm ("**DNSH**") requirements related to pollution prevention and reduction.

The Delegated Regulation became effective on 28 January 2026 with application commencing from 1 January 2026. Accordingly, the amendments apply for 2025 reporting periods (i.e. for the financial year between 1 January and 31 December 2025), and in-scope undertakings are given the option to delay application of the new measures until the 2026 reporting period.

The Commission has issued a [draft commission notice](#) containing 17 FAQs to support the implementation and interpretation of some of the changes.

The Commission also conducted a [call for evidence](#) for a more comprehensive review of the technical screening criteria, in particular the DNSH criteria, to make them simpler, more usable and more closely aligned with other EU legislation.

4.2 ESMA thematic note on ESG strategies used in sustainability-related claims

On 14 January 2026, ESMA published a second [thematic note](#) on clear, fair and not misleading sustainability-related claims that focuses on ESG strategies particularly with reference to "ESG integration" and "ESG exclusions" in the marketing communications.

ESMA defines ESG integration as a strategy that is generally aimed at improving risk-adjusted returns by factoring in material ESG risks and opportunities and defines ESG exclusions as a strategy commonly aimed at avoiding or minimising exposures that are prone to risks or at aligning the portfolio with specific values or norms.

ESMA sets out its expectations on how market participants should communicate to investors on the way they define ESG integration and ESG exclusions, and the elements they apply under such strategies:

- Observed market practices when communicating on ESG strategies. ESMA highlights differing approaches observed among market participants regarding their practices on ESG integration and ESG exclusions.
- Practical do's and don'ts for claims about ESG integration and ESG exclusions, which are illustrated through examples of good and poor practices.

ESMA's approach to ESG strategies is based on its four principles concerning sustainability-related claims, which specify that these claims should be accurate, accessible, substantiated and up to date.

4.3 Omnibus I CSRD and CSDDD simplification Directive published in OJ (*This is a further update to section 4(h) of the quarterly report covering the fourth quarter of 2025*)

On 26 February 2026, the [Omnibus Directive \(EU\) 2026/470](#) simplifying sustainability reporting and due diligence requirements under the Corporate Sustainability Reporting Directive ((EU) 2022/2464) ("**CSRD**") and the Corporate Sustainability Due Diligence Directive ((EU) 2024/1760) ("**CSDDD**") (the "**Directive**") was published in the OJ. The Omnibus Directive significantly narrows the scope of application and limits or removes a number of key obligations under both regimes.

The Directive limits the scope of mandatory sustainability reporting, increasing the employee threshold for EU companies under the CSRD to 1,000 employees alongside a net annual turnover threshold of

EUR450 million. The Directive changes also simplify reporting standards by reducing the amount of qualitative information required and making sector-specific reporting voluntary rather than mandatory.

CSDDD will apply in respect of EU corporations having more than 5,000 employees and a global net turnover exceeding €1.5 billion, and in respect of non-EU corporations having a corresponding turnover generated within the EU. The previous legal obligation to implement transition plans for climate change mitigation have been repealed.

Member states must transpose the Directive into national law within 12 months of its entry into force (19 March 2027), save Article 4 (which amends the sustainability due diligence obligations in the CSDDD), which has a transposition deadline of 26 July 2028 (with in-scope companies subject to the CSDDD obligations from July 2029). Additionally, the Commission will adopt, by 18 September 2026, a delegated act revising the existing European Sustainability Reporting Standards. The Omnibus I amendments do not alter the CSRD reporting timeframes as previously amended by the “Stop-the-Clock” Directive, which entered force in April 2025.

On 18 March 2026, the Platform on Sustainable Finance published its [response](#) to the Commission’s consultation on the European sustainability reporting standards (“**ESRS**”). Among other things its recommendations include improving consistency between the ESRS, SFDR and the Benchmark Regulation, as well as the wider sustainable finance framework in terms of definitions, scope, and underlying methodologies. The Commission plans to adopt its Delegated Act on the revised ESRS before summer 2026.

4.4 Commission request for ESA technical advice on Taxonomy Disclosures Delegated Act

On 5 March 2026, the Commission published a [call for technical advice](#) to the ESAs on key performance indicators (KPIs) and other aspects of Delegated Regulation (EU) 2021/2178 (Disclosures Delegated Act) under Article 8 of the Taxonomy Regulation.

The Commission is seeking technical input to complete the review and simplification of taxonomy reporting under the Disclosures Delegated Act. The review will focus on measures that were not included in the Taxonomy Omnibus Delegated Regulation and will take place alongside the SFDR 2.0 proposals.

The ESAs are requested to focus advice on the operational expenditure (OpEx), KPI of non-financial firms, the commissions and fees KPI, the trading book KPI of credit institutions and the underwriting KPI of insurance and reinsurance undertakings. The ESAs can also advise on other technical amendments to simplify and enhance the usability of taxonomy reporting.

The ESAs are expected to provide their advice by October 2026. The Commission is aiming to adopt any amendments to the Disclosures Delegated Act in Q1 2027, with entry into force in Q3 2027. This is before the transitional relief for taxonomy reporting provided to financial undertakings in the Omnibus Delegated Act expires. The Commission also notes that the more general review of TSC is ongoing and is due to be finalised in Q3 2026.

4.5 Commission consultation on revising Taxonomy Climate and Environmental Delegated Acts

On 17 March 2026, the Commission published a [press release](#) announcing the launch of a consultation on revising TSC with the Commission publishing the texts of the following two draft delegated regulations:

- [Delegated Regulation amending the Taxonomy Climate Delegated Act \(\(EU\) 2021/2139\) as regards enhancing the usability of the TSC](#)
- [Delegated Regulation amending the Taxonomy Environmental Delegated Act \(\(EU\) 2023/2486\) as regards enhancing the usability of the TSC](#)

The Taxonomy Climate and Environmental Delegated Acts specify the TSC for activities meeting the six EU climate and environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention

and control and biodiversity. The Commission intends to make amendments to the Delegated Acts to make the framework simpler and easier to use, improving legal certainty, and cost-effectiveness of the Taxonomy by clarifying TSC and reducing complexity, particularly in relation to the DNSH criteria. The amendments are contained in detailed Annexes and they cover forestry and environmental protection, manufacturing, energy, transport and construction, as well as the DNSH criteria.

The consultation remains open to submissions until 14 April 2026, with the Commission intending to adopt the legislation in Q2 2026.

4.6 ESMA sustainable finance timeline (updated)

On 13 January 2026, ESMA released an updated version of its [sustainable finance](#) timeline consolidating all recent changes across SFDR, EU Taxonomy, CSRD/ESRS, Green Bond regulation, Amended BMR and the ESG Ratings regulations

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

Commission Delegated Regulation (EU) [2025/1775](#) amending Delegated Regulation (EU) 2020/1818 as regards the definition of prohibited weapons was published in the OJ.

The amending delegated regulation became effective from 19 January 2026 and will apply from 30 June 2026 with regard to already existing benchmarks authorised prior to its date of entry into force.

4.8 Central Bank climate observatory

On 27 January 2026, the Central Bank published its third annual [climate observatory report](#). The report provides an evidence-based overview of climate science, progress on decarbonisation, and evolving financial risks. The report highlights that on the current trajectory, Ireland will not meet its 2030 climate obligations, falling short by roughly half. The Central Bank emphasises that credible transition planning, robust governance, and sustainable capital allocation are now essential to safeguard financial stability and support Ireland's decarbonisation pathway.

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