

What to watch out for in the year ahead funds / asset management regulation

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Regulatory change

1. AIFMD & UCITS Reform

Each EU member state is required to transpose UCITS and AIFMD updates into national law by April 16 2026.

AIFMD reforms include:

- Expansion of the scope of delegation requirements
- New transparency disclosures in fund documentation and annual reports
- Harmonisation of the use of liquidity management tools
- The introduction of a new Pan-European Loan Origination Regime
- Updates to AIFMD Annex IV reporting requirements

UCITS reforms include:

- Expansion of the scope of delegation requirements
- Harmonisation of the use of liquidity management tools
- Updates to UCITS regulatory reporting requirements

At the time of writing, industry awaits the transposition of the EU directive updates into national law and the conclusion of a consultation process on updates to the UCITS Regulations and AIF Rulebook respectively.

2. SFDR 2.0

Published in November 2025, SFDR 2.0 represents a major overhaul of the existing

EU Sustainable Finance Disclosure Regulation ("SFDR"). SFDR 2.0 seeks to simplify disclosures, reduce complexity and provide greater transparency to investors.

Funds and asset management firms should be aware of the move from the current disclosure regime to a product categorisation regime. The move from the existing Article 8/9 framework is to provide clearer sustainability product labels based on measurable criteria, reducing entity-level reporting and enhancing comparability between funds.

This will introduce three product categories:

- Transition (Article 7) - products which support companies on credible transition paths.
- ESG Basic (Article 8) - products integrating ESG considerations
- Sustainability (Article 9) - products contributing to clear sustainability projects

The proposed Regulation sets out certain types of investments and activities which will automatically fit into one of the above categories.

An aim to simplify disclosures has been incorporated in the Regulations, looking to shorten them (2 pages) in an effort to focus on the core comparable indicators for investors. Reporting will be reduced in an effort to remove duplication across other legislation such as the Corporate Sustainability Reporting Directive.

There is an 18 month transition period, which will allow asset managers the required time to re-evaluate their current products, update relevant disclosures and re-classify existing funds to the new categories.



Source: <https://ec.europa.eu/commission/presscorner>

3. EU Market Integration Package - Implications for Funds and Asset Management

The European Commission's December 2025 Market Integration Package forms part of the wider EU simplification agenda and aims to strengthen supervisory convergence while reducing regulatory fragmentation.

For funds and asset management firms, its significance lies in how it may reshape cross-border supervision, delegation oversight and distribution governance. The package includes review of overlapping Level 2 and 3 measures, enhanced coordination through ESMA, and measures designed to improve consistency of supervisory practices across Member States. For compliance officers, this points to greater alignment of expectations on delegation substance, intra-group arrangements and marketing controls.

The proposal is currently at legislative stage, with negotiations expected throughout 2026. Technical standards and further guidance are likely to follow. While framed as simplification, the direction of travel is toward clearer and more harmonised supervisory expectations.

Funds and asset management firms should monitor developments closely and assess potential impacts on distribution models, governance frameworks and cross-border compliance oversight structures.

Central Bank publications to watch out for

1. Proposals from the FSP Framework Review (delegation, outsourcing and governance)

Following the Central Bank's 2024 review of the delegation practices of Irish authorised fund management companies ("FMCs"), the Central Bank conducted a follow-on exercise in 2025 on the same topic. As highlighted in the Central Bank's "*Regulating & Supervising Well – A More Effective and Efficient Framework*" publication in December 2025, the Central Bank expects to deliver "initial proposals" from its delegation practices review in H1 2026.

FMCs should plan to review their delegation frameworks in light of this expected publication by the Central Bank.

2. Common Supervisory Action on Compliance and Internal Audit Functions of Fund Management Companies

In February 2025, ESMA launched a Common Supervisory Action ("CSA") to assess the effectiveness of compliance and internal audit functions within FMCs across the EU. The Central Bank engaged with a selection of Irish FMCs as part of this CSA. During a recent industry event, the Central Bank noted that ESMA would publish their EU wide findings in H1 2026 following which the Central Bank would publish their findings specific to Irish FMCs.



FMCs should monitor for these publications and plan to take appropriate action to evaluate the effectiveness of their compliance, and where appropriate, internal audit, functions in light of ESMA and the Central Bank publishing their supervisory expectations.

Regulatory divergence

1. UK Consumer Composite Investment Regime (“UK CCI”)

The UK CCI regime will replace the Packaged Retail and Insurance-based Investment Products (“PRIIPs”) regime and the Undertakings for Collective Investment in Transferable Securities (“UCITS”) disclosure requirements with a single framework tailored for UK consumers and markets. A CCI is an investment where the returns are dependent on the performance of, or changes in, the value of underlying or reference assets.

Irish investment funds marketed to UK retail investors are in scope and the FMCs of these funds will be required to produce UK-compliant product summaries from 8 June 2027. The UK CCI takes effect on 6 April 2026 however a

transitional window begins from 6 April 2026 to 8 June 2027 during which reliance may continue to be placed upon existing PRIIPs KIDs or UCITS KIIDs.

FMCs managing funds which are distributed in the UK to retail investors will need to take account of the UK CCI regime and plan accordingly to develop UK specific product summaries.