

Funds Quarterly Legal and Regulatory Update

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1 APPROACHING DEADLINES

Quarter 2 2025	4 April 2025	Deadline for Irish fund management companies to submit their completed “Registers of Information” on all contractual arrangements with ICT third party service providers under DORA to the Central Bank of Ireland (Central Bank).
	16 April 2025	ESMA is due to deliver (i) its proposed regulatory technical standards on the characteristics of liquidity management tools (LMT) and (ii) its proposed guidelines on the selection and calibration of LMTs under AIFMD II to the European Commission.
	24 April 2025	Updated guidelines on stress test scenarios under the MMF Regulation begin to apply. See Section 5.1 below for further details.
	21 May 2025	The ESMA fund naming guidelines begin to apply to all in-scope funds established before 21 November 2024.
	30 May 2025	Deadline for filing the fund profile return for all Irish authorised sub-funds with the Central Bank.
	30 June 2025	Deadline for fund management companies managing Irish UCITS ETF to ensure compliance with the supervisory expectations set down by the Central Bank in its Dear Chair Letter published in November 2024.
	30 June 2025	Fund management companies which (i) are obliged due to their size; or (ii) which have chosen to report on the principal adverse impacts of investment decisions on sustainability factors under Article 4 of the SFDR must publish a full PAI statement (which for the first time must include historical comparisons against last year’s PAI report) on their website on or before this date.
	Quarter 2 2025	The Central Bank is expected to publish a consultation paper on proposed changes to its AIF Rulebook to address the implementation of AIFMD II into the Irish regulatory framework and may also incorporate various provisions to further enhance the product offering for funds implementing private market strategies.
	Quarter 2 2025	The European Commission is due to publish a legislative proposal to reform the existing EU Securitisation Regulation. See Section 10.2 for further details.
H2 2025	July 2025	ESMA is due to provide its technical advices to the European Commission on its proposed reform of the UCITS Eligible Assets Directive ¹ .
	2 August 2025	Rules on governance and the obligations for general-purpose AI models under the EU AI Act become applicable.

¹ Directive 2007/16/EC

H2 2025	Quarter 3 2025	The European Commission is expected to adopt measures to create a blueprint for EU savings and investment accounts or products aimed at improving retail participation in EU capital markets. See Section 10.1 below for further details.
	Quarter 4 2025	The European Commission is scheduled to publish its proposal to reform the SFDR regime in Quarter 4 2025.
	Quarter 4 2025	The European Commission is expected to publish a legislative proposal to transfer certain supervisory tasks from individual national competent authorities to EU-level supervision for asset management groups with significant cross-border activities. See Section 10.1 below for further details.
	Quarter 4 2025	The European Commission is expected to publish a legislative proposal aimed to improve the cross-border distribution of EU-authorized funds across the EU. See Section 10.1 below for further details.
	Quarter 4 2025	The European Commission is expected to publish a legislative proposal to reduce operational barriers faced by asset managers operating as a group structure across multiple EU Member States. See Section 10.1 below for further details.
2026	24 March 2026	The Central Bank's revised Consumer Protection Code begins to apply. See Section 3.2 below for further details.

2 UCITS & AIFMD

2.1 Central Bank of Ireland publishes new Q&A on AIFMD

On 7 March 2025, the Central Bank published a revised version of its AIFMD Questions & Answers (Q&A).

In the Q&A, the Central Bank has provided clarity on the ability of an Irish QIAIF to act as guarantor for third parties as well as providing guidance on the scope of two of the existing rules imposed by it on Irish domiciled loan-originating AIFs.

In the Q&A, it has confirmed that:

- it is possible for an Irish QIAIF to provide a guarantee in respect of investments/or intermediate vehicles for such investments in which the QIAIF has a direct or indirect economic interest provided that certain conditions outlined in the Q&A are satisfied.
- an Irish domiciled loan-originating QIAIF may originate a loan to a borrower where that borrower has the intention of obtaining a controlling interest in another company.
- the definition of “financial institution” in the Central Bank’s AIF Rulebook for the purposes of its prohibition of Irish loan-originating QIAIFs lending to “financial institutions” is aligned with that set out in the new AIFMD II loan origination rules.

A copy of the Q&A is available [here](#).

A Dillon Eustace briefing which provides a detailed analysis of the clarifications provided by the Central Bank in the Q&A is available [here](#).

2.2 ESMA publishes two new Q&A on AIFMD

On 6 January 2025, ESMA published two new Q&A on AIFMD.

The first Q&A confirms that AIFMs are not permitted to delegate portfolio or risk management to non-supervised undertakings established outside of the EU.

The second Q&A published by ESMA confirms that AIFMs are not permitted to hold client money, noting that such a service is not compatible with Article 6(4)(b)(ii) of AIFMD. ESMA also confirms that this position will not change in light of the legislative amendments introduced under AIFMD II².

A copy of the ESMA Q&A on delegation of portfolio or risk management to non-supervised undertakings established outside of the EU is available [here](#).

A copy of the ESMA Q&A on the ability of AIFMs to safekeep client monies is available [here](#).

2.3 ESMA announces delay in publication of its technical advices on reform of the UCITS Eligible Assets Directive and RTS on open-ended loan originating AIFs

In June 2023, the European Commission wrote to ESMA requesting it to carry out an assessment of the implementation of the UCITS Eligible Assets Directive³ in EU Member States, provide it with recommendations on how it should be revised to keep it in line with market developments.

² Directive (EU) 2024/927 which must be transposed into Irish law by 16 April 2026

³ Directive 2007/16/EU as amended

On 3 March 2025, ESMA wrote to the European Commission advising that due to a prioritisation of its deliverables for 2025, its technical advices setting out proposed reforms of the UCITS Eligible Assets would be delivered to the European Commission in July 2025, three months later than the scheduled date of April 2025.

The letter also confirmed that there would be a six-month delay in the publication of its technical advices to the European Commission on conditions to be satisfied by open-ended loan originating AIFs under AIFMD II, indicating that these technical advices will now be delivered by ESMA in October 2025.

A copy of the letter from ESMA to the European Commission is available [here](#).

3 CENTRAL BANK OF IRELAND

3.1 Central Bank publishes Supervisory & Regulatory Outlook Report

On 28 February 2025, the Central Bank published its second Regulatory & Supervisory Outlook (**Report**) in which it sets out its perspective on key trends and risks, as well as outlining its supervisory priorities across the whole of the financial sector for the next two years.

The Report has been brought to the specific attention of all senior management teams of Irish regulated firms via a “Dear CEO” letter issued by the Central Bank on the same day (**Letter**).

In the Report, the Central Bank identifies key risks faced by the Irish funds sector which include:

- liquidity and leverage risks
- asset valuation and market risks
- operational risks and resilience
- sustainable finance
- data, AI and modelling risks
- strategic risk and adapting to structural change

The Report also outlines the Central Bank’s current supervisory priorities and key regulatory initiatives relevant to the funds sector.

A copy of the Report is available [here](#).

A copy of the Letter is available [here](#).

A Dillon Eustace briefing which provides a detailed overview of the Report and suggested actions which should be considered by Irish fund management companies to address the supervisory expectations of the Central Bank outlined in the Report is available [here](#).

Key Action Points

As suggested by the Central Bank in the Report, Irish fund management companies should review the Report and incorporate its contents, as well as other communications issued by the Central Bank such as Dear CEO letters, into their ongoing work and decision-making.

3.2 Central Bank publishes its revised Consumer Protection Code

On 24 March 2025, the Central Bank published a newly revised Consumer Protection Code (**Revised Code**) following a public consultation process. The Revised Code will be fully operational from 24 March 2026 and will replace the existing Consumer Protection Code 2012.

The Revised Code comprises:

- Central Bank Reform Act 2010 (Section 17A) (Standards For Business) Regulations 2025 (**Standards for Business Regulations**); and
- Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Consumer Protection) Regulations 2025 (**Consumer Protection Regulations**).

Subject to certain limited exceptions, the Standards for Business Regulations apply to all Irish regulated entities and set out governance, resource and risk management requirements as well as the applicable conduct standards which must be complied with by in-scope firms.

The Consumer Protection Regulations set out cross-sectoral requirements applying across all sectors which include for example requirements relating to digitalisation, informing effectively, advertising and complaints resolution. Importantly, the requirements set down in the Consumer Protection Regulations only apply to Irish regulated entities falling within the scope of the regulations in respect of business conducted with "consumers" within the meaning of the Revised Code which includes individuals and small businesses.

A copy of the Standards for Business Regulations is available [here](#).

A copy of the Consumer Protection Regulations is available [here](#).

Relevant guidance published by the Central Bank on the Revised Code is accessible [here](#).

For a more detailed analysis of the Revised Code, please access our briefing on the topic which is available [here](#).

Key Action Points

Irish fund management companies and Irish domiciled corporate funds should analyse the implications of the Revised Code on their existing frameworks and identify any actions that may need to be taken to ensure compliance, where applicable, with the Revised Code by 26 March 2026.

4 SUSTAINABLE FINANCE

4.1 European Commission publishes Sustainability Omnibus Package

On 26 February 2025, the European Commission published its much-anticipated sustainability omnibus proposal under which it has proposed a significant overhaul of certain elements of the EU sustainability framework (**Proposal**).

The Proposal is the first deliverable of the European Commission's competitiveness mandate under which it has committed to ensuring that EU businesses and administrations "are not stifled by excessive regulatory burdens" in an aim to stimulate business creation and growth within the EU.

The European Commission proposed amendments to the following:

- The Corporate Sustainability Reporting Directive (**CSRD**);
- Delegated acts published under the Taxonomy Regulation;

- The Corporate Sustainability Due Diligence Directive (**CSDDD**).

CSRD

The European Commission has proposed reducing the scope of the CSRD so that only companies with (i) more than 1,000 employees and (ii) either a turnover above €50 million or a balance sheet total of above €25 million would fall within the scope of the corporate sustainability reporting rules.

It has also proposed that the ESRS sustainability reporting templates which must be used to report information under the CSRD should be revised and simplified for those companies who are required to report under the CSRD. It has also proposed that voluntary sustainability reporting standards should be introduced for those companies not in scope of the CSRD.

EU Taxonomy Framework

The European Commission has also proposed the introduction of a voluntary Taxonomy reporting regime save for those companies with more than 1,000 employees and a turnover of over €450 million which would continue to be subject to the existing mandatory reporting regime.

It also published a consultation on proposed changes to delegated acts published under the Taxonomy Regulation. These include simplification of reporting templates required to be used by in-scope issuers and introduction of a materiality threshold to exempt in-scope issuers from assessing the taxonomy-alignment of economic activities which are deemed not financially material for their business.

CSDDD

It has also proposed a range of reforms to the CSDDD including the simplification of the due diligence requirements for those companies falling within the scope of the CSDDD, including generally limiting due diligence obligations to only direct business partners.

Stop-the-Clock Proposal delaying application of CSRD and CSDDD

Importantly, in order to allow the co-legislators adequate time to consider and negotiate the significant proposals put forward by it, the European Commission proposed that the application of CSRD be delayed by two years by those companies due to report for the first time in 2026 and 2027 and the application of the first phase of due diligence requirements be delayed by one year to 26 July 2028.

The Stop-the-Clock Proposal was adopted by the Council of the EU on 26 March 2025 and was approved by the European Parliament on 3 April 2025, paving the way for it to be published in the Official Journal of the EU (**OJ**) shortly and Member States will be required to transpose this legislation into national law by 31 December 2025.

The co-legislators must now consider the more substantive changes to the CSRD and the CSDDD put forward by the European Commission in the Proposal.

Both the Council of the EU² and the European Parliament³ have now approved the Stop-the-Clock proposal.

Domestic implementation of CSRD

The Irish Department of Enterprise, Trade and Employment (**DETE**) has committed to implementing the Stop-the-Clock proposal into Irish law as soon as implemented under EU law. It has also confirmed that DETE will shortly introduce amending regulations to further clarify and reduce the scope of Irish companies subject to CSRD reporting obligations.

A copy of the Proposal is available [here](#).

A copy of the press release published by the Council of the EU on adoption of the Stop-the-Clock proposal is available [here](#).

A copy of the press release published by the European Parliament announcing its approval of the Stop-the-Clock proposal is available [here](#).

A copy of the DE TE press release is available [here](#).

For an in-depth analysis of the Proposal and the implications of the Stop-the-Clock proposal for EU companies, please access our briefings which are accessible [here](#) and [here](#).

Key Action Points

Fund management companies due to start reporting under the CSRD (and consequently Article 8 of the Taxonomy Regulation) for the first time in 2026 may consider pausing CSRD implementation projects for the moment while the Proposal is being considered by the co-legislators. Fund management companies should maintain a watching brief on the negotiation of the broader Proposal as it progresses through the legislative process.

4.2 Platform for Sustainable Finance publishes report on core elements for assessing corporate transition plans

On 23 January 2025, the Platform for Sustainable Finance (**PSF**), an advisory body to the European Commission, published an independent report which provides analysis to support financial market participants' assessment of the core elements of transition plans being implemented by issuers in which they invest.

In it, the PSF notes that financial market participants can assess corporate transition plans based on four core elements, namely (i) science-based and time-bound targets ii) key levers and actions to achieve these targets, iii) financial planning (investments and funding supporting the plan) and iv) governance and oversight of the plan and its implementation.

A copy of the Report is available [here](#).

4.3 PSF publishes independent report on recommendations to simplify taxonomy reporting and enhance its effectiveness

On 5 February 2025, in response to a mandate issued by the European Commission, the PSF published an independent report containing a set of recommendations to simplify taxonomy reporting and enhance its effectiveness (**Report**).

The Report identifies key areas for improvement, including simplification data access and regulatory coherence. It proposes five main measures to simplify taxonomy reporting, including refining the "do no significant harm" assessment, introducing a materiality principle applicable to all entities, defining clear guidelines on use of estimates, allowing proxies and estimates across all assets in the context of green asset ratio and green investment ratio and developing simplified and voluntary taxonomy reporting for SMEs.

While the Report was published before the European Commission published its Proposal to reform the EU Taxonomy framework (as discussed in greater detail in Section 4.1 above), it is likely to have regard to the recommendations put forward by the PSF in developing its legislative proposal to simplify the framework.

A copy of the Report is available [here](#).

4.4 European Commission publishes Commission Notice on EU Taxonomy framework

On 5 March 2025, a European Commission notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act⁴, the EU Taxonomy Climate Delegated Act⁵ and the EU Taxonomy Disclosures Delegated Act⁶ (**Commission Notice**) was published in the OJ. A draft of the Commission Notice had first been published by the European Commission in November 2024.

⁴ Commission Delegated Regulation (EU) 2023/2486

⁵ Commission Delegated Regulation (EU) 2021/2139 as amended

⁶ Commission Delegated Regulation (EU) 2021/2178 as amended

The Commission Notice provides:

- technical clarifications responding to frequently asked questions on the technical screening criteria set down in the EU Taxonomy Climate Delegated Act and the EU Taxonomy Environmental Delegated Act.
- clarifications responding to frequently asked questions on the generic “do no significant harm” (**DNSH**) criteria.
- clarifications on the disclosure obligations laid down in the Taxonomy Disclosures Delegated Act.

It is intended to help stakeholders to comply with applicable regulatory requirements in a cost-effective way and to ensure that the reported information is comparable and useful in scaling up sustainable finance.

The clarifications provided in the Commission Notice may be of assistance to those fund management companies who fall within the scope of Article 8 of the Taxonomy Regulation.

A copy of the Commission Notice is available [here](#).

5 MONEY MARKET FUNDS

5.1 ESMA publishes updated guidelines on stress test scenarios under the MMFR

On 7 January 2025, ESMA published a final report which contains its updated guidelines on stress test scenarios (including the calibration of scenarios for 2024) which must be used when performing the mandatory stress testing on EU money market funds under Article 28 of the MMFR (**2024 Guidelines**).

Changes made to the current guidelines appear in red text with the principal changes being made to Section 4.8.5 and Section 5.

The 2024 Guidelines have now been translated into the EU official languages and will begin to apply on 24 April 2025. In the meantime, ESMA has confirmed that the parameters set down in the 2023 should continue to be used.

A copy of the 2024 Guidelines is available [here](#).

Key Action Points

Fund management companies managing EU money market funds should update existing stress testing frameworks to incorporate the new stress test scenarios set down in the 2024 Guidelines from 25 April 2025.

6 DORA

6.1 European Union (Digital Operational Resilience) Regulations 2025

In order to give full effect to DORA⁷ in Ireland, the European Union (Digital Operational Resilience) Regulations 2025 came into effect on 17 January 2025. It was subsequently amended by the European Union (Digital Operational Resilience) (No. 2) Regulations 2025 which was signed into law on 14 February 2025.

The Regulations can be found [here](#) and [here](#).

⁷ Directive (EU) 2022/2556 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector

6.2 Central Bank Guide to Submitting DORA Major ICT- related Incident and Significant Cyber Threat Report(s)

On 15 January 2025, the Central Bank published their Guide to Submitting major ICT related incident and Significant Cyber Threat Report(s) on Central Bank of Ireland Portal.

A full copy of the guide can be accessed [here](#).

6.3 DORA ITS/ RTS/ Guidelines

The following technical standards and guidelines under DORA have been adopted by the European Commission or published in the Official Journal during the period 1 January 2025 to 31 March 2025:

- RTS on the harmonisation of conditions enabling the conduct of oversight activities. The RTS was published on 13 February 2025 can be found [here](#). It came into effect on 5 March 2025.
- RTS on Threat Level Penetration Testing (TLTP). The RTS was adopted on 13 February 2025 and is yet to enter into force. It can be accessed [here](#).
- ITS on the content, format, templates and timelines for reporting major ICT-related incidents and significant cyber threats. The ITS was published on 20 February 2025, and can be accessed [here](#). It entered into force on 12 March 2025.
- RTS on the content, format, templates and timelines for reporting major ICT-related incidents and significant cyber threats. The RTS was published on 20 February 2025, and can be accessed [here](#). It entered into force on 12 March 2025.
- Guidelines on the estimation of aggregated costs/losses caused by major ICT-related incidents. The Guidelines were published on 18 March 2025 and can be accessed [here](#). The compliance deadline is 19 May 2025.
- RTS specifying the criteria for determining the composition of the joint examination team (JET). The RTS was published on 24 March 2025, and can be accessed [here](#). It will enter into force on 13 April 2025.
- RTS on subcontracting ICT services under DORA. The RTS was adopted on 24 March 2025. This follows the Commission's rejection of the previous RTS on subcontracting. The RTS is yet to come into force and can be accessed [here](#). A Dillon Eustace briefing paper on the rejection of the previous RTS on subcontracting can be found [here](#).

On 11 February 2025, the EBA published amended Guidelines on ICT and security risk management measures in the context of DORA application. The amended Guidelines can be accessed [here](#).

6.4 ESAs publish roadmap for designation of critical ICT third-party service providers under DORA

On 18 February 2025, the European Supervisory Authorities (ESAs) published a roadmap for the designation of critical third-party service providers (CTTPs) under the DORA. The ESAs stated their intention to organise a workshop with third-party ICT service providers (ICT TPPs) to provide further clarity.

The roadmap provides that:

- **30 April 2025:** The ESAs will collect registers of information submitted by financial entities to national competent authorities (NCAs).
- **July 2025:** The ESAs will conduct criticality assessments and notify ICT TPPs if they are considered critical.
- **Mid-September 2025:** A hearing period will take place allowing ICT TPPs to raise objections to the assessment.

- **Year End 2025:** The ESAs will have designated all CTPPs, published the corresponding list and commenced oversight duties.

The ESAs also clarified that ICT TPPs can voluntarily classify request to classify themselves as critical as soon as the list is published.

The roadmap can be accessed [here](#).

The accompanying press release can be accessed [here](#).

6.5 European Commission clarifies the definition of ICT services under DORA

On 22 January 2025, EIOPA published a new Q&A providing clarification by the European Commission on the definition of 'ICT services' under DORA.

A Dillon Eustace briefing paper on the clarification can be found [here](#).

7 EMIR

7.1 ESMA's speech on EMIR 3.0 work programme

On 29 January 2025, ESMA published a speech given by Klaus Lober, Chair of the ESMA CCP Supervisory Committee, outlining ESMA's perspective on the shaping the future of EU capital markets.

In respect of EMIR 3.0⁸, Mr Lober indicated as follows regarding ESMA's work programme:

- ESMA is now on track to deliver a draft RTS on the implementation of the active account requirements (**AAR**) to the European Commission well before June 2025.
- ESMA will develop measures and processes to streamline and shorten supervisory procedures, reducing the time to market and enhancing the competitiveness of EU CCPs.
- ESMA will aim to strengthen the resilience of EU CCPs and the clearing ecosystem more broadly.

The full speech can be accessed [here](#).

7.2 ECB FAQs on initial margin model approvals under EMIR 3.0

On 31 January 2025, the European Central Bank published FAQs on initial margin (**IM**) models under EMIR 3.0.

The following matters are covered under the FAQ:

- The approach of the ECB in the interim before the EBA's regulatory technical standards and guidelines on the application and authorisation under EMIR 3.0 come into effect;
- The length of the approval process for IM models;
- The significant institutions affected by the "no action letter" published by the EBA in December 2024 (see [here](#)).

⁸ Comprising: (1) Regulation (EU) 2024/ 2987 of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets; and (2) Directive (EU) 2024/2994 of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions

For the full FAQs, please click [here](#).

7.3 ESMA extends recognition decisions for UK CCPs to 30 June 2028

On 17 March 2025, ESMA announced its intention to extend the application of recognition decisions under Article 25 of EMIR⁹ for three central counterparties (**CCPs**) established in the UK. The extended recognition for the three affected CCPs (ICE Clear Europe Ltd, LCH Ltd and LME Clear Ltd) will apply until 2028.

ESMA also published a revised version of its MoU with the Bank of England (**BoE**) covering arrangements for co-operation on monitoring and supervision of CCPs established in the UK. According to ESMA, the MoU was revised to reflect changes introduced by EMIR 3.0 on requirements concerning content of co-operation arrangements between ESMA and third-country authorities, particularly in respect of systemically important third-country CCPs.

The press release regarding the decision to extend the application of recognition decisions can be accessed [here](#).

The revised MoU can be accessed [here](#).

8 DATA PROTECTION

8.1 European Commission proposes to extend adequacy decisions for the UK by six months for free and safe data flows

On 18 March 2025, the European Commission proposed to adopt an extension of the two 2021 adequacy decisions with the United Kingdom for a period of six months. The proposed extensions were submitted to the European Data Protection Board (**EDPB**) for consideration. Once approved, UK data protection rules deemed to be adequate in 2021 will remain in place allowing the free flow of data with the UK until 27 December 2025.

The extensions are intended to allow legislative processes surrounding the Data Protection Bill, introduced in 2024, to conclude in the UK. Once concluded the Commission will be in a position to assess whether the new legal framework continues to provide an adequate level of protection for personal data. If the Commission is satisfied, they will propose to renew UK adequacy decisions.

The draft technical extensions for the respective adequacy decisions can be found [here](#) and [here](#).

9 AI

9.1 European Commission publishes guidelines on the definition of an “AI system” under the EU AI Act

On 6 February 2025, the European Commission published guidelines on the definition of an “AI system” under the EU AI Act¹⁰ (**Guidelines**).

The EU Act does not apply to all systems, but only to those systems that fulfil the definition of an “AI system” within the meaning of Article 3(1) thereof.

The Guidelines are intended to assist providers and other relevant persons in determining whether a software system constitutes an AI system within the meaning of the EU AI Act which is critical in determining the scope of the EU AI Act. They do not provide an exhaustive list of all potential AI systems with the European Commission noting that each system must be assessed based on its specific characteristics.

⁹ European Market Infrastructure Regulation, namely, Regulation 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories as amended (“**EMIR**”)

¹⁰ Regulation (EU) 2024/1689

The Guidelines are not binding and are designed to evolve over time with the European Commission noting that they will be updated as necessary.

While the European Commission has approved the Guidelines, it has not yet formally adopted them.

A copy of the Guidelines is available [here](#).

9.2 European Commission publishes guidelines on prohibited AI practices under the EU AI Act

On 4 February 2025, the European Commission published guidelines on prohibited AI practices under the EU AI Act (**Guidelines**).

The Guidelines are intended to provide an overview of AI practices that are deemed unacceptable due to their potential risks to European values and fundamental rights. They specifically address practices such as harmful manipulation, social scoring and real-time biometric identification, amongst others.

The Guidelines, which have been approved by the European Commission but not yet formally adopted by it, are non-binding.

A copy of the Guidelines are available [here](#).

9.3 ESMA publishes report “Artificial intelligence in EU investment funds: adoption, strategies and portfolio exposures”

On 25 February 2025, ESMA published a TRV Risk Analysis report entitled “Artificial intelligence in EU investment funds: adoption, strategies and portfolio exposures” (**Analysis**) in which it evaluates the impact of AI in the EU investment management industry.

The Analysis studies the operational use of AI by fund managers i.e. the extent to which the adoption of AI tools by asset managers plays a role in the investment process.

It also assesses investment in AI, namely the portfolio allocation to AI-related companies by EU investment funds.

A copy of the Analysis is available [here](#).

9.4 IOSCO publishes consultation report on “AI in Capital Markets: Use Cases, Risks and Challenges”

On 12 March 2025, IOSCO published a report addressing the rise of AI use in capital markets and its impact on investors globally (**Report**).

The objective of the report is to create a shared understanding among IOSCO members of the issues, risks and challenges that emerging AI technologies used in financial products and services may pose and to assist IOSCO members as they consider regulatory responses.

The Report identifies five key findings, namely that (i) AI is increasingly used to support decision-making and to enhance surveillance and compliance functions, (ii) AI is used to support internal operations and processes, (iii) risks include malicious use of AI, AI model and data considerations, concentration, outsourcing and third-party dependencies, (iv) industry practices regarding use of AI continue to evolve and (v) regulatory responses to the use of AI in the financial sector are also evolving.

Comments on the Report can be provided to IOSCO on or before 11 April 2025.

A copy of the Report is available [here](#).

10 MISCELLANEOUS

10.1 European Commission publishes communication on strategy for EU Savings & Investments Union

On 19 March 2025, the European Commission published its communication on its strategy for the EU Savings & Investments Union (**Communication**).

The Communication outlines the steps the European Commission will take over the next two years to revive the EU economy and increase EU competitiveness.

It also confirms that the European Commission will establish specific reporting channels in Quarter 2 of this year to allow market participants to detail barriers they have experienced within the single market which will inform the various proposals put forward by it.

These proposals (and timeframe for publication) include without limitation:

- the creation and publication of a European blueprint for retail savings and investment accounts or products (Quarter 3 2025);
- the transfer of certain (unidentified) supervisory tasks relating to asset management groups with significant cross-border activities from NCAs to EU-level supervision (Quarter 4 2025);
- the publication of measures to reduce operational barriers affecting cross-border groups in order to simplify operations of asset managers and ensure a more efficient access and servicing of clients (Quarter 4 2025);
- the publication of legislation to remove barriers to the distribution of EU-authorised funds throughout the EU (Quarter 4 2025); and
- a review of the Securitisation Regulation¹¹ (Quarter 2 2025)

Any legislative proposal put forward by the European Commission must then be considered by the European Parliament and the Council of the European Union before it becomes law.

A copy of the Communication is available [here](#).

A Dillon Eustace briefing providing a detailed analysis of the key takeaways for the EU asset management sector from the Communication is available [here](#).

10.2 Reform of EU securitisation framework

On 31 March 2025, the ESAs published a joint report on the functioning of the EU Securitisation Regulation¹² (**Report**) in which it put forward recommendations to strengthen the overall effectiveness of Europe's securitisation framework.

The recommendations put forward by the ESAs in the Report include:

- clarifying the scope of the EU Securitisation Regulation to provide that it is triggered where at least one party to the securitisation (whether on the sell-side or the buy-side) is established in the EU. Only EU-based entities should bear compliance obligations under the Securitisation Regulation in order to ensure that they fall within the jurisdictional reach of EU supervisors;

¹¹ Regulation (EU) 2017/2402

¹² Regulation (EU) 2017/2402

- introducing simplified due diligence approach applicable to all institutional investors¹³ (which includes fund management companies investing in in-scope securitisations on behalf of funds under management) regardless of transaction type (public/private) or sell-side location (inside/outside the EU);
- broadening the definition of a “public securitisation”;
- simplifying transparency and reporting requirements for public securitisations and introducing a simplified template for private securitisations; and
- clarifying risk retention rules in specific cases, particularly for collateralised loan obligation securitisations.

The European Commission is due to publish a legislative proposal to reform the EU Securitisation Regulation in Quarter 2 2025. The recommendations put forward by the ESAs in the Report are expected to feed into this review.

A copy of the Report is available [here](#).

10.3 Reform of EU settlement cycle

On 12 February 2025, the European Commission announced that it proposes to shorten the settlement period for EU transactions in transferable securities from two days to one.

The proposed legislative amendment put forward by the European Commission would shorten the settlement cycle on securities - such as shares or bonds executed on EU trading venues - from two business days (**T+2**) to one after the trading takes place (**T+1**). The move to T+1 aims to strengthen the efficiency and competitiveness of post-trade financial market services in the EU.

The European Commission has proposed a date of 11 October 2027 as the appropriate date for the transition to T+1 settlement in order to allow market participants sufficient time to prepare for this transition.

This follows the recommendation put forward by ESMA in November 2024 in which it supported a shortening of the current T+2 settlement cycle to T+1 settlement (**Recommendation**).

A copy of the Announcement is available [here](#).

A copy of the legislative proposal put forward by the European Commission is available [here](#).

A copy of the Recommendation is available [here](#).

10.4 Reform of the EU Benchmarks Regulation

On 24 March 2025, the Council of the EU adopted a regulation to amend the EU Benchmarks Regulation¹⁴ (**Amending Regulation**) with the aim of reducing red tape for EU companies.

Under the Amending Regulation, the scope of the existing regime will be significantly reduced so that only those fund management companies and corporate funds which use (i) benchmarks deemed “critical” or “significant” under the new framework, (ii) EU Paris-aligned benchmarks and EU Climate Transition benchmarks and (iii) certain commodity benchmarks will be subject to obligations under the Benchmarks Regulation.

The Amending Regulation will now be published in the OJ and the revised framework will apply from 1 January 2026.

¹³ The definition of “institutional investor” under the EU Securitisation Regulation includes UCITS management companies and authorised AIFMs which acquire in-scope securitisations on behalf of funds under management

¹⁴ Regulation (EU) 2016/1011 as amended

A copy of the press release issued by the Council of the EU on the topic is available [here](#).

10.5 Central Bank imposes fine for breach of MAR

On 25 February 2025, the Central Bank imposed a fine of €452,790 on an Irish regulated MiFID firm for breaching its obligations under Article 16(2) of the Market Abuse Regulation¹⁵ (**MAR**) and failing to implement appropriate governance arrangements to detect and report suspicious orders and transactions that may have indicated market abuse to the Central Bank.

In the press release announcing the imposition of the fine, the Central Bank noted that all Irish in-scope firms “should review their STOR reporting in light of the Central Bank’s findings in this case to ensure they are reporting all reasonable suspicions to the Central Bank and meeting their responsibilities to safeguard the integrity of [our] securities markets.”

A copy of the press release published by the Central Bank is available [here](#).

Key Action Points

All Irish regulated entities falling within the scope of MAR should review their existing governance arrangements to detect and report suspicious orders and transactions to assess whether they are sufficiently robust and allow the firm to comply with all applicable requirements imposed under MAR and related Central Bank [requirements](#).

10.6 Further package of economic sanctions against Russia introduced

On 24 February 2025, the 16th package of sanctions against Russia was adopted by the Council.

The measures introduced under this package of sanctions include trade measures, energy measures, transport measures, infrastructure measures and measures against disinformation. Measures impacting the financial sector include 83 additional listings which are now subject to assets freeze measures as well as the addition of 13 financial institutions to the list of entities subject to the prohibition to provide specialised financial messaging services, the addition of 3 banks to the transaction ban due to their use of the SPFS to circumvent EU sanctions and the extension of the transaction ban to enable the EU to list financial institutions and crypto asset providers that participate in the circumvention of the Oil Price Cap and facilitate transactions with listed vessels of the shadow fleet.

A complete overview of the new package published by the European Commission is available [here](#).

A Q&A on the package published by the European Commission is available [here](#).

A consolidated FAQ on sanctions against Russia published by the European Commission is available [here](#).

¹⁵ Regulation 596/2014/EU

Key contacts

If you have any questions in relation to the content of this update, to request copies of our most recent newsletters, briefings or articles, or if you wish to be included on our mailing list going forward, please contact any of the team members below or your usual contact in Dillon Eustace.

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