

European Commission publishes Market Integration Package

December 2025

What has the European Commission published and why?

On 4 December 2025, the European Commission published its much-anticipated **market integration package (Proposal)**.

The Proposal aims to remove existing barriers to single market integration, including both divergent interpretations of EU rules and the imposition of additional national rules by certain Member States.

The Proposal comprises of three legislative amendment proposals, namely:

- A directive which amends the UCITS Directive, AIFMD and the MiFID II Directive;
- A regulation which amends fourteen existing EU financial services regulations, including the Cross Border Distribution of Funds Regulation, EMIR and the ESMA Regulation; and
- A regulation which replaces the Settlement Finality Directive and amends the Financial Collateral Directive.

What are the key elements of the Proposal relevant to Irish management companies¹ and Irish domiciled funds?

The below table provides an overview of the key elements of the Proposal of most relevance to Irish management companies and Irish domiciled funds.

To bring EU group companies outside of the scope of the UCITS/AIFMD delegation rules	<p>Under the existing frameworks, any intra-group allocation of functions to other EU entities within a group is subject to the same stringent delegation rules as those applicable to third parties (such as due diligence, monitoring and resource assessments).</p> <p>The European Commission has proposed that such delegation rules should not be applied where reliance is placed on other EU authorised management companies, EU authorised investment firms or EU authorised credit institutions within the same group. The management company would however remain fully responsible for the functions carried out by entities within the EU group and must ensure that such reliance does not reduce them to mere "letter box" entities.</p> <p>This calibration of the delegation regime is intended to facilitate the sharing of group-wide resources and to avoid unnecessary duplication of resources across different EU entities within the EU group.</p>
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¹ For the purposes of this briefing, reference to "management company" includes UCITS management companies and EU authorised AIFMs save where otherwise indicated.

ESMA to conduct an annual review of large EU groups of management companies and AIFMs

The European Commission has not proposed that ESMA become the direct supervisor of either management companies or EU domiciled funds. Instead, it has proposed that ESMA should be required to carry out an annual review of the supervision of "large EU groups of management companies and AIFMs" by each of the relevant national competent authorities (**NCAs**).

This includes EU groups which meet all of the following conditions:

- The aggregate EU-wide net asset values of management companies and AIFMs within the group are above €300 billion; and
- The management companies and AIFMs within the group are established in more than one Member State or those management companies and AIFMs manage or market UCITS and AIFs in more than one Member State.

This annual review must focus on the way in which the group is supervised by the various NCAs, including the supervisory approaches regarding each group:

- organisational structure and governance arrangements
- resources and their allocation inside and outside the EU group
- risk management systems

If ESMA identifies any corrective action to be taken by one or more NCAs to remove diverging or deficient supervisory approaches, the relevant NCA has a maximum of one year to implement such corrective action. If the NCA fails to take such corrective action, ESMA has a range of powers available to it including organising collaboration platforms, arranging binding mediation between two NCAs or, as a measure of last resort, requiring that the NCA will be obliged to obtain its opinion before the NCA grants approval to financial products, services, activities or entities.

Harmonised authorisation process for management companies and UCITS funds across the EU

Under the Proposal, delegated acts will dictate the information that must be submitted to the relevant NCA in seeking authorisation of (i) a UCITS fund or (ii) a management company as well as the procedures and timelines to be followed by NCAs. This is intended to streamline the UCITS and management company approval processes across all Member States.

<p>Automatic passporting framework for UCITS funds</p>	<p>Complex rules relating to marketing notifications and diverging national practices by individual NCAs has hindered the development of a "true single market" for UCITS and management companies. The existing patchwork framework and fragmented local rules have caused higher compliance costs, delays market access and limited funds' capacity to scale and effectively market cross-border.</p> <p>Under the Proposal, as part of the authorisation application, UCITS will elect the host Member States in which they wish to market, and the home NCA will immediately notify the host NCAs on authorisation with marketing permissions applying immediately from date of authorisation of the UCITS.</p> <p>The home NCA of the UCITS will share all relevant documentation and information with host Member States via an interactive ESMA data platform to be developed by ESMA.</p> <p>Host NCAs are prohibited from requiring additional documentation or imposing any additional requirements including a local presence.</p> <p>Additional registration notifications can be added by notification to the home NCA which will be transmitted to the relevant host NCAs via the ESMA data platform with marketing permission having immediate effect.</p> <p>This overhauls the current procedure under which separate notification packages must be prepared for each host Member State after authorisation.</p>
<p>Automatic passporting framework for AIFMs marketing AIFs to professional investors</p>	<p>Similar to the framework proposed to allow for the automatic passporting of UCITS funds from the date of authorisation, an AIFM should, during the authorisation process, inform the home NCA of the EU AIFs that it manages and of the Member States where it intends to market them to professional investors. The relevant AIFs can be marketed in those Member States from the date of authorisation of the AIFM by its home NCA.</p> <p>Additional registration notifications can be made by notification by the AIFM to its home NCA which will transmit this information to the relevant host NCAs via the ESMA data platform with marketing permissions having immediate effect.</p>
<p>Shorter approval process for passporting applications for management companies</p>	<p>Under the Proposal, home Member States must process applications from management companies to passport their services into another Member State within 15 days (reduced from 1 month) if providing such services on a freedom of services basis and within 1 month (reduced from 2 months) if establishing a branch.</p>

Simplified marketing communication process	Marketing communications must only be filed with the home Member State. Host Member States are prohibited from requiring changes to the content of the marketing communications or from requiring marketing communications to be reviewed by or filed directly with them.
Simplified de-notification process	It is proposed to simplify arrangements for de-notification of UCITS and AIFs. The de-notification process will involve a notification to the home NCA who will notify host NCAs within 5 days. The electronic publication of de-notification may be in English or a local language.
Removal of the black out period for pre-marketing	The Proposal removes the existing 36-month blackout period whereby AIFMs are currently prohibited from pre-marketing similar investment strategies in a host Member State following de-notification of an AIF.
UCITS Facilities	The Proposal retains the requirement to provide investor facilities (without a local presence) but now proposes that these facilities may be provided either in a local language or in English.
Advance notice of material changes	A UCITS or AIFM shall be required only to notify its home NCA of any proposed material changes to the information or documentation relating to the marketing of the UCITS or AIFs. Such updated information shall be shared to host NCAs through the ESMA data platform. The notice period for such notification has been reduced from one month to 15 days.
Pre-marketing	It is proposed that AIFMs will have an automatic right to pre-market throughout the EU. Member States shall be prohibited from imposing any additional requirements on the pre-marketing of AIFs.
Removal of the UCITS KIID provisions from the UCITS Directive	Given that all UCITS made available to EU retail investors must prepare a PRIIPs KID, the European Commission has proposed removing the obligation to prepare a UCITS KIID. This means that UCITS funds will no longer be required to provide a UCITS KIID to EU professional investors while EU retail investors will continue to receive a PRIIPs KID.
Adjustment to UCITS investment limits	The European Commission has proposed increasing the current 10% limit on debt securities issued by a single entity to 15% where the UCITS is investing in securitisations issued in accordance with the EU Securitisation Regulation.

Introduction of a Depository Passport	<p>Under the Proposal, UCITS and AIFs will be permitted to appoint a depositary located in another Member State provided that it is authorised as an EU credit institution or an EU investment firm.</p>
Additional powers granted to ESMA to address cross- border issues	<p>Under the proposed revised framework, ESMA must detect and address supervisory actions hampering the passporting of management services/depository services or the cross-border distribution of funds within the EU.</p> <p>Where the relevant NCA fails to take corrective action as instructed by ESMA or takes such action but such issues continue to persist, ESMA has a range of powers including, as a measure of last resort, the power to suspend the right of investment funds, management companies or depositaries to operate on a cross-border basis.</p>

What next?

The Proposal must now be considered by both the European Parliament and the Council of the EU who will each publish their own position on the proposed revisions to the suite of legislation. Thereafter, triologue negotiations between the three EU institutions will begin. Given the size and breadth of the Proposal, we do not expect the political negotiations to be concluded until 2027 at the earliest.

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If you would like to discuss the above in further detail, please get in touch with your usual contact in Dillon Eustace or the authors listed below.

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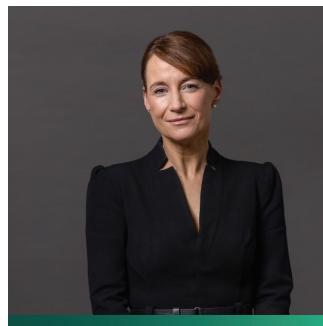
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