

ESMA publishes final report on open-ended loan-originating AIFs

October 2025

What has ESMA published?

On 21 October 2025, ESMA published its **final report** containing conditions that it proposes AIFMs managing open-ended loan-originating funds must take into account for the purposes of liquidity management (**Final Report**). This follows a **consultation process** which it ran from December 2024 to March 2025 (**Consultation**¹).

As readers may be aware, a new common set of EU rules for AIFMs managing loan-originating AIFs comes into effect in April 2026. Under the new rules, loan-originating AIFs must be structured as closed-ended funds unless the AIFM can satisfy its home regulator that its liquidity management approach is aligned with the investment strategy and redemption policy of the fund.

A loan-originating AIF can therefore be structured as an open-ended fund (**Open-Ended Loan-Originating Fund**) provided relevant conditions have been satisfied.

The Final Report sets down the conditions which ESMA proposes should be satisfied by AIFMs of Open-Ended Loan-Originating Funds.

What is a loan-originating AIF?

Under the framework, loan-originating AIFs are AIFs whose investment strategy is mainly to originate loans or where the notional value of the AIF's originated loans represents at least 50% of its net asset value.

Key changes made to proposals originally put forward by ESMA in its Consultation

Removal of obligation to maintain a minimum proportion of liquid assets

In its Consultation, ESMA had proposed that Open-Ended Loan-Originating Funds should be required to maintain a specified amount of liquid assets in the portfolio at all times. Following feedback from stakeholders, ESMA has decided not to proceed with this proposal. In a welcome move that provides more flexibility to managers, it has instead proposed imposing an obligation on AIFMs to structure such funds in a manner that ensures that they maintain sufficient liquidity to meet redemption requests.

¹ For a detailed overview of the Consultation, please refer to our **briefing** on the topic.

Type and frequency of liquidity stress testing to be carried out

ESMA had proposed in its Consultation that liquidity stress testing should generally be performed at least on a quarterly basis.

Again following stakeholder feedback, ESMA has proposed reducing the frequency of liquidity stress testing from quarterly to at least annually unless the specific features of an Open-Ended Loan-Originating Fund call for more frequent assessments.

Soundness of liquidity management of in-scope funds

In the Consultation, ESMA had asked whether there were any elements other than the redemption policy, the availability of liquid assets, the performance of liquidity stress tests and ongoing monitoring that AIFMs should be required to take account of to demonstrate the soundness of their liquidity management system.

In a positive development for managers interested in establishing an Open-Ended Loan-Originating AIF, ESMA has not proposed to introduce any additional elements which must be considered.

Obligations to be satisfied by AIFMs of Open-Ended Loan-Originating AIFs

The conditions which must be satisfied by AIFMs of Open-Ended Loan-Originating AIFs as detailed in the Final Report comprise of the following:

- an obligation to demonstrate that the liquidity risk management system of the relevant AIF is compatible with its investment strategy and its redemption policy;
- an obligation to take into account specific factors detailed in the Final Report when determining the redemption policy of the relevant AIF;
- a requirement to consider the factors identified by ESMA in its Final Report when ensuring that the relevant AIF has sufficient liquidity to comply with redemption requests;
- an obligation to carry out liquidity stress testing on at least an annual basis unless a higher frequency is justified by the characteristics of the relevant AIF; and
- a requirement to monitor specific elements of the liquidity management system on an ongoing basis.

What next?

As part of its simplification agenda, the European Commission **announced** earlier this month that it will not adopt a wide range of regulatory technical standards, including those relating to Open-Ended Loan-Originating Funds, until October 2027 at the earliest.

However, the publication of the Final Report by ESMA does provide some parameters that can be considered by EU national competent authorities willing to permit the establishment of such funds in the period between 16 April 2026 (being the date on which the loan-originating framework must be transposed into the national laws of each EU Member State) and October 2027 (or later) (**Interim Period**).

It remains to be seen what conditions the Central Bank of Ireland will impose on the establishment of Irish domiciled Open-Ended Loan-Originating AIFs in the Interim Period.

We will keep you updated on developments in this regard but in the meantime, if you have any questions arising from this briefing, please get in touch with any of the authors or your usual contact in the Dillon Eustace Asset Management and Investment Funds team.

CONTACT US

Our Offices

Dublin

33 Sir John Rogerson's Quay
Dublin 2
Ireland
Tel: +353 1 667 0022

Cayman Islands

Landmark Square
West Bay Road, PO Box 775
Grand Cayman KY1-9006
Cayman Islands
Tel: +1 345 949 0022

New York

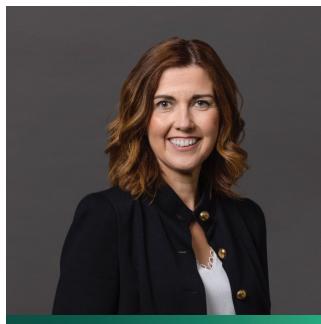
33 Irving Place
New York
NY 10003
United States
Tel: +1 646 770 6080

Tokyo

12th Floor,
Yurakucho Itocia Building
2-7-1 Yurakucho, Chiyoda-ku
Tokyo 100-0006,
Japan
Tel: +813 6860 4885

CONTACT POINTS

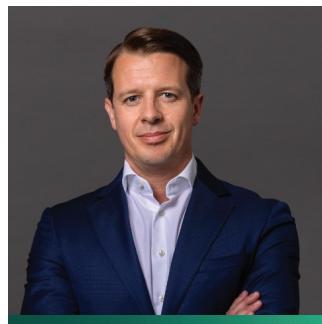
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Etain de Valera

Partner | Dublin

E etain.devalera@dilloneustace.ie
T +353 1 6731739



Cillian Bredin

Partner | Dublin

E cillian.bredin@dilloneustace.ie
T +353 1 6731889



Derbhil O'Riordan

Partner | Dublin

E derbhil.oriordan@dilloneustace.ie
T +353 1 6731755



David Walsh

Partner | New York

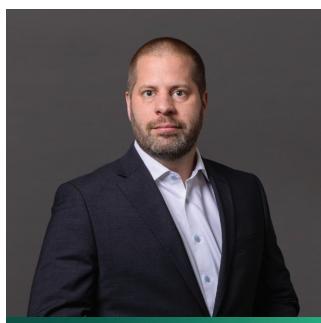
E david.walsh@dilloneustace.ie
T +1 646 7706080



Shane Coveney

Partner | Dublin

E shane.coveney@dilloneustace.ie
T +353 1 6731749



Joe O'Doherty

Of Counsel | Dublin

E joe.odoherty@dilloneustace.ie
T +353 1 673 1734

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