

// ASSET MANAGEMENT & INVESTMENT FUNDS






Asset Management & Investment Funds Update


September 2025



Key Dates & Deadlines: Q3 / Q4 2025

The following are key dates and deadlines in Q3 / Q4 2025 along with possible impacts and action items arising for fund managers.

Date	Source	Summary	Action/Impact
July / August 2025*		ESMA standards and Guidelines on Liquidity Management Tools Scheduled date for entry into force of ESMA's Regulatory Technical Standards and Guidelines on Liquidity Management Tools for UCITS and AIFs	Please see article on the topic in the May 2025 update for further details. *As at the date of publication of this update these RTS have not yet entered into force.
Q3 2025		CBI Beneficial ownership register – new reporting mechanism The CBI will issue guidance in Q3 2025 about simplifying the process for reporting beneficial ownership details by certain financial vehicles.	Please see article on the topic in the August 2025 update for further details.
9 September 2025		CBI AIF Rulebook consultation The CBI published consultation paper CP162 on proposed changes to its AIF Rulebook	Please see article on the topic in this update for further details.
9 September 2025		CBI UCITS consultations The CBI published consultation paper CP161 on proposed changes to the CBI UCITS Regulations and CBI Guidance on performance fees for UCITS and certain types of Retail Investor AIFs	Please see article on the topic in this update for further details.
19 September 2025		Ireland's Department of Finance Ireland for Finance Strategy 2026 – 2030	Stakeholders are invited to submit their views on how Ireland can maintain and grow its position as a leading global

		Closing date for responses to the <i>Ireland for Finance</i> consultation. It is a whole-of-government strategy for the development of the international financial services sector.	hub for specialist international financial services.
			The public consultation seeks to identify areas of opportunity and barriers to competitiveness and growth.
21 September 2025		ESMA discussion paper on simplifying funds data reporting Date by which feedback should be given to ESMA on the questions raised in its discussion paper on simplifying funds data reporting	Please see article on the topic in the July 2025 update for further details
October 2025		ESG rating providers: ESMA final report Deadline by which ESMA is to publish the final report and submit the draft technical standards to the European Commission for adoption.	Please see article on the topic in the June 2025 update for further details
5 November 2025		Deadline for responses to CBI AIF Rulebook and CBI UCITS Regulations consultations Feedback submissions on CP 162 and CP 161 are due 5 November 2025.	Please see article on the topic in this update for further details.
Q4 2025		SFDR update The European Commission's 2025 work programme has indicated that legislative changes to SFDR are scheduled for Q4 2025	
December 2025		ECB Regulation on investment fund statistics including money market funds The first reporting under the European CBI Regulation on statistics on investment funds, including money market funds, will be with a reference date of December 2025	Please see article on the topic in the February 2025 update for further details. See also updates on this CBI webpage for relevant documentation of the new IF & MMF return can be found below. All files labelled with OF3 are related to the new return.
31 December 2025		Sustainable Finance omnibus simplification package Date by which the European Commission has asked member states to implement the proposals delaying CSRD reporting for certain companies by 2 years and the effective date of CSDDD by 1 year	Please see article on the topic in the May 2025 update for further details.

Central Bank of Ireland AIF Rulebook consultation

The Central Bank of Ireland (**CBI**) issued a consultation on the AIF Rulebook on 9 September. The consultation is called CP162. There is a significant volume of changes consulted on. The changes proposed are as a consequence of the amendments in Directive (EU) 2024/927 (the **Amending Directive**) which entered into force on 15 April 2024. Almost all provisions will apply in member states from 16 April 2026. The Amending Directive made changes to both the UCITS and AIFM Directives. The changes proposed to the AIF Rulebook are to align with the themes in the EU's Savings and Investment Union (SIU) initiative, to better support the

establishment of private asset funds in Ireland and to remove or update out-dated provisions in the AIF Rulebook that have become out-of-date through passage of time or because of legislative or regulatory developments since last publication of the AIF Rulebook.

The principal policy proposals below are grouped under the following four themes:

1. Alignment with AIFMD
 - a. Removal of the Loan Origination QIAIF section of the AIF Rulebook to align fully with the European AIFMD framework
 - b. Expectations on disclosure around the selection and use of liquidity management tools (LMTs)
2. Regulatory Effectiveness
 - a. Change to requirements for Qualifying Investor AIFs investing through intermediary investment vehicles
 - b. Removal of requirement to seek authorisation as an AIF management company
 - c. Incorporating capital commitments into the Qualifying Investor AIFs subscription mechanism and expanding the list of exempted parties
 - d. Incorporation of rules governing DAoFIs
 - e. Extension of requirements applicable to Qualifying Investor AIFs with registered AIFMs to Qualifying Investor AIFs with non-EU AIFM
 - f. Removal of Chapter 3 Part A of the AIFM requirements
 - g. Provision for Charity share classes
 - h. Clarification around investor voting rights
 - i. Providing for Money Market Fund Regulation stress testing requirements
3. Capital Commitment Structures and Private Asset Strategies
 - a. Incorporating guidance on share class features of closed-ended Qualifying Investor AIFs into the Qualifying Investor AIF chapter to align with relevant provisions in the ELTIF chapter
 - b. Changes to offer period requirements for Qualifying Investor AIFs that are closed-ended or open-ended with limited liability
 - c. Removal of current market value requirements relating to warehousing
4. Further technical changes
 - a. Removal of requirement to specify depositary/AIFM replacement procedures in the constitutional documents of the investment fund
 - b. Differentiation of certain charges from LMTs
 - c. Restriction on issuing Bearer Securities
 - d. Clarification that connected party dealing rules apply to asset transactions with unitholders
 - e. Consequential updates to the ELTIF chapter

Note also that the CBI is consulting on its guidance on performance fees for UCITS and Retail Investor AIFs in its consultation paper on the UCITS framework, CP161. The updated CBI guidance on performance fees has been included only in consultation paper CP 161 even though it relates to Retail Investor AIFs and so is relevant for the AIF framework. This is in order to reduce the length of the AIF Rulebook consultation paper. See article below on the CBI UCITS consultations for a summary of the proposed changes to performance fees relevant for Retail Investor AIFs.

Principal policy proposals

1. Alignment with AIFMD

The following proposed amendments seek to align the AIF Rulebook with the revised AIFMD:

Removal of the Loan Origination QIAIF section of the AIF Rulebook to align fully with the European AIFMD framework

The Amending Directive introduced a pan-European framework for loan origination and private credit. These new EU rules are inconsistent in some instances with the current requirements in the AIF Rulebook. It is proposed to remove the Loan Origination QIAIF (L-QIAIF) section from the AIF Rulebook and to align fully with the European framework. These amendments support the broader objective under SIU of promoting private asset and credit investments. The removal of the L-QIAIF section will also align with the position set out in the private asset Q&As published in Q1 2025. As part of the alignment with the new EU loan origination framework, the general restriction on QIAIFs acting as guarantor will be removed from the AIF Rulebook.

Expectations on disclosure around the selection and use of liquidity management tools (LMTs)

Proposed amendments to the AIF Rulebook will incorporate requirements for the selection and use of LMTs and providing for AIFMs to also select further LMTs in addition to those defined in the original AIFMD.

2. Regulatory Effectiveness

Amendments are proposed to provide greater clarity on certain regulatory requirements including investment limits, AIFM reporting and investment through intermediary investment vehicles.

Change to requirements for Qualifying Investor AIFs investing through intermediary investment vehicles

It is proposed to update the rules governing investment through intermediary investment vehicles by Qualifying Investor AIFs. Under the revised approach, there will be an obligation on the AIFM to disclose the use and purpose of intermediary investment vehicles in its prospectus, to carry out due diligence on the vehicles and to have in place documented policies and procedures for the oversight and monitoring of the vehicle.

As a result, the current requirements related to wholly owned subsidiaries will be removed, including the requirement for CBI approval prior to the establishment of a subsidiary, the obligation for fund directors to constitute the majority of the subsidiary's board, and the restriction preventing subsidiaries themselves from entering into contracts unless the fund is party to those arrangements. In addition to the new domestic requirements, general requirements already exist under AIFMD related to the use of these vehicles, ensuring that there is adequate disclosure to investors regarding the use of such vehicles, and safeguarding the Qualifying Investor AIF's assets. These requirements include rules on acquisition of control, depositary oversight and look-through requirements for leverage. This approach ensures that Qualifying Investor AIFs can continue to use intermediary structures with clear regulatory expectations and protections in place.

Removal of requirement to seek authorisation as an AIF management company

It is proposed to remove the requirement for investment funds to seek authorisation as an AIF Management Company as set out in Chapter 4 - Management Company Requirements.

When acting for an AIF, an AIF Management Company performs functions comparable to those already carried out by a board of directors or general partner. The additional requirements imposed in the AIF Rulebook results in duplication. The focus of the framework is on the AIFM as the main regulated entity overseeing the management of the AIF and the implementation of its investment strategy. Governance and director suitability requirements for AIF Management Companies will continue to apply through existing regulatory mechanisms, including the CBI's Fitness and Probity regime.

This will reduce the burden for investment funds and is consistent with the previous CBI decision to remove this requirement for Investment Limited Partnerships (ILPs).

Incorporating capital commitments into the Qualifying Investor AIFs subscription mechanism and expanding the list of exempted parties

It is proposed to update the Qualifying Investor AIFs minimum investment requirements to provide for investments made through capital commitments.

Investing in a Qualifying Investor AIF requires investors to invest a minimum of €100,000 (or its equivalent in another currency) that can be provided as a single payment. It is further proposed to permit the minimum investment requirement to be met through a capital commitment model, whereby an investor commits to investing at least €100,000 but the amount is drawn down in stages over time by the Qualifying Investor AIF as it ramps-up its investment portfolio. It is also proposed to expand the list of entities eligible for an exemption from the minimum subscription requirement to include the AIFM itself or a group company of the AIFM, discretionary or non-discretionary investment advisers, and directors (or equivalent), employees, secondees, consultants or partners of these entities. The exemption will continue to be limited to those directly involved in the Qualifying Investor AIF's investment activities or to senior employees and partners within the relevant management, investment or advisory firms who have appropriate expertise in the provision of investment management services.

Incorporation of rules governing DAoFIs

In 2021 the CBI published guidance for Depositaries for AIFs under Regulation 22(3)(b) of the AIFM Regulations (**Depositaries of Assets other than Financial Instruments or DAoFIs**). DAoFIs are a type of depositary that may only act as depositary for specific types of AIFs (i.e. those which have no redemption rights exercisable for at least five years from the date of initial investment, and which generally do not invest

in financial instruments that can be held in custody). It is proposed to incorporate CBI guidance on DAoFIs into the Depositary Chapter of the AIF Rulebook.

Extension of requirements applicable to Qualifying Investor AIFs with registered AIFMs to Qualifying Investor AIFs with non-EU AIFM

Under AIFMD, Member States may allow non-EU AIFMs to manage and/or market AIFs to professional investors within their jurisdictions. In line with the requirements for registered AIFMs, it is proposed to also apply these requirements to non-EU AIFMs that manage Qualifying Investor AIFs and to also require compliance with the EU loan origination requirements. Part III of the Qualifying Investor AIF chapter of the AIF Rulebook will be updated to include non-EU AIFMs to ensure the consistent application of the framework.

Removal of Chapter 3 Part A of the AIFM requirements

Chapter 3 Part A of the AIF Rulebook was a set of provisions to support the transition of AIFMs into the new capital requirements introduced following CP152. These provisions are no longer relevant as all AIFMs are now subject to the requirements as set out in Chapter 3 Part B.

Provision for Charity share classes

It is proposed to incorporate Q&A ID 1144 into the AIF Rulebook which permits AIFs to establish share classes that make distributions to charities, subject to specific conditions.

Clarification around investor voting rights

Provisions have been updated in relation to investor voting rights for Qualifying Investor AIFs, including the alignment of these voting rights with the relevant provisions in the fund's constitutional document. It is proposed to permit Qualifying Investor AIFs and ELTIFs to use other investor voting mechanisms, including written resolutions, where explicitly provided for in the relevant legislation and disclosed in the fund's constitutional document.

Providing for Money Market Fund Regulation stress testing requirements

Qualifying Investor AIFs authorised in accordance with the Money Market Fund Regulation (EU) 2017/1131 (MMFR) shall, when conducting stress testing under Article 28 MMFR, adhere to the periodically updated guidelines establishing common reference parameters of the stress test scenarios issued by the European Securities and Markets Authority (ESMA). Complying with the annual guidelines will now form part of the rules governing the relevant funds.

3. Capital Commitment Structures and Private Asset Strategies

The CBI is consulting on targeted amendments to the AIF Rulebook to provide greater flexibility to investment managers when structuring their investment funds to better meet investors' needs. These changes are also necessary to support investments in private assets as recommended in the 2030 Funds Review.

Incorporating guidance on share class features of closed-ended Qualifying Investor AIFs into the Qualifying Investor AIF chapter to align with relevant provisions in the ELTIF chapter

The CBI guidance on share class features of closed-ended Qualifying Investor AIFs will be incorporated into the Qualifying Investor AIF chapter aligning with the approach taken for ELTIFs. This will allow managers to establish share classes with specific features to meet investors' needs and provides for the efficient structuring of investment funds including those that are open ended. The proposed changes will also permit side-letter arrangements, subject to the disclosure of such arrangements in the prospectus and the requirement that such arrangements do not materially disadvantage other investors in the fund. The incorporation of the share class guidance will enable greater flexibility in structuring investment funds, including share classes that permit differentiated participation for specific purposes such as issuance of shares at a price other than Net Asset Value (NAV), the inclusion of excuse and exclude provisions related to investor preference and taxation requirements, stage investing and management participation. This will allow fund managers to better facilitate the participation of investors in the fund whilst being able to tailor its operational elements to better meet the needs of those investors.

Changes to offer period requirements for Qualifying Investor AIFs that are closed-ended or open-ended with limited liability

It is proposed to remove the restriction on the initial offer period that is currently limited to two years and six months. Instead, there will be a requirement that the initial offer period is disclosed in the prospectus. The revised text aligns with the approach taken in the ELTIF Chapter and ensures consistency across the framework while providing greater flexibility for asset managers, particularly private asset funds that may have longer ramp-up periods. In order to ensure that investor interests are safeguarded, a new provision will be added that imposes an obligation on the AIFM to return an investor's subscription proceeds upon request to that investor if the offer period has expired or if the AIFM extends the offer period and the fund has failed to issue units to the investor.

Removal of current market value requirements relating to warehousing

It is proposed to align the Qualifying Investor AIFs warehousing requirements with those applied to ELTIFs. This amendment is consistent with the valuation principles under AIFMD, which require AIFMs to carry out asset valuations impartially and with due skill, care and diligence. Additionally, warehousing arrangements remain subject to connected party transaction rules providing further safeguards for investors.

4. Further technical changes

Other provisions within the AIF Rulebook will also be revised as part of a general review of the requirements, to correct for errors or to provide additional clarification on the purpose and intended outcome of a particular rule. These include:

Removal of requirement to specify depositary/AIFM replacement procedures in the constitutional documents of the investment fund

The current obligation for a Qualifying Investor AIF's constitutional document to specify the procedure for replacing a depositary is being removed. This requirement is considered disproportionate given the broader regulatory safeguards already in place for investors. A corresponding obligation in relation to the replacement of an AIFM will also be removed.

Differentiation of certain charges from LMTs

Amendments are being made to clarify that certain administrative charges applied to investor redemptions/repurchases are distinct from the use of LMTs under Annex V of AIFMD. This change is necessary to ensure that where a fund imposes such standard charges as part of its normal redemption/repurchase process it does not trigger the requirements under Annex V of AIFMD.

Restriction on issuing Bearer Securities

The issuance of bearer shares is no longer permitted under the Companies Act 2014 and references will be removed.

Clarification that connected party dealing rules apply to asset transactions with unitholders

Unitholders will be added to the list of entities subject to the requirements under the provisions directed at dealings with connected parties. These additions are necessary to address circumstances where an investment fund may enter into commercial transactions with unitholders in the fund. A footnote will be included to clarify that these requirements do not apply to transactions (redemption/subscriptions/other distributions) by unitholders in relation to their units in the fund.

Consequential updates to the ELTIF chapter

The ELTIF Chapter of the AIF Rulebook will be updated to ensure that the relevant provisions remain consistent with similar provisions in the Qualifying Investor AIF Chapter. The proposed technical amendments are intended to ensure that the ELTIF Chapter is implemented in a manner that aligns, where appropriate, with the Qualifying Investor AIF framework.

Next steps

The consultation will be open for 8 weeks. Feedback from stakeholders must be provided by 5 November 2025. The CBI will review all feedback received on the consultation paper CP 162 and prepare and publish a feedback statement.

William Fry will be submitting a response to the CP 162 AIF Rulebook consultation.

Central Bank of Ireland UCITS consultations

The CBI issued a consultation on both the CBI UCITS Regulations and the CBI Guidance on performance fees for UCITS and certain types of Retail Investor AIFs on 9 September. The consultation is called CP161. The proposed amendments update the domestic regulatory framework applicable to UCITS and take account of policy developments since the current CBI UCITS Regulations were published.

On 15 April 2024, the Directive (EU) 2024/927 (the **Amending Directive**) entered into force. Almost all provisions will apply in member states from 16 April 2026. The Amending Directive amends the UCITS Directive as well as AIFMD. These revised European rules will be transposed into Irish law by amending the UCITS Regulations. In CP161, the CBI proposes to (i) repeal and replace the current CBI UCITS Regulations to ensure alignment of the domestic regulatory framework with these revised European rules (ii) update the domestic framework by incorporating outstanding updates from previous consultations, clarifying certain provisions, incorporating certain Q&As and guidance and removing out of date provisions and (iii) change domestic rules in relation to performance fees for UCITS and Retail Investor AIFs.

The key proposals in the UCITS consultation are under the following headings:

1. Updating performance fee rules
2. Updating rules for the operation of redemption gates
3. New section on residency requirements for Directors and Designated Persons
4. Introduce new rules on liquidity management techniques (LMTs) and differentiate certain changes and activities from harmonised LMT fees and activities
5. Remove obsolete provisions now covered by the Money Market Fund Regulation
6. Incorporate a rule permitting ETF naming requirement at share class level
7. Include derogation for UCITS ETFs from the requirement to have same dealing procedures and frequencies for all share classes within a sub-fund
8. Disclosure requirement in prospectus of maximum fee payable for any recurring fees paid out of fund assets
9. Technical changes
 - a. Reporting requirements will now cross refer to reporting requirements on the CBI website
 - b. Changes introduced in the Amending Directive e.g. ensuring retail investors cannot receive redemption in kind in the ordinary course of redemptions
 - c. Reflecting that most UCITS no longer have to issue a UCITS KIID where a PRIIPs KID is produced

Principal policy proposals

Updating performance fee rules

The CBI Guidance on performance fees was published in 2021 and clarified the CBI's expectations in relation to performance fees charged by Irish-domiciled funds following publication of the ESMA Guidelines on performance fees in UCITS and certain types of AIFs (the **ESMA Guidelines on performance fees**). Due to legislative constraints contained in the CBI UCITS Regulations, certain aspects of the ESMA Guidelines on performance fees were not fully implemented, including:

- the possibility of a performance reference period that is less than the whole life of the fund for certain fee models;
- fulcrum fee models or other models which provide for a symmetrical fee structure; and
- crystallisation of performance fees more frequently than annually for HWM or HoH models that have a performance reference period of the life of the fund that cannot be reset, and fulcrum fee models or other models which provide for a symmetrical fee structure.

It is now proposed to remove the legislative constraints and bring the CBI approach to performance fees in line with the ESMA Guidelines on performance fees. The CBI guidance on performance fees will also be updated. The CBI is also consulting on whether an entity other than the Depositary can perform the function of verifying the performance fee. The updated guidelines are included in an Annex to CP161.

Redemption gates

The CBI proposed to remove the requirement that a redemption gate shall not be imposed on a dealing date unless the total requests for redemption exceed 10% of the total number of units or 10% of net asset value. This is to align the CBI approach to LMTs with the approach in the Amending Directive.

Residency requirements for Directors and Designated Persons

The current residency requirements for Directors and Designated Persons for firms with a PRISM rating of “low” will be retained as a minimum requirement for all management companies, with the discretion for the CBI to provide for additional residency requirements at the point of authorisation.

Introduce new rules on liquidity management techniques (LMTs) and differentiate certain changes and activities from harmonised LMT fees and activities

The revised UCITS Regulations will introduce new rules on LMTs equivalent to those set out in the Amending Directive. Harmonised descriptions of certain LMTs will be set out in the UCITS Regulations transposing Annex IIA of the Amending Directive and at least two LMTs from this list must be selected and incorporated into the fund rules of the UCITS. The CBI is introducing a dedicated LMT section in the new CBI UCITS Regulations containing provisions on general operational requirements for LMTs along with rules for UCITS selecting, activating and deactivating side pockets, suspensions, swing pricing and redemption gates.

It will therefore be necessary to differentiate rules around certain charges and activities set out in the CBI UCITS Regulations from the LMTs. The CBI proposes clarifying that administrative charges applied to investor redemptions are distinct from LMTs (which take account the cost of liquidity). These changes are necessary to ensure, where a fund imposes standard charges as part of its normal redemption process (a redemption charge), that it does not inadvertently trigger the requirements under the relevant LMT provisions (a redemption fee).

It is also necessary to differentiate between in-specie/in-kind redemption as an LMT and the exchange of assets in the settlement of redemptions which does not constitute an LMT. Where the UCITS provides for the settlement of redemptions through an exchange of assets as part of its redemption policy, and this is not implemented as a LMT, the CBI UCITS Regulations will require that the UCITS disclose the terms and conditions in its prospectus under which such an arrangement will operate.

Remove obsolete provisions now covered by the Money Market Fund Regulation

It is proposed to remove the obsolete rules from the CBI UCITS Regulations that apply to MMFs and amend certain rules applying to UCITS investing in money-market instruments (MMIs) that are not MMFs. Certain rules will be retained to include i) requirements that a UCITS which is a short term or standard MMF must comply with stress testing requirements under the MMFR and ongoing reporting requirements and ii) requirements for non-MMF UCITS which contain MMIs to comply with certain provisions in the MMFR relating to the use of amortized costs.

Incorporate a rule permitting ETF naming requirement at share class level

Changes already made in the CBI UCITS Q&A which enable the ETF naming requirement at the share class level will be incorporated in the CBI UCITS Regulations.

Include derogation for UCITS ETFs from the requirement to have same dealing procedures and frequencies for all share classes within a sub-fund

The CBI UCITS Regulations will be amended to provide that ETFs can avail of a derogation from the rule that all share classes within a sub-fund must have the same dealing procedures and frequencies. There is a waiver already provided for in the CBI UCITS Q&A which will be deleted once the CBI UCITS Regulations are updated.

Disclosure requirement in prospectus of maximum fee payable for any recurring fees paid out of fund assets

The CBI is proposing requiring a new disclosure in the prospectus of the maximum fee payable for recurring fees based on the Net Asset Value. There is currently no specific requirement for the disclosure of such fees in the UCITS legislative framework.

Technical changes

The new CBI UCITS Regulations will direct stakeholders to the CBI's website for the relevant reporting requirements. This allows for greater flexibility for the CBI to update reporting requirements without having to make legislative amendments.

Aligning the CBI UCITS Regulations with provisions of the Amending Directive, and consequently the updated UCITS Regulations. This is particularly in the case of distinguishing between LMTs and other activities such as updating the definition of anti-dilution levy, ensuring retail investors cannot receive redemption in kind in the ordinary course of redemptions, distinguishing between a redemption charge and a redemption fee. Another change is reflecting the fact that most UCITS no longer have to issue a UCITS key investor information document or KIID where they now produce a key information document, or KID, pursuant to the PRIIPs Regulation.

Next steps

The consultation will be open for 8 weeks. Feedback from stakeholders must be provided by 5 November 2025. The CBI will review all feedback received on the consultation paper CP 161 and prepare and publish a feedback statement.

William Fry will be submitting a response to the CP 161 UCITS consultations.

Additions to ESAs Q&A on SFDR

The joint European Supervisory Authorities (**ESAs**) introduced 4 new Q&As to the consolidated Q&A on SFDR in August 2025.

Summary of new Q&A

A PAI indicator focusing on metrics for, and how to calculate, water usage was clarified. This aims to improve consistency in how financial market participants report environmental impacts related to water.

The ESAs clarified the meaning of “per meter squared” in a PAI indicator for energy consumption in real estate assets. This ensures uniform interpretation when calculating energy performance for SFDR disclosures.

Guidance was provided on what to do when the minimum percentage of environmentally sustainable investments and socially sustainable investments do not add up to the total minimum proportion of sustainable investments. Financial products may disclose X% as the minimum commitment to environmentally sustainable investments Y% as the minimum commitment to socially sustainable investments, and Z% as the total minimum proportion of sustainable investments. X% + Y% does not need to equal Z%. This reflects the fact that these are minimum thresholds, not exact allocations. ESAs recommend including a clear explanation in disclosures when X% and Y% do not sum to Z%. This helps avoid misreporting in asset allocation disclosures.

In a fourth new Q&A, the ESAs clarified that there is no prescribed methodology for calculating figures for top investments or shares of investments to be disclosed in periodic SFDR reports. Periodic disclosures under SFDR are linked to sectoral legislation, so flexibility is allowed in how financial market participants calculate and present these figures. Firms can adopt reasonable and consistent methodologies tailored to their product type and investment strategy. However, they should ensure methodological transparency and comparability across reporting periods.

European Commission: Defence spending & finance

In August 2025, as part of its Defence Readiness Omnibus published in June 2025, the European Commission (**EC**) issued a formal Notice clarifying how the EU sustainable finance framework applies to the defence sector. It specifically covers SFDR, EU Taxonomy, the Benchmark Regulation and MiFID II. Notably, it includes a proposed legislative change to the definition of controversial weapons in Delegated Regulation (EU) 2020/1818, which governs EU Paris-aligned Benchmarks (**PABs**) and EU Climate Transition Benchmarks (**CTBs**).

Defence companies and sustainable finance

The EC's Notice states that defence companies are not automatically excluded from sustainable finance frameworks like SFDR, EU Taxonomy, or CSRD. Defence investments should be evaluated individually for their environmental, social, and governance (ESG) impact. The EC argues that defence companies can contribute to social sustainability, particularly in terms of peace, security, and resilience, aligning with UN Sustainable Development Goal 16. Defence firms are expected to improve ESG performance, just like any other sector.

The EC's position set out in the Notice aims to reduce reputational barriers and mobilise private capital for defence, especially under the EU's ReArm Europe plan, which targets €800 billion in defence investments.

Defence investment and SFDR

The Notice states that financial market participants investing in the defence industry, certain PAI indicators may require further explanation i.e. PAI 10 'Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises', PAI 11 'Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises' and PAI indicator 14 'Exposure to controversial weapons'. Controversial weapons only covers four categories of controversial weapons: anti-personnel mines, cluster munitions, chemical weapons and biological weapons. These are weapons banned by a majority of Member States or by international law binding the EU directly and deemed as having a principal adverse impact. The EC Notice states that this does not include nuclear weapons, and refers to international treaties on nuclear weapons.

Fund managers with exposure to defence stocks and publishing a PAI statement should take note of these provisions.

Meaning of controversial weapons

The European Commission has proposed targeted amendment to the PAB/CTB Regulation. This amendment specifically revises the definition of "controversial weapons" to mean only companies involved in prohibited weapons must be considered for the purpose of applying the exclusions under Article 12(1)(a) of the PAB/CTB Regulation. Prohibited weapons, in turn, "shall mean anti-personnel mines, cluster munitions, biological and chemical weapons the use, possession, development, transfer, manufacture, and stockpiling, of which is expressly prohibited by the international arms conventions to which the majority of Member States is party, as listed in the Annex to the PAB/CTB Regulation.

Recognising that this change will affect transactions by funds relying on PAB and CTB benchmarks, a 6 month transitional period is proposed from the entry into force of the amendments to the PAB/CTB Regulation. The date of entry into force is as yet unknown, however the EC has urged the European legislators to move quickly to adopt the defence omnibus provisions.

Some funds may have specifically disclosed the meaning of controversial weapons in SFDR pre-contractual disclosures and fund supplements. This may have been done recently as part of a supplement update to comply with ESMA's Guidelines on funds' names using ESG or sustainability related terms. Once the legislative amendment revising the definition of controversial weapons enters into force, such funds should review SFDR pre-contractual disclosures to assess whether any updates to will be necessary.

Revenue thresholds

The EU sustainable finance framework does not prescribe any exclusions regarding the financing of defence-related activities based either on a percentage of a given company's turnover in military/defence activities, or on a percentage of the fund's portfolio from investment in defence/military-related activities. The EC recalls the EU sustainable finance framework is neutral with regard to the defence sector and only singles out 'controversial weapons' as set out in the SFDR and explained above.

Central Bank of Ireland Operational Resilience guidelines

In July 2025, the CBI published its updated Cross-Industry Guidance on Operational Resilience (**Revised Guidance**). This update reflects the maturing of operational resilience frameworks within regulated financial services firms and incorporates insights from recent developments, including the implementation of the Digital Operational Resilience Act (**DORA**) and ongoing industry engagement. The Revised Guidance is intentionally

not prescriptive. It is designed to be flexible and can be applied by all firms in a proportionate manner based on the nature, scale and complexity of its business.

Revised Guidance

The Revised Guidance replaces the original version issued in December 2021 and is effective from 14 July 2025. It continues to apply proportionately to all Regulated Firms based on their nature, scale, and complexity of business.

For regulated firms that have already aligned their operational resilience frameworks with the previous guidance and DORA, the Revised Guidance is unlikely to necessitate substantial changes. However, several notable updates have been introduced.

Alignment with DORA

Definitions have been updated to reflect DORA terminology. “Outsourced Service Provider” is now referred to as “Outsourced Third Party Service Provider,” broadening the scope to include any third-party entity providing services to a regulated firm. A new definition of ICT risk has also been added.

The Revised Guidance includes additional references explicitly acknowledging its complementary relationship with DORA. It encourages Regulated Firms, whether directly subject to DORA or not, to adopt equivalent measures to enhance operational resilience.

Annual Self-assessment

Regulated Firms are now required to conduct and document an annual operational resilience self-assessment. This assessment must cover all three pillars of operational resilience: Identify and Prepare, Respond and Adapt, and Recover and Learn. It must also be reviewed and approved by the Regulated Firm’s board.

Operational Resilience and Operational Risk

Under Guideline 2 of the Revised Guidance, the CBI now refers to operational resilience and operational risk as “separate but aligned disciplines.” This represents a shift from the previous view of operational resilience and operational risk as a “unified objective”. This new distinction may aim to clarify the different roles that operational resilience and operational risk play within a regulated firm’s framework. Operational resilience is positioned as a set of practical and technical measures designed to ensure continuity of operations, particularly in the face of disruptions involving third-party service providers. Operational resilience is regarded as a by-product of sound operational risk analysis. Regulated firms should be careful to avoid merging these concepts within their internal policies and procedures.

Identification of Critical or Important Business Services

The Revised Guidance reaffirms that Critical or Important Business Services must be external-facing with identifiable end users. This contrasts with DORA’s broader scope, which also includes internal-facing processes and functions. Regulated firms should be mindful of these differing lenses when mapping dependencies and identifying critical or important business services under the Revised Guidance, as well as critical or important business functions under DORA.

ICT Resilience

Guideline 9 on ICT Resilience has been expanded. The CBI now expects regulated firms not subject to DORA to consider implementing equivalent ICT risk management measures, including DORA’s Simplified Risk Management Framework on a proportionate basis.

Conclusion

The Revised Guidance signals a shift from a conceptual understanding to a more practical implementation of operational resilience. It emphasises the importance of board accountability and the need for continuous improvement, while aligning with international regulatory standards. Regulated firms should carefully review the Revised Guidance and incorporate the necessary changes into their annual review of their operational resilience frameworks.

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