

Asset Management in Ireland in 2024: A Year in Preview

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While funds and their management companies¹ may still be taking stock after another busy year in 2023, 2024 is shaping up to be an equally demanding year for industry stakeholders.

In this briefing, we provide an overview of some key dates which should be appearing in the compliance calendars of Irish funds and their management companies as well as a synopsis of some of the legal and regulatory developments we can expect in the next twelve months.^{2,3}

Key Dates

Date	Matter	Suggested action to be taken
1 January 2024	<p>The EU Taxonomy Environmental Delegated Act⁴, which sets down the technical screening criteria which must be satisfied in order for an economic activity to be deemed as contributing to any of the Taxonomy-related environmental objectives enters into force.</p> <p>The Amending EU Taxonomy Climate Delegated Act⁵ also enters into force on this date. This regulation makes targeted amendments to the existing EU Taxonomy Climate Delegated Acts to expand on the economic activities contributing to climate change mitigation and climate change adaptation not yet covered by the EU Taxonomy framework, in particular the manufacturing and transport sectors.</p>	Where relevant, fund management companies should revise internal Taxonomy compliance frameworks to incorporate the revised and additional delegated acts which begin to apply from this date.
1 January 2024	All PRIIPS KID issued by Irish funds on or after 1 January 2024, regardless of date of authorisation of the relevant fund, must be filed with the Central Bank of Ireland (Central Bank) from this date.	Ensure that appropriate compliance arrangements are put in place so that PRIIPS KID issued on or after 1 January 2024 are filed with the Central Bank via its portal.
10 January 2024	The revised ELTIF Regulation begins to apply. For further information, please see " ELTIF 2.0 " below.	Monitor the adoption of finalised implementing measures by the European Commission (Commission) under the revised ELTIF Regulation and the publication of the Central Bank's revised AIF Rulebook setting down the domestic supervisory and reporting framework which will apply to Irish-domiciled ELTIFs.
18 January 2024	Deadline for submission of responses to the Central Bank's consultation paper on macroprudential measures for GBP liability-driven investment funds. For further information please see " Development of the Central Bank's Macroprudential Policy for Investment Funds ".	If desired, submit a response to the Central Bank's consultation paper by the applicable deadline.
31 January 2024	Deadline for all Irish UCITS management companies and AIFMs to file annual confirmation of ownership with the Central Bank.	Filing of confirmation of ownership to be made with the Central Bank by the deadline.

1 References to "management companies" or "fund management companies" in this briefing include Irish UCITS management companies, AIFMs, self-managed UCITS funds and internally managed AIF funds unless otherwise indicated.

2 This briefing does not include filing requirements in respect of any filing where the filing date is determined with reference to the relevant entity's annual accounting date (such as the filing of annual and semi-annual financial statements with the Central Bank) nor does it address any tax-related deadlines to which funds and fund management companies may be subject. Periodic reviews of matters such as the content of PRIIPS key investor documents or the risk management framework, business plan and policies and procedures of fund management companies as well as any other actions required to be taken under the Irish Funds Corporate Governance Code are also excluded from the remit of this briefing. In addition, it does not address other matters where a set date for compliance has not been applied, including for example (i) the obligation imposed on fund management companies which have chosen to implement a shareholder engagement policy under SRD II to provide shareholders with information on their website on how that policy has been implemented in the previous 12 months or (ii) the [obligation](#) imposed on Irish UCITS management companies (and Irish UCITS SMIC) by the Central Bank to carry out a viability and suitability assessment of each Irish-domiciled UCITS under management when assessing the investment manager's annual presentation. Irish domiciled managers of MMFs will also be required to report certain prescribed information to the Central Bank of Ireland in accordance with Article 37 of the MMFR on a periodic basis during the course of 2024.

3 In each case, the dates for filing of returns with the Central Bank are estimated only and may vary from firm to firm. Clients should therefore refer to the details made available on the Central Bank's portal for specific filing date imposed by the Central Bank for each return.

4 Commission Delegated Regulation (EU) 2023/2486 available [here](#)

5 Commission Delegated Regulation (EU) 2023/2485, available [here](#)

Date	Matter	Suggested action to be taken
12 February 2024	Deadline for submission of responses to the UK FCA's consultation on its overseas fund regime. For further information, see, please see " UK Overseas Funds Regime " below.	If desired, submit a response to the FCA's consultation paper by the applicable deadline.
20 February 2024	All UCITS which continue to prepare a UCITS KIID must file updated KIIDS which contain updated performance data for the period ended 31 December 2023 and which incorporate any other required revisions with the Central Bank no later than 20 February 2024.	Ensure that all UCITS KIIDs are updated and filed with the Central Bank by the applicable deadline.
29 February 2024	Deadline for filing the fund profile return for all Irish authorised sub-funds with the Central Bank.	Fund profile return to be prepared and filed with the Central Bank by the applicable deadline.
29 February 2024	Deadline for filing the annual PCF confirmation for both Irish authorised UCITS management companies/AIFMs and Irish authorised investment funds with the Central Bank under its Fitness & Probity regime.	F&P confirmation to be filed with the Central Bank by the applicable deadline.
Quarter 1 2024	ESMA is expected to publish a Call for Evidence on the review of the UCITS Eligible Assets Directive. For further information, please see " Review of the existing UCITS Eligible Assets Regime " below.	UCITS management companies should review the Call for Evidence and if desired, respond to same by the applicable deadline.
Quarter 1 2024	ESMA is expected to publish a consultation paper on the due diligence requirements under the Securitisation Regulation which will be of relevance to all EU fund management companies and non-EU AIFMs which invest in "securitisations" within the meaning of the Securitisation Regulation on behalf of funds under management.	Review and if desired, respond to the consultation paper published by ESMA.
29 April 2024	The new EMIR Refit reporting regime comes into effect.	Assess the implications of the EMIR Refit reporting regime and take necessary steps to ensure compliance with the enhanced reporting framework from the application date.
24 May 2024	<p>Irish funds authorised before 24 November 2022 which invest 50% or more directly or indirectly in Irish property assets (Property Funds) which are structured as open-ended funds with limited liquidity must comply with applicable provisions of the Central Bank's guidance for Property Funds relating to minimum liquidity timeframes.</p> <p>Separately, all Property Funds, regardless of liquidity profile, must comply with the leverage limit of 60% total debt-to-total assets limit by 24 November 2027. Given the requirement imposed by the Central Bank that any required de-leveraging must be done on a "gradual and orderly manner" and that such de-leveraging should be "significantly progressed" by the end of year three (i.e. November 2025), management companies of impacted Property Funds are likely to be focused on implementing appropriate deleveraging arrangements in the course of 2024.</p>	Impacted Property Funds should, where necessary, take appropriate steps to ensure compliance with the Central Bank guidance by this date.

Date	Matter	Suggested action to be taken
27 May 2024	New “own funds” capital requirements begin to apply to all Irish fund management companies with additional individual portfolio management permissions authorised by the Central Bank on or before 27 November 2023.	Impacted management companies should take all necessary steps to comply with the new “own funds” framework introduced by the Central Bank by applicable deadline.
28 May 2024	New rules being implemented by the Securities & Exchange Commission in the United States (SEC) to shorten the standard settlement cycle for most broker-dealer transactions in U.S. securities from T+2 to T+1 take effect. Please see “Changes to securities settlement cycles” below for further details.	Irish funds with exposure to US securities should start to engage with relevant service providers in order to assess the likely impact of the change in the US securities settlement cycle on their funds and identify any action which may need to be taken as a result.
30 June 2024	All Irish fund management companies must have completed a review of their asset valuation frameworks in accordance with the Central Bank’s Dear Chair by this date.	Review of asset valuation framework should be carried out on by all Irish fund management companies to ensure that such frameworks are fit for purpose and adhere to all relevant legislative requirements and the Central Bank’s supervisory expectations as outlined in its letter.
30 June 2024	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.	In-scope fund management companies must prepare and publish the relevant PAI statement on their website by the applicable deadline.
Quarter 2/ Quarter 3 2024	As part of the broader AIFMD/UCITS reform, ESMA consultation paper containing draft regulatory technical standards on open-ended loan-originating AIFs is expected to be published.	Those fund management companies currently or planning to operate a loan-originating strategy may want to keep a watching brief on these developments and respond to the consultation paper, if desired.
Quarter 2/ Quarter 3 2024	As part of the broader AIFMD/UCITS reform, ESMA consultation papers on (i) the selection and calibration of liquidity management tools and (ii) regulatory technical standards on the characteristics of liquidity management tools under both the UCITS and AIFMD frameworks are expected to be published.	Fund management companies should review the consultation papers to assess any potential implications on existing liquidity management arrangements if rules proposed by ESMA are implemented and, if desired, respond to the relevant consultation paper.
14 September 2024	New rules introduced by the SEC applicable to U.S private fund advisors begin to apply.	Where relevant, investment managers falling within the scope of the new SEC rules which are appointed to Irish funds should assess any potential implications of these rules for such funds.

Legislative and Regulatory Developments and Areas of Focus in 2024

Sustainable Finance

Sustainable finance is likely, once again, to dominate the legislative horizon for 2024. The following are likely to be of particular interest to Irish fund management companies and Irish funds:

i. *Central Bank guidance on disclosure obligations arising under the SFDR Level 2 Measures/Further engagement on CSA*

In September 2023, the Central Bank delivered a [speech](#) providing an overview of some of the most significant findings from its review of disclosures made by Irish funds falling within the scope of Article 8 and Article 9 of the SFDR in order to comply with the SFDR Level 2 Measures⁶. This was followed by a workshop held by the Central Bank with industry representatives in November 2023 at which some of the Central Bank's preliminary findings from its review were discussed in further detail.

We understand that the Central Bank will shortly issue guidance setting out its expectations around how in-scope Irish funds should comply with the disclosure obligations under SFDR Level 2 Measures which will apply to both new funds and, subject to a certain transitional timeframe, existing funds.

In the course of 2024, the Central Bank will also continue to work on the ESMA common supervisory action on integration of sustainability risks and sustainability-related disclosures (**CSA**) with selected Irish fund management companies.

Its current focus is on how such fund management companies have complied with SFDR disclosure obligations and identifying any examples of greenwashing in order to report on such practices to ESMA by the end of January 2024 to allow ESMA to provide its final report on greenwashing in the EU asset management sector which must be provided to the Commission by the end of May 2024⁷. The Central Bank's focus will then turn to assessing sustainability risk integration of identified management companies and reporting on this to ESMA by the end of September 2024.

We can expect a wider "Dear Chair" industry communication outlining its supervisory expectations to issue once the CSA has been fully completed.

ii. *ESMA Guidelines on Fund Names*

In November 2022, ESMA published a consultation on its proposed guidelines on funds names using ESG or sustainability-related terms in which it outlined specific criteria which it proposed must be satisfied by funds using ESG or sustainability-related terms in their names. In a [statement](#) published in December 2023, ESMA confirmed that the finalised guidelines will be adopted after the date of entry into force of the amendments to the UCITS and AIFMD directives. Based on current estimated timeframes, we can therefore expect the guidelines adopted by ESMA in or around April/May 2024 and to apply to new funds from September/October 2024 and to existing funds from December/January 2025.

While we await the publication of the finalised guidelines, ESMA has indicated that the following rules will apply:

- Funds using the term "sustainable" or a related term in their name which will be required to (i) apply an 80% minimum proportion of investments used to meet the sustainability characteristics or objectives (**80% threshold**), (ii) apply the exclusion criteria applicable to EU Paris-aligned Benchmarks (**PAB Exclusion Criteria**) and (iii) invest meaningfully in "sustainable investments" within the meaning of Article 2(17) of the SFDR;
- Funds using "transition"-related terms in their name which will be required to comply with the 80% Threshold and the exclusion criteria applicable to EU Climate Transition Benchmarks (**CTB Exclusion Criteria**);
- Funds using "environmental"-related terms in their name which will be required to comply with the 80% Threshold and the PAB Exclusion Criteria save where the "environmental"-related term is used in tandem with a "transition" related term, in which case the CTB Exclusion Criteria will apply; and

⁶ Commission Delegated Regulation (EU) 2022/1288 as amended

⁷ ESMA published a progress report on its work on greenwashing in May 2023 which is available [here](#)

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- Funds using “social” or “governance”-related terms in their name will be required to comply with the 80% Threshold and the CTB Exclusion Criteria.

iii. Further reform of both SFDR Level 1 and SFDR Level 2 Measures

On 14 September 2023, the Commission launched a public consultation on the SFDR “Level 1” framework (**Consultation**). In the Consultation, the Commission has sought feedback from stakeholders on how the SFDR is working in practice and in particular, the specific implementation challenges faced by financial market participants in complying with the obligations imposed thereunder, how the SFDR interacts with other pieces of EU sustainable finance legislation and potential changes to the existing disclosure obligations imposed thereunder. In an acknowledgement that the SFDR has been used as a de-facto labelling regime and in order to counter the emergence of sustainability labels by certain EU Member States since the SFDR was implemented in 2021, the Consultation also sought feedback from stakeholders on two possible product categorisation frameworks. The first of these proposals involves converting Articles 8 and 9 of the SFDR into formal product categories and developing the distinction between the two types of products while the second proposal involves the creation of a product categorisation framework based on the investment strategy of the fund in question.

While any changes to the SFDR introduced by the Commission will not apply for a number of years yet, it is expected to publish its report on proposed reforms of the SFDR in Quarter 2 of 2024.

A detailed analysis of the Consultation is available [here](#).

Separately and independent of the work being carried out by the Commission on the SFDR “Level 1” framework, on 4 December 2023, the European Supervisory Authorities (**ESAs**) published their [final report](#) containing proposed targeted amendments to the SFDR Level 2 Measures (**Report**).





This Report is currently being considered by the Commission and if adopted, will result in a number of changes to the existing disclosure obligations imposed on funds falling within the scope of Article 8 and Article 9 of the SFDR and those management companies who are required to, or voluntarily choose to, report on the principal adverse impacts of their investment decisions on sustainability factors under Article 4 of the SFDR.

These include by way of example only, revising the pre-contractual and periodic report template annexes to include a new dashboard of “key information” on the first page, introducing new disclosures relating to greenhouse gas emission reduction targets for all in-scope funds, extending the social PAI indicators and introducing an obligation to disclose the quantitative thresholds or criteria used to determine that an investment meets the “Do No Significant Harm” prong of the “sustainable investment” test under the SFDR.

The Report does not contain any details on proposed implementation dates. However, if the draft technical standards are adopted by the current Commission before its term ends, the proposed amendments to the SFDR Level 2 Measures may begin to apply in the first half of 2025 and in advance of any changes made to SFDR Level 1 being implemented by the Commission.

iv. CSRD begins to apply for certain entities

The [Corporate Sustainability Reporting Directive \(CSRD\)](#) and the first set of the [European Sustainability Reporting Standards \(ESRS\)](#) begin to apply for certain entities (namely companies previously subject to the Non-Financial Reporting Directive⁸ as well as large non-EU listed companies with more than 500 employees) for financial years beginning on or after 1 January 2024. The first sustainability statement of these companies, based on the ESRS templates, must then be published in 2025.

Other large companies, including other large non-EU listed companies fall within the scope of the CSRD for financial years beginning on or after 1 January 2025, with the first sustainability statement being published in 2026.

While it is unlikely that many Irish fund management companies will fall within the scope of the CSRD from 1 January 2024, if not already completed, a scoping exercise should be carried out by such entities as early as possible in 2024 to determine whether or not they fall within the scope of the CSRD for financial years beginning on or after 1 January 2025 in order to provide adequate time to implement the necessary compliance framework to ensure that they are in a position to satisfy the disclosure obligations under (i) the CSRD and (ii) Article 8 of the Taxonomy Regulation whose scope is determined with reference to the CSRD if they do meet the applicable scoping criteria.

⁸ This includes large listed companies, large banks and large insurance undertakings – all if they have more than 500 employees

v. *Finalising of the Corporate Sustainability Due Diligence Directive regime*

On 14 December 2023, the [European Parliament](#)⁹ and the [Council of Europe](#) announced that they had reached political agreement on the proposed Corporate Sustainability Due Diligence Directive (**CSDDD**).

The finalised agreed text has not yet been published and further clarity on the precise scope of the CSDDD and, in particular, its application to Irish fund management companies will emerge once the text of the provisional agreement is made available. However, we understand from press releases published by the European Parliament and the Council of Europe that financial services companies meeting the relevant scoping criteria will be required to adopt a Paris-aligned climate transition plan and will also be subject to due diligence obligations to identify and where necessary mitigate the adverse impacts of their activities on the environment and human rights with regard to their own operations and “upstream” operations.

Formal adoption of the CSDDD is expected in Quarter 1 of 2024 with EU member states having 2 years from the date of its publication in the Official Journal of the European Union to transpose the CSDDD into national law.

vi. *New SDR framework begins to apply in the UK*

In the course of 2024, the new sustainability disclosures regime (**SDR**) introduced by the Financial Conduct Authority (**FCA**) in the UK will be implemented, with its anti-greenwashing rule applying from 31 May 2024 and its new labelling regime (which introduces related disclosure obligations) being available to firms from 31 July 2024 onwards.

The FCA has confirmed that the new regime will not apply to overseas funds (such as Irish funds marketing to UK investors). It has also introduced a requirement that distributors selling such overseas funds in the UK must ensure that a notice is included in the relevant documentation clarifying that such funds are not subject to the UK sustainability disclosure and labelling regime from 2 December 2024 onwards.

However, the FCA has also made clear that the HM Treasury continues to consider its approach on extending the SDR to overseas funds and notes that it wants all firms marketing their products in the UK “to be subject to the same broad requirements”. This is an area likely to be carefully monitored by those Irish fund management companies currently marketing Article 8 and Article 9 funds in the UK.

vii. *Potential changes to the “sustainability preferences” rules under the ESMA Guidelines on suitability and product governance*

Following a Call for Evidence published by ESMA last year in which it sought feedback on how the concept of “sustainability preferences” was being integrated by investment firms and management companies authorised to provide individual portfolio management services into their suitability assessment and product governance frameworks as required under the MiFID framework, we may see revised guidelines on suitability and/or product governance or related Q&A being published by ESMA in the course of 2024.

⁹ The European Parliament’s press conference is available for viewing [here](#).

Reform of UCITS and AIFMD frameworks

Revisions to the UCITS and AIFMD Directives

i. Timing

In November 2021, the Commission published a [legislative proposal](#) to amend both the AIFMD and UCITS frameworks with the intention of improving the regulatory framework applicable to the EU investment funds industry.

Following almost two years of negotiations, we expect the finalised legislative text amending both the UCITS and AIFMD frameworks to be published in the Official Journal in Quarter 1 of this year. EU Member States will then have two years to transpose the relevant measures into national law meaning that Irish management companies will be required to comply with the revised rules by Quarter 1 2026.

ii. Key reforms

Key changes to the existing regime include:

- **Loan origination:** The introduction of a pan-EU loan origination regime which sets down common minimum rules for AIFMs managing loan-originating funds. These include imposing a leverage limit on the extent to which any such loan-originating fund can be leveraged¹⁰ and setting down specific criteria which must be satisfied where a loan-origination fund is established as an open-ended fund¹¹. The new regime will also allow AIFMs which originate loans on behalf of an AIF domiciled in one Member State to lend to entities domiciled in another Member State. The Central Bank has indicated in a recent [speech](#) that it will, in due course “move to align” the provisions of the Irish domestic loan-origination framework with that of AIFMD 2.
- **Liquidity management tools:** The introduction of new rules relating to the selection, activation and use of liquidity management tools (**LMTs**) by UCITS management companies and AIFMs managing open-ended AIFs, with a tailored set of rules applicable to EU money market funds. In the course of 2024, ESMA will publish two separate consultation papers focusing on LMTs which should provide industry with some indication of the direction of travel on the detailed rules which will govern the selection and operation of such tools.
- **Delegation:** Enhanced reporting obligations to national competent authorities on the extent to which each fund management company relies on expertise from third party delegates located both within and outside of the European Union and the provision of information on the periodic due diligence reviews carried out by the management company to monitor such delegated activities.

Review of the existing UCITS Eligible Assets Regime

In addition to the broader reforms of the UCITS and AIFMD frameworks outlined above, the Commission is also considering introducing changes to the existing UCITS Eligible Assets Directive¹² (**EAD**) which sets down the detailed rules around what a UCITS fund can and cannot invest in.

¹⁰ This leverage limit has been set at 175% of net asset value for open-ended funds and 300% of net assets for closed ended funds, in each case when calculated using the commitment approach.

¹¹ As noted above under “Key Dates”, work on the criteria which will need to be satisfied in order for an open-ended fund to implement a loan-origination strategy begins this year with ESMA planning to publish a consultation paper on same in Quarter 2-Quarter 3 2024.

¹² Commission Directive 2007/16/EC

In its [mandate](#) to ESMA in June 2023, it has asked ESMA to carry out a review of implementation of the EAD in EU Member States to identify any divergent implementation practices. It has also been mandated to consider the risks and benefits of allowing UCITS to gain exposure to asset classes that are not directly investable for UCITS through indirect means via delta-one instruments, embedded derivatives and financial indices.

As noted above, ESMA intends to publish a Call for Evidence looking for feedback from relevant stakeholders on the EAD in Quarter 1 of this year. A consultation paper containing ESMA's proposed implementing measures will then be published in 2025 before ESMA submits its final technical advices to the Commission for its consideration.

ELTIF 2.0

ELTIFs are the only type of EU investment fund dedicated to long-term investments that can be distributed throughout the EU on a cross-border basis to both professional and retail investors.

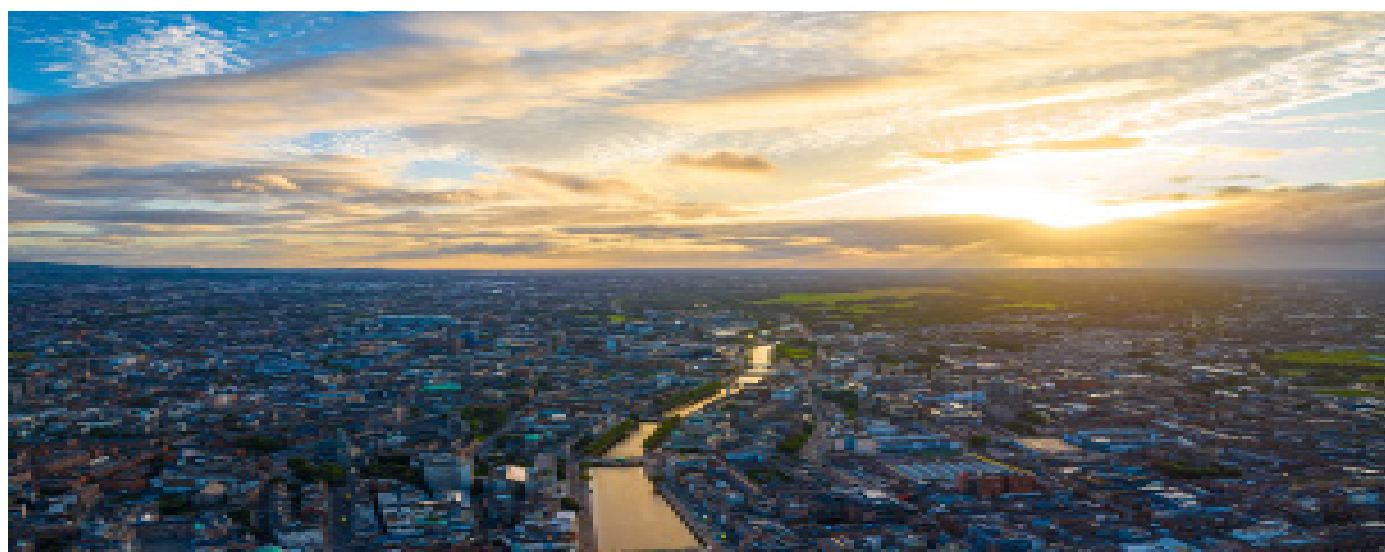
The revised ELTIF Regulation¹³, commonly referred to as ELTIF 2.0, enters into force on 10 January 2024 and makes significant enhancements to the existing ELTIF regime by expanding the types of eligible assets which an ELTIF can invest in, amending restrictive portfolio composition, concentration limits, diversification requirements and borrowing rules and allowing for the possibility of an ELTIF to provide redemption facilities to investors in certain specific circumstances.

We now await the final two elements of the ELTIF 2.0 framework, namely:

Adoption of finalised implementing measures by the Commission

ESMA submitted a [final report](#) containing its draft implementing measures on various aspects of the ELTIF framework to the Commission in December 2023 for its consideration (**Draft Implementing Measures**). The Commission must now decide whether to adopt the Draft Implementing Measures within 3 months. This review period can be extended for a further month if deemed appropriate by the Commission.

For ELTIFs which plan to offer (albeit limited) redemption facilities to house longer-term investments, the finalised



¹³ Regulation (EU) 2015/760 as amended by Regulation (EU) 2023/606

implementing measures adopted by the Commission on the maximum redemption frequency of an ELTIF, any minimum holding periods and any mandatory redemption notice periods for such funds will be of particular interest. For further details on the Draft Implementing Measures proposed by ESMA, please refer to our recent [briefing](#) on the topic.

Introduction of an Irish supervisory and regulatory framework for Irish ELTIFs

Following on from its recent consultation on a new ELTIF chapter in its AIF rulebook to support the establishment of ELTIFs in Ireland (**ELTIF Consultation**), the Central Bank is expected to finalise the domestic supervisory and reporting framework which will apply to Irish-domiciled ELTIFs in Quarter 1 of this year. In the ELTIF Consultation, the Central Bank has indicated that it does not propose imposing any additional product specific rules on Irish-domiciled ELTIFs and that it will also benefit from (i) the same favourable tax treatment currently afforded to Irish domiciled regulated funds and (ii) the ability to structure the Irish-domiciled ELTIF as an umbrella fund with segregated liability between sub-funds.

For a comprehensive overview of the Irish ELTIF offering, please refer to our guide on [Key Features of an Irish ELTIF](#).

Central Bank Individual Accountability Framework and Revised Fitness & Probity Regime

Irish management companies and Irish externally managed funds were required to implement appropriate conduct policies and deliver training to those performing controlled functions on applicable conduct standards in order to comply with obligations introduced under the new Central Bank Individual Accountability Framework (**IAF**) by 29 December 2023.

In-scope entities should ensure that the new fitness and probity certification process introduced under the IAF¹⁴ is appropriately implemented into existing fitness and probity compliance arrangements so that they are in a position to confirm the completion of the overall certification process for all those performing controlled functions in respect of the 2024 calendar year to the Central Bank in 2025.

In the course of 2024, the Central Bank is also expected to publish finalised business conduct standards which will apply to all regulated financial service providers as part of its ongoing review of its Consumer Protection Code which will need to be reflected in the policies and procedures of the relevant entities.

Development of the Central Bank's Macroprudential Policy for Investment Funds

In July 2023, the Central Bank published a discussion paper entitled "An approach to macroprudential policy for investment funds" (**Discussion Paper**). In it, the Central Bank sets down a suite of potential macroprudential tools which it is exploring as potential regulatory measures which could be introduced in order to manage systemic risk arising in certain cohorts of Irish funds as a result of liquidity mismatch and leverage.

The Central Bank has [indicated](#) that its work in this area will remain a focus for 2024. The Central Bank's body of work on liquidity management may be informed by the [policy recommendations on liquidity management in open-ended funds](#) which were finalised by the Financial Stability Board (**FSB**) in December 2023 and which advocate for a "bucketing approach" to liquidity management as well as IOSCO's [guidelines on anti-dilution liquidity management tools](#) which were published on the

¹⁴ Implemented via the Central Bank Reform Act 2010 (Section 21(6)) Regulations 2024.

same date. The Central Bank's consideration of management of leverage risk may also be informed by the FSB's work this year on non-bank leverage.

In a related development, following a [consultation process](#) which it launched in November 2023, we can expect the Central Bank to finalise the macroprudential measures for Irish-domiciled GBP liability-driven funds (**GPB LDI funds**) by codifying, and in certain cases, augmenting the existing yield buffer measure introduced by it via a letter to industry in November 2022 with the intention of strengthening the resilience of GBP LDI Funds. This macroprudential measure is being carried out in alignment with the CSSF in Luxembourg and follows engagement with other international and European regulators working on LDI fund issues in order to ensure the effectiveness of such measures following in the UK gilt market crisis in 2022.

Operational Resilience

Following on from the 1 December 2023 deadline for compliance with the Central Bank's guidance on [operational resilience](#), this area is likely to remain front and centre on fund management companies' compliance calendars in 2024 in light of the impending application of the Digital Operational Resilience Act (**DORA**) on 17 January 2025.

2024 will see the adoption of a suite of delegated acts relating to a range of specific elements of DORA. While the Central Bank did indicate that it had reviewed the DORA proposal when finalising its guidance on operational resilience, it will still be necessary for Irish fund management companies to conduct a mapping exercise against DORA itself and applicable finalised delegated acts adopted by the Commission later this year in order to ensure that their arrangements are DORA-compliant.

UK Overseas Funds Regime

It is expected that the Overseas Fund Regime (**OFR**), the new FCA recognition scheme for overseas funds will come into force in Quarter 2 of 2024 and possibly as early as April 2024.

The OFR will be based firstly on an equivalence determination by HM Treasury, which is currently undertaking an assessment of the equivalence of EU UCITS funds. An FCA consultation on the proposed operation of the OFR, requirements to be imposed on overseas funds and areas of scrutiny for the FCA closes on 12 February 2024. Assuming a positive equivalence decision by HM Treasury in respect of EU UCITS funds, it is expected that a final policy statement and updates to the FCA Handbook Rules for recognition of overseas funds will be published in the first half of 2024. Details of landing slots for EU UCITS within the Temporary Markets Permission Regime (TMPR) will be published on the FCA website in due course.

For further details, please refer to our [briefing](#) on the topic.

Changes to securities settlement cycles

On 28 May 2024, new rules being implemented by the Securities & Exchange Commission in the United States (**SEC**) to shorten the standard settlement cycle for most broker-dealer transactions in U.S. securities from T+2 to T+1 take effect. The SEC has [noted](#) that the shortening in settlement cycle is intended to "reduce the credit, market and liquidity risks in securities transactions faced by market participants".

Many Irish funds currently operate a longer fund settlement cycle than T+1. From 28 May 2024 onwards, for those Irish funds with exposure to US securities, this will result in the fund being required to settle any trades in US securities on T+1 despite

investor subscription monies only being received after the trade has been settled.

This may, depending on the level of exposure of the fund to US securities and the settlement cycle of the relevant fund, create a funding gap pending receipt of subscription monies from incoming investors and may also result in such a fund breaching applicable investment restrictions with UCITS funds in particular likely to be impacted in this regard. Other operational implications may also need to be considered such as the impact on FX transactions, securities lending arrangements and NAV production timelines.

There has been a global shift towards shortened securities settlement cycles recently¹⁵ with the EU being no exception. ESMA is currently considering feedback it has received from its 2023 Call for Evidence on shortening the settlement cycle for EU securities from T+2 to T+1 or T+0. It intends to submit its final report outlining its findings from the [Call for Evidence](#) to the Commission in Quarter 4 2024 "at the latest". However, it may report to the Commission sooner than that on the impact of international developments on the shortening of securities settlement cycles on the EU capital markets.

EU Retail Investment Strategy

In the course of 2024, trilogue negotiations on the EU retail investment strategy between the European Parliament, the Council of Europe and the Commission will commence. While legislative changes stemming from these negotiations are unlikely to apply until 2026 at the earliest, fund management companies are likely to monitor these negotiations carefully given the proposed rules governing undue costs and likely impact on fund management companies' existing pricing processes and costs structures if implemented as currently proposed by the Commission. For further details, please refer to our [briefing](#) on this topic.

Proposed changes to the UK Money Market Fund Regime

On 6 December 2023, the FCA published a [consultation paper](#) on its proposals to enhance the resilience of UK domiciled money market funds, particularly in stressed market conditions.

The FCA has proposed two significant changes to the existing UK MMF regulation (which is based on the EU MMFR¹⁶) in order to ensure this resilience. These comprise of (i) a significant increase in the minimum proportion of highly liquid assets that all UK MMF are required to hold and (ii) a "de-coupling" of the level of liquid assets maintained by MMF from the mandatory consideration of liquidity management tools.

A [policy note](#) published by HM Treasury on the same date confirms that any EU money market fund currently or previously marketing to UK investors under one of the TMPR will benefit from a transition period which will allow them to continue to be established, managed or marketed in the UK until the end of 2027. However, on expiry of that transitional period, EU money market funds will be required to be approved under the UK's overseas funds regime. It is reasonable to expect that the HM Treasury will require any such funds to comply with requirements imposed on UK domestic money market funds in order to protect the competitiveness of the UK money market fund sector. For this reason, managers of Irish money market funds which are currently sold to UK investors are likely to be monitoring developments in the UK in the course of 2024 carefully.

¹⁵ Both the United States and Canada move to T+1 in May 2024, China has already transitioned to T+0 on Interbank Market government bonds and India has already moved to T+1 for shares traded on exchange. The [Accelerated Settlement Taskforce](#) in the UK is also expected to publish a full report and recommendations on a potential move to an accelerated settlement cycle such as T+1 by December 2024.

¹⁶ Regulation (EU)

Other Developments

i. Data Protection

Under Article 97 of the GDPR, the Commission is required to review the provisions of the GDPR every four years, with its next report due to be published by mid-2024. This review must cover the international transfer of personal data to third countries and the cooperation and consistency mechanism between national data protection authorities. The report published by the Commission should identify issues with the application of the GDPR and possible follow-up actions. A [Call for Evidence](#) seeking views on the application of the GDPR has been published by the Commission to assist it in its review.

ii. Benchmarks Regulation Reform

In the course of 2024, the European Parliament and the Council of Europe will consider and negotiate the proposal published by the Commission to significantly reduce the scope of the rules set down in the Benchmarks Regulation (**Commission Proposal**).

This reform is intended to reduce the administrative and regulatory burden imposed both on EU benchmark users¹⁷ and on EU benchmark administrators, under which the regulation will only apply to administrators and users of EU benchmarks that are (i) "significant" benchmarks, (ii) "critical" benchmarks and (iii) EU "climate" benchmarks¹⁸ in order to ensure a level playing field between third country benchmarks and EU benchmarks. The Commission Proposal also contemplates the reduction of the scope of third-country rules under the Benchmarks Regulation to only those benchmarks which are "significant" for the EU's markets.

The Commission has proposed that any such reform of the Benchmarks Regulation will apply directly in the Member States as of 1 January 2026.

iii. Money Laundering & Counter Terrorist Financing

On 13 December 2023, the Council of the EU published a [press release](#) announcing that a provisional political agreement (**Provisional Agreement**) has been reached between the Council of the EU and the European Parliament on the proposed Regulation (**AML Regulation**) establishing the Anti-Money Laundering Authority (**AMLA**) an EU regulatory authority for countering money laundering and financing of terrorism.

AMLA is seen as the "centrepiece" of the EU's AML reform package first proposed by the Commission in 2021. It is expected to be operational in 2024 and its establishment will likely result in increased AML and CFT supervision for all firms as national supervisory authorities will be under increased scrutiny by AMLA and AMLA's implementing or regulatory technical standards will be binding on all obliged entities, not just those directly supervised entities.

Negotiations between the Council of the EU and the European Parliament are also ongoing in respect of the wider AML reform package such as the proposed regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AML Regulation) which provides for a single AML/CFT rulebook and the proposed Sixth Anti-Money Laundering Directive (**MLD6**).

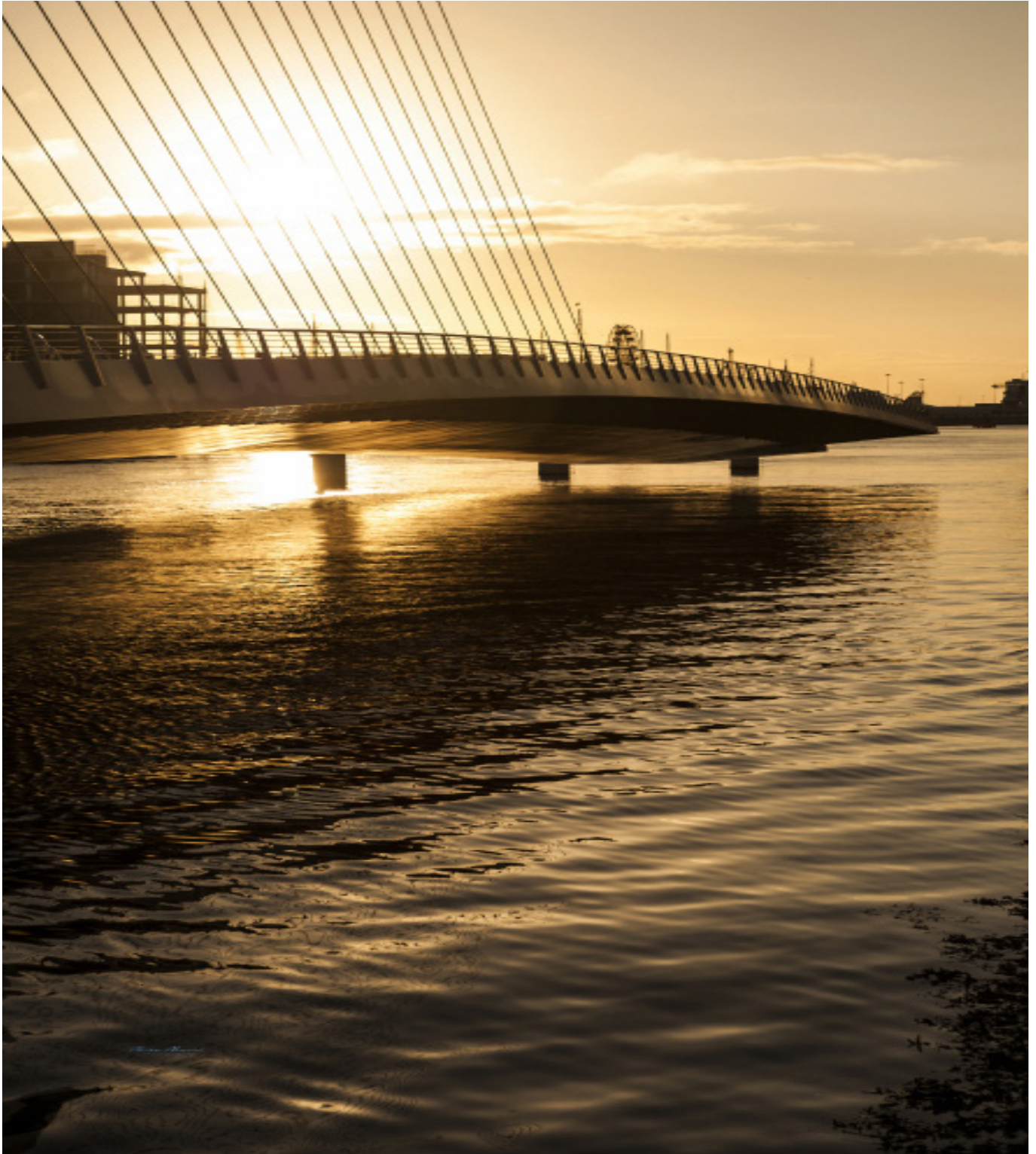
The text of the Provisional Agreement and the legal texts of the remaining elements of the AML reform package, including the AML Regulation and MLD6 are expected to be prepared for formal adoption by the Council of the EU and the European Parliament in early 2024.

¹⁷ This will include UCITS management companies and AIFMs which "use" a benchmark within the meaning of the Benchmarks Regulation on behalf of funds under management.

¹⁸ These include benchmarks established as Paris-aligned benchmarks or Climate-transition benchmarks under the Benchmarks Regulation as amended.

Conclusion

We look forward to continuing to work with our clients on the wide range of topics outlined above during the course of 2024. If you have any questions arising from this briefing, please contact your usual contact in the Dillon Eustace Asset Management and Investment Funds Team.



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