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YOUR COMPLIANCE SURVIVAL GUIDE | THE JULY 2026 REVIEW

AM I AT RISK?

HIGH:
Significant impact - Immediate action required.

ESMA launches supervisory review of Risk Management Functions

WHY IT MATTERS?
National regulators, including CSSF and CBI, will assess the effectiveness, independence and governance of risk management functions during 2026-2027.

RISK INDICATORS
- Limited risk team resources
- Overlap between portfolio management and risk functions
- Weak board reporting
- Outdated risk governance documentation

KEY ACTION
Perform a risk management governance health check before supervisory scrutiny increases.

ESG ratings Regulation enters into application (EU)

WHY IT MATTERS?
If your fund marketing materials, factsheets or websites reference ESG ratings, new disclosure requirements now apply. Many firms are unaware that they may need to update investor-facing documentation immediately.

RISK INDICATORS
- ESG rating displayed in factsheets
- ESG ratings referenced in marketing documents
- ESG-focused UCITS or AIFs
- External ESG rating providers used

KEY ACTION
Review marketing materials and implement Article 13 SFDR disclosures where required.

MEDIUM:
Moderate impact - May require adjustments.

Irish Liquidity Management Tools (LMT) framework changes

WHY IT MATTERS?
Irish UCITS and Retail AIFs must reassess their liquidity management arrangements and related prospectus disclosures

KEY ACTION
Review existing liquidity tools and ensure governance documentation remains fit for purpose.

UK FCA proposes new FRAME reporting regime

WHY IT MATTERS?
The FCA is reshaping the regulatory reporting landscape for UK asset managers and overseas fund operators.

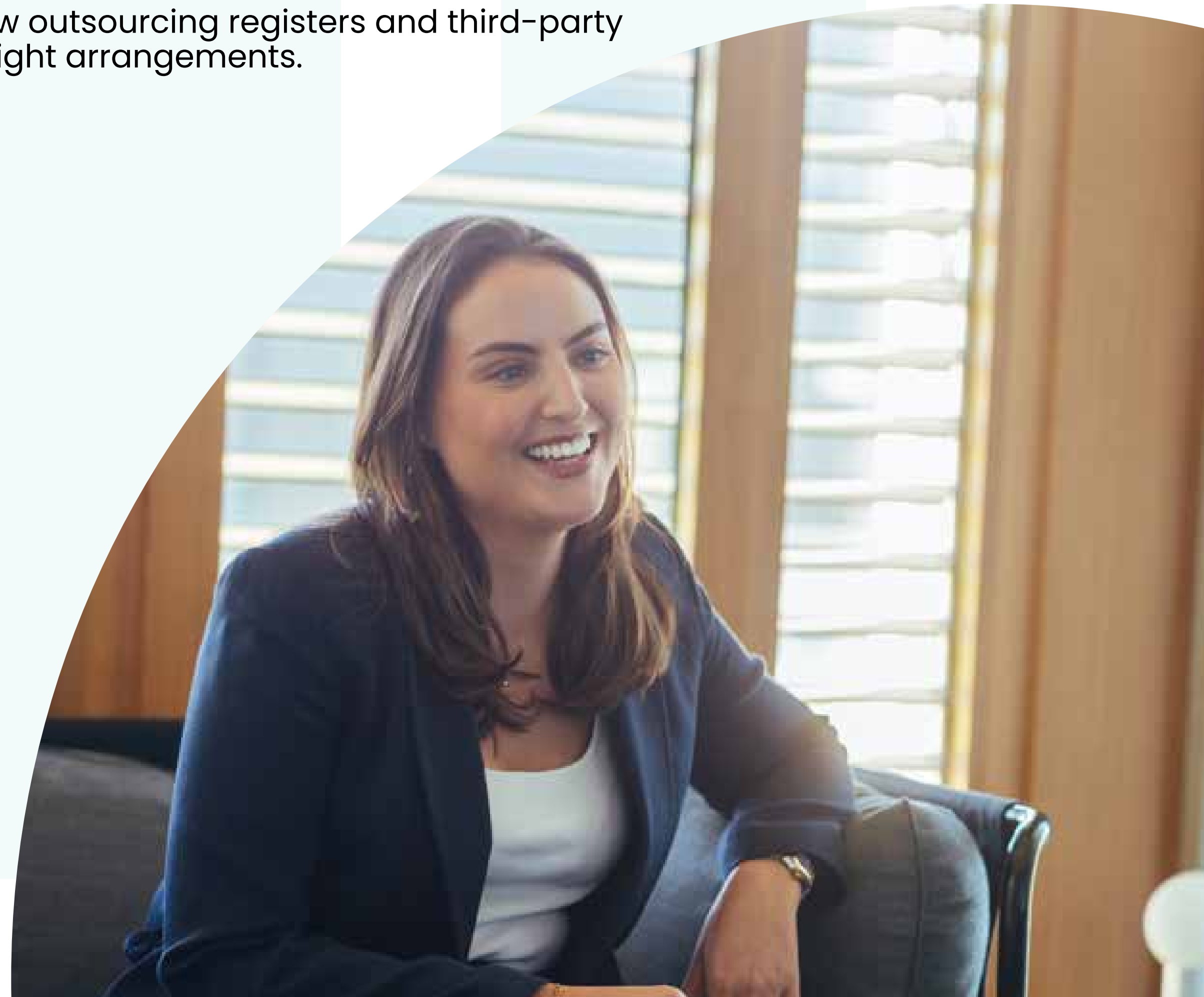
KEY ACTION
Assess future reporting impacts for UK structures and NPPR-marketed funds.

LOW:
Minimal operational impact - Monitor.

Critical Third Parties regime enters force in the UK

WHY IT MATTERS?
Operational resilience expectations continue to increase for firms relying on major cloud providers.

KEY ACTION
Review outsourcing registers and third-party oversight arrangements.



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MY SURVIVAL TOOLS

TOPIC	IMMEDIATE ACTION REQUIRED	DEADLINE/URGENCY
ESG Ratings Regulation	Review funds, websites and marketing materials referencing ESG ratings	Immediate
ESMA Risk Management CSA	Assess governance, independence and board reporting arrangements	Q3/Q4 2026
Irish LMT Changes	Review liquidity framework and prospectus disclosures	High
UK FRAME Reporting	Begin impact assessment and reporting gap analysis	Consultation phase

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EXPERT INSIGHTS

CSSF Communication on ESG Rating Regulation and SFDR Disclosures

WHAT'S CHANGING:
The ESG Ratings Regulation became applicable on 2 July 2026 and introduces new transparency requirements through amendments to SFDR. Where ESG ratings are referenced in marketing communications, firms may be required to provide information regarding the methodologies used and make additional disclosures available to investors.

While the authorisation regime primarily targets ESG rating providers, fund managers, ManCos and AIFMs using ESG ratings in factsheets, websites, fund presentations or other investor communications may also be affected. Firms should not assume that responsibility rests solely with the rating provider.

ACTIONS REQUIRED:
- Identify all references to ESG ratings across investor-facing materials.
- Review factsheets, fund websites, presentations and marketing communications.
- Assess whether additional SFDR-related disclosures are required.
- Confirm reliance on third-party ESG ratings and understand the methodologies being referenced.
- Update internal review and approval processes for ESG-related communications.

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This may prove to be one of the most underestimated regulatory developments of 2026.

While much of the market's attention has been focused on ESG ratring providers and the new authorisation framework, fund managers should not overlook the implications for their own investor communications. From a Luxembourg IFM perspective, the immediate issue is not whether the manager produces the ESG rating, but whether it can evidence responsible use of that rating in investor communications. A practical first step is to create a complete inventory of every rating, score, badge and ranking appearing in factsheets, websites, presentations and due diligence responses, including materials prepared by delegates or distributors.

Regulators are increasingly scrutinising the consistency between sustainability claims, underlying data, and investor disclosures. Where ESG ratings are referenced in factsheets, presentations, websites or other marketing materials, firms should be able to explain what those ratings represent, how they were selected, and how they support any sustainability-related statements being made. The practical test is simple: if challenged by the CSSF or an investor, can you explain the rating in plain language, reconcile it with the fund's SFDR disclosures and portfolio data, and show that it remains current? The principal exposure is often not the rating itself, but an unsupported or outdated claim that has passed through the communication approval process without effective challenge.

Looking ahead, we expect supervisors to place continued emphasis on greenwashing risks and the governance processes supporting ESG communications. For many firms, the greatest exposure will not stem from the ESG rating itself, but from the inability to demonstrate robust oversight of how that rating is being used and presented to investors.

EXPERT INSIGHTS

CBI Amendments to UCITS Regulations and Liquidity Management Tools Framework

WHAT'S CHANGING:
The Central Bank of Ireland has strengthened liquidity management expectations for UCITS and certain Retail AIFs.
Responsible persons must now consider:
- At least one anti-dilution tool
- At least one quantitative liquidity management tool

Relevant tools must also be disclosed within prospectuses.
The framework also expands permitted performance fee methodologies.

ACTIONS REQUIRED:
- Review liquidity management frameworks
- Assess need for prospectus updates
- Review performance fee methodologies
- Confirm governance oversight and verification arrangements.

ONE PERSPECTIVE

While many firms will initially focus on selecting and implementing appropriate liquidity management tools, the more significant challenge is likely to be governance – meaning an operational playbook that can be applied consistently when liquidity deteriorates. Regulators are increasingly focused not only on whether liquidity tools exist, but also on whether boards and designated persons can demonstrate a clear understanding of when and how those tools would be used.

Fund managers should ensure that liquidity monitoring, escalation procedures, decision-making frameworks and investor communications are aligned with the updated requirements. Particular attention should be given to documenting the rationale for tool selection and evidencing ongoing oversight. Luxembourg groups with Irish products should also avoid applying a single generic framework across jurisdictions. A common group methodology can support consistency, but the Irish responsible persons and board should retain a clearly evidenced local assessment, approval and oversight trail.

In practice, many firms may discover that governance frameworks require greater enhancement than the liquidity tools themselves.

CBI Review of Delegation in the Irish Funds Sector

WHAT'S CHANGING:
The Central Bank of Ireland (CBI) has published the results of its thematic review of delegation arrangements within Irish Fund Management Companies (FMCs). The review confirms that delegation remains a key feature of the UCITS and AIFM operating model, provided firms retain sufficient substance, effective oversight and ultimate responsibility for delegated activities.
While the CBI found that most FMCs operate effective governance and oversight frameworks, it identified areas requiring enhancement, including board independence, delegate oversight, resourcing, contingency planning and access to management information. Delegation arrangements will remain an ongoing supervisory focus.

ACTIONS REQUIRED:
- Review delegation oversight and governance frameworks.
- Assess board independence and resourcing arrangements.
- Confirm delegate due diligence and monitoring processes remain robust.
- Evaluate contingency plans for key delegated activities.
- Ensure management information and reporting support effective oversight.

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While the report does not introduce new regulatory requirements, it provides a clear indication of the CBI's supervisory priorities. The observations are particularly relevant for UCITS Management Companies, AIFMs and third-party ManCo models that rely extensively on delegation.

Firms should use the findings as a benchmark to assess whether governance, oversight and substance arrangements can withstand increasing regulatory scrutiny, particularly in relation to demonstrating effective challenge and maintaining control over delegated activities.

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EXPERT INSIGHTS

- **FCA Review of asset management and alternative firms' financial crime controls**

The FCA reviewed 242 asset management and alternative investment firms and found that while many firms have reasonable financial crime frameworks in place, a significant number have weaknesses in risk assessments, customer due diligence, ongoing monitoring, screening, governance, and training.

The FCA is signalling increased supervisory focus on financial crime controls, particularly for firms operating in private markets, where risks tend to be higher.

WHAT'S CHANGING:
This is not a new regulation, but it is a clear statement of FCA expectations and highlights areas where firms should expect increased scrutiny.
The FCA is signalling that firms should expect greater scrutiny of the effectiveness of their financial crime frameworks, especially where they operate in private markets, manage overseas investors, or deal with complex ownership structures.

Firms should conduct a gap analysis against the findings now rather than waiting for regulatory engagement.

ACTIONS REQUIRED:
- Review and update your BWRA
- Strengthen Customer Risk Assessments
- Review outsourced AML arrangements
- Enhance ongoing monitoring
- Improve screening controls
- Assess governance and resourcing
- Refresh training

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ONE PERSPECTIVE

Financial crime remains a high-priority area for the FCA, which continues to place strong expectations on firms to take their responsibilities seriously.

One of the most striking findings from its review was that 36% of firms discussed AML risk annually or less frequently at governance forums.

In addition, 18% of firms reported having no formal quality assurance process for AML activity, while half reported making no investment in the remediation or improvement of AML systems and controls over the previous 24 months.

These findings highlight a concerning gap between regulatory expectations and the level of attention some firms are giving to financial crime prevention. Effective financial crime governance should be a standing item for senior management and governing bodies, not a once-a-year compliance exercise. Taking the time to get this right is essential to protecting the firm, its client, maintaining regulatory compliance, and safeguarding the integrity of the financial system.

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EXPERT INSIGHTS

FCA Consultation: New FRAME Reporting Regime

WHAT'S CHANGING:
The FCA proposes a significant redesign of Fund regulatory reporting through the new FRAME framework.

THE PROPOSAL IMPACTS:
- UK AIFMs (authorised and registered)
- UK UCITS managers
- Third-country AIFMs using NPPR
- Operator of Collective Investment Schemes ("CIS")
- MiFID Managers or Advisers of certain fund related or institutional clients
- Overseas schemes

ACTIONS REQUIRED:
- Conduct reporting impact assessments
- Identify future operational requirements
- Review data governance processes
- Prepare for reporting transformation projects

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As a data led regulator the FCA is signalling its intent to collect information it needs to identify risk and target its supervisory queries accordingly. The consultation provides narrative and accompanying reporting templates to enable firms to assess operational implications and data collation requirements. All previous fund level returns will be replaced.

Whilst the FCA aims to simplify and reduce costs of compliance for fund managers and operators there are nuances to consider. For example, those firms accustomed to 'Annex IV' reporting will notice a further divergence between what will be prepared for filings to EU regulators and those specific to UK requirements. There are also new annual reporting requirements for certain MiFID firms and CIS Operators.

FCA Consultation: Reform of the UK AIFM Regime

WHAT'S CHANGING:
The FCA proposes a new three-tier classification framework for UK AIFMs and a dedicated ALTS sourcebook, introducing a more proportionate regulatory regime based on size and activities.

ACTIONS REQUIRED:
- Assess likely classification under the proposed framework.
- Consider implications for governance, delegation and operating models.

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As outlined in our article we can see that the reforms demonstrate the UK is open for business to the fund management industry by providing a proportionate regulatory framework for many firms. Some small firms may see an increase in requirements but in practice these will be linked to good practice and align with institutional investor expectations. Other small firms will benefit across the board while medium and large firms are likely to see some simplification.

Firms currently relying on third party providers to provider AIFM services should certainly take stock from a cost benefit standpoint to see if there is an opportunity to take more direct control of their fund structures.

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EXPERT INSIGHTS

- **FCA Consultation: Remuneration: Solo-regulated firm's rules reform**

WHAT'S CHANGING:
The FCA proposes a major overhaul of remuneration rules for solo regulated firms (AIFMs, UCITS managers and MiFIDPRU firms) to create a consolidated code.

The consultation paper provides an overview of proposals with the aim of moving from a detailed, prescriptive set of rules towards a more outcomes-focused approach based on firm governance and accountability.

ACTIONS REQUIRED:
All impacted firms should already have a policy in place to meet existing remuneration requirements and may have used one of the FCA Remuneration Policy Statement templates to document this.

Firms should review the proposals and amend their policies to ensure that remuneration practices encourage good conduct, healthy culture, and align with the interests of clients, funds and investors.

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Current requirements have been difficult to apply especially where a firm is subject to more than one Handbook reference. It is pleasing to see that this area is subject to reform especially for firms that do not pose systemic risk who may benefit from being removed from scope altogether such as MiFIDPRU SNI firms or Small AIFMs.

It remains to be seen whether firms operating cross border as delegates to third party AIFMs or UCITS Managers will benefit from the proposals or have traditional remuneration provision imposed on them.

EXPERT INSIGHTS

ESMA Common Supervisory Action on Risk Management Functions

WHAT'S CHANGING:
ESMA has launched a coordinated Common Supervisory Action (CSA) across EU regulators to assess the effectiveness and independence of risk management functions within UCITS Management Companies and AIFMs. The review focuses on:

- Governance and organisation of the risk management function
- Independence from portfolio management activities
- Adequacy of resources and expertise
- Effectiveness of risk identification, monitoring and escalation processes
- Quality of reporting provided to boards and senior management

National regulators are now commencing local implementation of the exercise. In Luxembourg, the CSSF has launched its phase of the CSA and requested selected IFMs to complete detailed questionnaires covering risk governance, monitoring and reporting arrangements. Similar supervisory activity is expected across other EU jurisdictions during 2026 and 2027.

ACTIONS REQUIRED:

- Review the independence and organisational positioning of the risk management function.
- Assess whether risk staffing and expertise remain appropriate for the firm's activities.
- Evaluate the effectiveness of risk reporting to boards and conducting officers.
- Confirm that key risk decisions, challenges and escalations are properly evidenced.
- Perform a documented gap assessment against ESMA's areas of focus.
- For Luxembourg entities selected by the CSSF, prepare for questionnaire submissions and potential follow-up reviews.

ONE PERSPECTIVE

This is likely to become one of the most significant supervisory themes for ManCos and AIFMs over the next 18 months.

The launch of the CSSF component demonstrates that regulators are moving beyond policy reviews and increasingly testing whether risk functions can demonstrate genuine challenge, independent oversight and meaningful board engagement. Firms should expect supervisors to focus not only on governance frameworks but also on the evidence supporting how those frameworks operate in practice. Well-documented oversight, effective escalation processes and robust board reporting are likely to receive particular attention. We recommend that this is treated not just as a regulatory exercise, but a practical readiness review.

EXPERT INSIGHTS

ESMA Supervisory Briefing on Triangular Passporting

WHAT'S CHANGING:
ESMA has issued supervisory expectations for firms operating cross-border through branches, tied agents and passported services across multiple EU jurisdictions. The focus is on ensuring adequate substance, governance and oversight within cross-border operating models.

ACTIONS REQUIRED:
- Review cross-border operating structures.
- Assess whether governance, substance and oversight arrangements remain appropriate.

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This briefing forms part of a broader regulatory trend focused on substance and effective oversight within cross-border operating models. Supervisors are increasingly challenging structures where key activities are heavily delegated or conducted across multiple jurisdictions without clear evidence of local control and decision-making.

Firms operating through branches, tied agents or passported services should not view this as a purely organisational exercise. Governance arrangements, management information flows, oversight mechanisms and decision-making structures should all be capable of demonstrating that authorised entities retain effective control over regulated activities.

As regulatory scrutiny continues to increase across Europe, firms should proactively assess whether their operating model would withstand supervisory challenge were regulators to review it in detail.

GET IN TOUCH

Need help understanding how these regulatory changes could affect you? Our specialists can help you identify key considerations and prepare for the evolving requirements.

Joe French
Compliance & Regulatory Solutions UK

Faye McCrossan
Compliance & Regulatory Solutions Ireland

Tobias Ettlin
Group Compliance & Regulatory Services Lead

For more information, click to email us: