

Developments Impacting the Supervision of Investment Funds

April 2025



The European Commission (“**Commission**”) has published a **communication** on the Savings and Investments Union that furthers recommendations on EU competitiveness made in earlier reports by **Enrico Letta** and **Mario Draghi** by proposing that supervision of large asset managers operating on a cross-border basis should become more centralised in the EU. At a domestic level, the Central Bank of Ireland’s (“**Central Bank**”) **Regulatory and Supervisory Outlook 2025** has outlined the key risks impacting the financial sector as a whole, including investment funds, and the Central Bank’s regulatory and supervisory priorities for the next two years.

Commission Communication on the Savings and Investments Union

On 19 March 2025, the Commission published a communication titled “Savings and Investments Union A Strategy to Foster Citizens’ Wealth and Economic Competitiveness in the EU”. The communication has been prepared in the context of a rapidly evolving geopolitical landscape, the challenges of climate change and technological developments, which the Commission states have profound implications for the future of the EU. The basis for the proposals for developing the Savings and Investments Union (or “SIU”, formerly known as the Capital Markets Union) is the Commission’s view that the EU’s resilient and well-regulated financial system has significant untapped potential to channel more savings to productive investment. The SIU has been highlighted as a

key enabler of the efforts to boost EU economic competitiveness in the EU’s **Competitiveness Compass**. While the SIU encompasses the entire EU financial system, the communication outlines at high level some initiatives that will be of particular interest to fund managers, which are summarised below.

Issue	Initiative	Timeline
Encouraging Retail Participation in Capital Markets – Savings and Investments Accounts	<p>The Commission points to the experience in some EU member states, which has already shown the potential for savings and investments accounts to boost retail participation in capital markets, especially when such accounts are accompanied by appropriate incentives, including tax incentives.</p> <p>The Commission will adopt measures (legislative or non-legislative) to create a European blueprint for savings and investments accounts or products based on existing best practice, accompanied by a recommendation on the tax treatment of savings and investments accounts.</p>	Q3 2025
Supervisory Convergence	<p>The Commission calls on the European Supervisory Authorities to make full use of currently available tools and to implement the simplification agenda as outlined in the Simplification Communication. The Commission will propose measures to strengthen supervisory convergence tools, and make them more effective.</p>	Q4 2025
More Centralised Supervision	<p>The Commission observes that there are limits to the use of convergence tools to ensure consistent supervision throughout member states and states that there are circumstances where the transfer of direct supervision at EU level is appropriate. It states, “<i>In cases where market participants have a significant cross-border presence, a supervisory perspective that extends beyond the national level can bring useful synergies.</i>” This is particularly relevant for large trading and post-trading infrastructures as well as large cross-border asset management groups.</p>	Q4 2025
Investment Manager	<p>Measures will be proposed to improve the cross-border provision of funds and to reduce the operational barriers facing asset managers, both large and more specialised, and to ensure a more efficient access and servicing of clients.</p>	Q4 2025
Reducing Distribution Barriers	<p>The Commission will propose legislation to remove remaining barriers – at national or EU level – to the distribution of EU-authorised funds across the EU.</p>	Q4 2025
Securitisation Review	<p>The Commission will make proposal focusing on simplifying the due diligence and transparency requirements.</p>	Q2 2025
EuVECA Review	<p>The European Venture Capital Fund Regulation (“EuVECA Regulation”) will be reviewed and upgraded to make the label more attractive, including by widening the scope of investible assets and strategies.</p>	Q2 2025

In relation to operational barriers and distribution barriers faced by fund managers, the Commission has said that it will set up a dedicated channel for all market participants to report on barriers encountered within the single market in Q2 2025 and will step up enforcement action to accelerate their removal. Notably, in relation to the Retail Investment Strategy, which has been making slow progress through the EU law-making process, the Commission has stated that it will not hesitate to withdraw the proposal if the negotiations fail to meet the intended objectives of the strategy. The Retail Investment Strategy has been criticised for introducing excessive complexity and regulatory burdens that could ultimately deter, rather than encourage, retail participation¹.

On 14 April 2025, the Commission published a [consultation paper](#) on the integration of EU capital markets. The broad range of issues addressed in the 92-page consultation paper include: (1) cross-border distribution of funds and cross-border asset management operations; (2) trading and post-trading; and (3) the need for more efficient and harmonised supervision, in particular the need to strengthen supervisory convergence and transfer certain supervisory tasks for capital markets to EU level. The consultation closes on 10 June 2025.

1. European Funds and Asset Management Press Release 10 February 2025



Central Bank Regulatory and Supervisory Outlook

In February 2025, the Central Bank published its Regulatory and Supervisory Outlook Report 2025 (“RSO Report”). The Central Bank has stated that it expects senior executives and decision makers to incorporate the content of the RSO Report and other communications such as Dear CEO letters into their ongoing work and decision-making. In determining its supervisory priorities, the Central Bank considers a set of three cross-cutting risk areas:

- A. risks predominantly driven by the macroeconomic and geopolitical environment - eg, asset valuation and market risks and liquidity and leverage risks;
- B. risks predominantly driven by the way regulated entities operate and respond to the evolution of their marketplace and today’s changing world – eg, operational risk and resilience and risk management practices and risk transfer; and
- C. risks driven by longer term structural forces at play – eg, climate and other environmental-related risks.

The RSO Report sets out the Central Bank’s overarching supervisory priorities, as well as more detailed supervisory strategies for the different sectors of the financial market. The six overarching supervisory priorities focus on resilience, change management, addressing operating framework deficiencies, investor-centric leadership of firms, climate change and net-zero transition and enhancing how the Central Bank regulates and supervises firms.

In relation to the funds sector, the Central Bank notes the globally significant scale and nature of the funds sector in Ireland, which means

that fund liquidity, leverage and financial system-wide interconnectedness are “evergreen” risks. There will be a continued focus on sustainable finance, including the role of the funds sector in financing the transition to a net zero economy. The Central Bank’s key supervisory activities for the funds sector in 2025 / 2026 are as follows:

- risk-based review of applications regarding funds and fund service providers;
- sectoral and thematic assessments, including the completion of the ESMA Common Supervisory Action on compliance and internal audit functions.
- continuing the focus on delegation and outsourcing arrangements in fund management companies;
- focusing on fund service providers’ implementation of the requirements of DORA; and
- continuing to enhance and use fund data and risk models to deliver a data-led, agile and risk-based approach to the effective and efficient oversight of the sector.

Please get in touch with your usual Asset Management and Investment Funds Department contact or any of the contacts listed in this publication should you require further information in relation to the material referred to in this update.

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