

## 1 Foreword

The Investment Supervision Function is responsible for supervising entities under the Investment Services Act. This newsletter brings to the attention of the asset management industry a selection of important publications issued by the MFSA, European Commission, and the European Supervisory Authorities (ESAs) from 29 July 2025 to 28 February 2026, following the previously issued regulatory briefing of 29 July 2025.

This briefing does not aim to provide an exhaustive list of all publications. It specifically focuses on key developments such as:

- MFSA updates and positions adopted
- Legislative proposals and Regulatory Technical Standards
- Consultations to which the industry is invited to contribute
- Updates to Q&A documents and other convergence measures
- Publication of guidelines and reports issued by the ESAs

## 2 MFSA Updates

### **Amendments to the Investment Services Rulebooks in relation to the Money Market Funds Regulations**

On 7 August 2025, the MFSA published a [circular](#) announcing amendments to four Investment Services Rulebooks to incorporate ESMA's updated Guidelines on stress test scenarios under the Money Market Funds (MMF) Regulation (EU) 2017/1131. ESMA published these guidelines on 24 February 2025, replacing prior versions with revised methodologies; they apply to competent authorities, MMFs, and MMF managers two months post-publication.

The changes update rules obliging compliance with the new guidelines across: (a) Investment Services Rules for Alternative Investment Funds Part B (Standard Licence Conditions for AIFs); (b) Investment Services Rules for Investment Services Providers Part BIII (for licence holders as AIFMs); (c) Part BII (for licence holders as UCITS Management Companies); and (d) Retail Collective Investment Schemes Part BII (Malta-based UCITS).

### **Circular on the Benchmarks Regulation ('BMR') – Update to the Information Gathered relating to the Use of Benchmarks**

On 13 August 2025, the MFSA published a [circular](#) on the Benchmarks Regulation (EU 2016/1011) requesting updated information from market participants (excluding insurance intermediaries) on their use of benchmarks in financial instruments, contracts, and investment funds. Benchmarks are critical for pricing financial products and measuring fund performance, requiring representativeness to avoid risks to market integrity and financial stability.

All MFSA licence holders across sectors - including credit institutions, financial institutions, investment funds (UCITS, AIFs), investment service providers, insurance undertakings, and market

operators - were instructed to complete the 2025 Benchmarks Return Template detailing exposure to critical benchmarks and other benchmarks in use as of 30 June 2025. "Use" encompasses issuing/referencing indices in instruments/contracts, determining payments, party roles, borrowing rates as spreads/mark-ups, or fund performance/asset allocation tracking.

### **Circular to Investment Firms on Amendments to the Investment Services Act, Banking Act, various Subsidiary Legislation and Investment Firms' Rules**

On 1 September 2025, the MFSA published a [circular](#) informing investment firms of amendments to the Investment Services Act (ISA), Banking Act, various subsidiary legislation, and Investment Firms' Rules (Part BI for MiFID firms), fully transposing the Investment Firms Directive (EU 2019/2034) and clarifying misinterpretations.

### **Various Amendments to the Investment Services Rulebooks**

On 7 October 2025, the MFSA published a [circular](#) on proposed amendments to the Investment Services Rulebooks, affecting multiple documents to enhance compliance, align with regulations, and improve clarity.

Key changes included:

- **Part A ISPS:** Rule R8-8.2.1 now requires BRRD investment firms to confirm payment of annual ex-ante contributions to the national resolution fund (per BRRD Article 103(1) and Delegated Regulation (EU) 2015/63) before licence surrender; added notification obligation for passporting services withdrawal to notify foreign regulators accurately.
- **Guidance Notes:** Complete deletion from the website, as superseded by Part BII of the Investment Services Rules for Investment Services Providers and the Conduct of Business Rulebook.
- **Part BI Investment Firms:** Updated Table of Contents, revised titles/page numbers, and corrected cross-references for accuracy.
- **Part A PIFs:** Specific amendments outlined in Annex A (salient changes; others editorial for alignment).
- **Glossaries (AIFs, RCIS):** Editorial updates for consistency across rulebooks.

### **Consultation on the Transposition of the AIFMD**

On 20 October 2025, the MFSA issued a [consultation document](#) outlining its proposed approach to transposing AIFMD II (EU 2024/927) into the Maltese legal and regulatory framework, including updates to the Investment Services Act, subsidiary legislation, and MFSA rulebooks. The Directive entered into force on 15 April 2024 and must be transposed by Member States by 16 April 2026, with certain reporting provisions applying from April 2027. The consultation seeks feedback on proposed amendments relating to authorisation procedures, organisational requirements, risk management, and governance arrangements, while also clarifying new definitions and expanding supervisory data collection and disclosure obligations.

AIFMD II introduces significant regulatory enhancements, including stricter authorisation requirements mandating at least two EU-based senior individuals effectively conducting the business, strengthened delegation and conflict-of-interest safeguards, and expanded reporting and disclosure requirements to regulators and investors. The Directive also establishes a harmonised framework for loan-originating funds, including risk management policies, concentration limits, leverage thresholds, and risk retention requirements, while reinforcing supervisory cooperation and transparency across EU jurisdictions.

### **Consultation on the Depository Rulebook**

On 14 November 2025, the MFSA issued a [consultation document](#) proposing a comprehensive revision of Part BIV of the Investment Services Rules applicable to depositaries, with the objective of modernising the regulatory framework, aligning terminology with EU legislation, and replacing outdated references to “custodian” with the term “depository.” The proposed amendments also introduce clearer governance expectations, including strengthened organisational requirements, enhanced independence safeguards, and reinforced fiduciary duties to act in the best interests of investors. The review forms part of the MFSA’s broader effort to ensure consistency with the evolving EU regulatory framework under AIFMD and UCITS.

The revised framework introduces enhanced oversight and control obligations, including stricter monitoring of fund activities, strengthened risk management and internal control requirements, and clearer rules governing delegation, outsourcing, and conflict-of-interest management. It also proposes revised capital and insurance requirements, improved operational safeguards such as payment verification controls, and a streamlined regulatory reporting framework consolidating multiple returns into a single semi-annual depository return.

### **Amendments to the MiFID Firms Quarterly Reporting and Updates to the IFR EBA Reporting Framework**

On 16 December 2025, the MFSA published a [circular](#) announcing amendments to the MiFID Firms Reporting template (Version 12, December 2025) and updates to the Investment Firms Regulation EBA Reporting Framework (Taxonomy 4.2).

The circular highlights key changes to the MIFID Firms return as follows:

- Part A: Added reporting on retail client trends (e.g., portfolios <€20,000), ESG complaints, total/active clients, digital platform usage, international firm distribution.
- Part B: New fields for net cash flow and EBITDA.
- Part C: Exposure to Maltese banks via assets under custody.
- Additional confirmations and updated guidance document.

Further to the above, the circular also refers to upcoming updates to the IFR EBA Framework, specifically related to the update to the EBA’s taxonomy to version 4.2. The new taxonomy introduces several changes, such as updates resulting from CRR3/CRD6 and change in file naming conventions. It also requires returns for reference period December 2025 and later to be submitted in XBRL-CSV.

### 3 ESMA Publications

#### RTS on Loan Origination

On 21 October 2025, ESMA published its [final report and draft regulatory technical standards](#) ('RTS') for open-ended loan-originating AIFs under AIFMD II. This follows the [consultation on the proposed draft RTS](#), which was initiated by ESMA on 12 December 2024 and closed on 12 March 2025. The final report includes the revised draft RTS developed, taking into account the feedback received to the consultation.

These RTS establish harmonised criteria for credit granting policies, risk assessment procedures, and ongoing monitoring of loan portfolios, while also introducing risk retention requirements, concentration limits, and governance safeguards to mitigate conflicts of interest. The standards aim to ensure that AIFMs engaging in loan origination operate within a robust and consistent risk management framework, thereby strengthening investor protection and reducing systemic risk associated with private credit activities.

The draft RTS have been submitted to the European Commission for adoption. However, ESMA notes that the European Commission, in a [letter dated 1 October 2025](#), had included the draft RTS in the list of delayed non-essential Level 2 acts, and as a result the RTS will not be adopted by the European Commission before **1 October 2027** at the earliest.

#### Report on Total Costs of Investing in UCITS and AIFs

On 6 November 2025 ESMA released its [Report](#) on total costs charged to investors in European Economic Area (EEA) investment funds, including an innovative analysis on distribution costs. Drawing on data collected from national competent authorities, the report reveals that total costs for retail equity UCITS range from 0.5% for passive bond funds to 2% for active equity funds, while AIFs costs span 1.4% to 2.8%. Notably, distribution costs account for nearly half (48%) of total costs on average for UCITS, with investment firms being the most expensive channel, highlighting the significant impact of intermediation chains on investor expenses.

The analysis breaks down product costs (including management fees and transaction costs) and service/distribution costs (such as inducements and entry/exit fees), showing that actual fees often differ from maximums disclosed in PRIIPs KIDs. Cost drivers vary by asset class, strategy (active vs. passive), and geography, with equity funds incurring higher expenses due to elevated portfolio turnover and research costs. This ad-hoc report, mandated by the AIFMD/UCITS Review Directive (EU) 2024/927, aims to enhance transparency, inform policy on cost disclosure, and support investor protection amid evolving intermediation structures.

## Consolidated Q&As on the PRIIPs Key Information Document

On 5 December 2025, the ESAs, comprising ESMA, EBA, and EIOPA, released an updated version of the [Consolidated Q&As](#) on the PRIIPs Key Information Document (KID) under Regulation (EU) No 1286/2014. This document integrates European Commission responses (in blue) interpreting EU law per Article 16b(5) of the ESA Regulations and ESA-generated guidance on practical application of the PRIIPs Regulation and its Delegated Acts, including amendments from Commission Delegated Regulation (EU) 2021/2268 effective from 1 January 2023. Covering topics like the "What is this product?" section, market risk assessment, summary risk indicator, performance scenarios, past performance, and cost presentation, the update adds new Q&As, such as on representing riskier product versions in multi-premium structures and using monthly NAV data for scenarios.

It clarifies that KIDs must be published publicly on manufacturers' websites and addresses insurance-based products' signposting to underlying fund KIDs, ensuring compatibility of risk and performance horizons. The consolidated Q&As promote uniform implementation, aiding PRIIP manufacturers in producing compliant, transparent KIDs to protect retail investors from opaque packaged retail and insurance-based investment products

## Report on Amended Guidelines on LMTs of UCITS and Open-Ended AIFs

On 18 December 2025 ESMA released its Report on [amended guidelines](#) on liquidity management tools (LMTs) of UCITS and open-ended AIFs, updating the original guidelines published on 15 April 2025 to align with the European Commission's adoption of related RTS on 17 November 2025. The amendments focus on two key areas: the inclusion of investor-level redemption gates as a new LMT to mitigate first-mover advantage in stressed market conditions, and the calculation of implicit transaction costs for anti-dilution LMTs (such as swing pricing), which should be estimated on a best-effort basis only where appropriate to the fund's investment strategy.

These changes ensure consistency between the guidelines and RTS under the revised AIFMD and UCITS Directive, which mandate managers to select and calibrate at least two suitable LMTs proportionate to fund liquidity profiles, redemption policies, and underlying assets. The guidelines provide guidance on LMT selection, activation triggers, calibration parameters, and disclosure requirements to enhance funds' resilience to redemption pressures and liquidity mismatches, thereby protecting investors and financial stability.

## Report on Marketing Requirements and Marketing Communications under the Regulation on Cross-Border Distribution of Funds

On 6 January 2026 ESMA released its third [Report](#) on marketing requirements and marketing communications under the Regulation on cross-border distribution of funds (Regulation (EU) 2019/1156), fulfilling the Article 8(2) mandate to provide the European Parliament, Council, and Commission with a biennial overview and analysis of national rules. Drawing on input from national competent authorities (NCAs), the report confirms no significant changes in national marketing rules since the 2023 edition, with greater harmonization achieved through transposition of Directive (EU) 2021/2259 and ESMA's 2021 Guidelines on marketing communications. For the first time, it

includes statistics from ESMA's database showing Luxembourg (59%) and Ireland (30%) as top notifying jurisdictions for cross-border fund marketing notifications, with UCITS comprising 56% and AIFs 44% of totals.

The analysis highlights ongoing divergences in areas like prior approval requirements, marketing to retail investors, and supervision of foreign AIFs, but notes alignment on core principles such as fair, clear, and non-misleading communications. ESMA emphasizes the need for continued convergence to facilitate efficient cross-border distribution while protecting investors from misleading promotions.

#### **4 EBA Publications**

##### **Consultation on Revised Joint Guidelines on Suitability**

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have launched a [consultation](#) on revised joint guidelines and related regulatory technical standards aimed at enhancing the suitability assessment framework for members of the management body and key function holders in banks and investment firms. The proposed revisions seek to further harmonise supervisory practices across the EU, strengthen governance standards, and ensure that individuals in key roles possess the necessary knowledge, integrity, independence, and time commitment to perform their functions effectively. The consultation also introduces more detailed documentation requirements and clearer assessment criteria, reflecting recent legislative changes and supporting greater consistency, transparency, and supervisory convergence across the financial sector.

##### **Report on the Call for Advice on the Investment Firms Prudential Framework**

On 15 October 2025 the EBA and ESMA jointly released their [Final Report](#) on the Call for Advice on the investment firms prudential framework under the Investment Firms Regulation (IFR) and Directive (IFD), responding to the European Commission's request dated 1 February 2023. The report concludes that the current IFR/IFD regime, applicable since June 2021, is generally fit-for-purpose and risk-sensitive, achieving its objectives of proportionality to investment firms' size, activities, and risks, as validated by stakeholder feedback during consultations.

However, the report also identifies areas where targeted improvements are warranted. Recommendations have been made in particular regarding the calibration of capital requirements for certain investment firms, enhancements to the liquidity and funding standards, refinements to the reporting and disclosure obligations to improve consistency and comparability, and clarifications around the application of the proportionality principle for small and non-systemic firms. Additionally, guidance is suggested on supervisory practices to ensure more effective monitoring of operational and risk management frameworks.

## 5 European Commission Publications

### RTS on Liquidity Management Tools

The European Commission adopted RTS establishing harmonised rules governing the selection, calibration, and activation of liquidity management tools (LMTs) by [AIFMs](#) and [UCITS](#) management companies. These standards specify operational and technical requirements for tools such as redemption gates, notice periods, redemption fees, swing pricing, and side pockets, including governance arrangements and disclosure obligations. The RTS also introduce requirements for notifying competent authorities when certain LMTs are activated or deactivated, enhancing supervisory oversight and promoting consistent liquidity risk management practices across EU fund structures.]

On 16 April 2026, the published RTS will apply to all funds constituted on or after 16 April 2026. There will be a 12 month-transitional period for existing funds whereby the published RTS will apply from 16 April 2027 to funds constituted before 16 April 2026.

### 2025 Annual Progress Report: Simplification, Implementation and Enforcement

On 21 October 2025, European Commission Financial Services Commissioner Maria Luís Albuquerque published her first [Annual Progress Report](#) on Simplification, Implementation, and Enforcement (APR SPI 2025\_61\_EN), covering January to July 2025. Aligned with President von der Leyen's "simpler and faster Europe" mandate, the report highlights simplification initiatives reducing administrative burdens by €4.4 billion via the Omnibus I sustainable finance package, which narrows CSRD scope by 80%, streamlines ESRS, and eases Taxonomy disclosures.

It details burden cuts in securitisation (€300 million/year), SME omnibus prospectus rules, and a "simplification screening" postponing 115 non-essential Level 2 acts. Stress-testing prioritizes sustainable finance and capital markets, with implementation dialogues like the July Taxonomy event gathering stakeholder input for usability enhancements. Enforcement actions include infringement proceedings against Spain (banking consolidation), Czechia (MiFID passporting), and 11 states for CSRD transposition delays, plus 45 cases for late directives. The report advances the Savings and Investments Union by tackling cross-border barriers via a dedicated channel and supports sanctions implementation with 900 FAQs and SME helpdesk. It pledges ongoing reality checks and ESA collaboration on reporting integration

### SFDR 2.0

On 20 November 2025, the European Commission adopted [a legislative proposal \(COM\(2025\) 841 final\) to revise the Regulation \(EU\) 2019/2088 \(SFDR\)](#), representing a fundamental overhaul of the EU's sustainable finance disclosure framework. The proposal seeks to address legal uncertainty, greenwashing risks, and the unintended use of Articles 8 and 9 as de facto product labels by introducing a clearer product categorisation system based on sustainability objectives, including "Sustainable", "Transition", and "ESG Basics" categories. It also aims to simplify and streamline

disclosure requirements, improve transparency and comparability for investors, and enhance alignment with related frameworks such as the EU Taxonomy and PRIIPs Regulation. As part of the EU's broader sustainable finance agenda under the European Green Deal and Savings and Investments Union, the proposal is intended to strengthen investor confidence and facilitate capital allocation towards credible sustainable and transition investments. The proposal is currently subject to negotiation under the ordinary legislative procedure and will only become applicable following formal adoption by the European Parliament and Council.

## Market Integration Package

On 4 December 2025, the European Commission adopted the [Market Integration Package](#), a cornerstone of the Savings and Investments Union (SIU) strategy to dismantle barriers in EU financial services and foster deeper capital market integration. Addressing fragmentation—evident in EU stock market capitalization at 73% of GDP versus 270% in the US—the package aims to cut cross-border costs, boost competitiveness, and channel savings to green, digital, defence, and growth priorities. Comprising a Master Regulation and Directive amending 19 laws (e.g., MiFID II/MiFIR, AIFMD, UCITS, EMIR, CSDR), it introduces a Pan-European Market Operator (PEMO) status for unified trading venue licensing, ESMA direct supervision of significant trading venues/CCPs/CSDs, and EU-wide depositary passports for UCITS/AIFs (limited to credit/investment firms).

Key reforms streamline fund passporting through integrated notifications without requiring local presence, harmonize CSD links via “CSD hubs,” enhance consolidated market data tapes, integrate DLT- and e-money tokens into settlement processes, and remove the UCITS KIID. These measures reduce cross-border barriers, simplify fund distribution, and support more efficient settlement and transparency, directly impacting the operations and competitiveness of asset managers across the EU.

## 6 Other Publications

Further to the developments arising out of the Markets in Crypto-assets Regulation, the MFSA would like to re-iterate its position that UCITS may invest in eligible transferable securities linked to crypto-assets up to 10% of the net asset value of the portfolio of the UCITS in line with the limitation stipulated in Article 50(2)(a) of the UCITS Directive [2009/65/EC as amended]. The risk management process of the UCITS Manco shall be sufficient to address the risks posed by these instruments. In addition, the Offering Documentation should explicitly disclose the risks associated with such instruments and shall be approved by the MFSA. The UCITS Manco shall demonstrate to the MFSA that these investment shall not jeopardise the possibility to meet redemption obligations.