



Irish Association of
Investment Managers



Delegation in the Investment Management Industry

IAIM Position Paper; Compiled by Deloitte
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Executive Summary

This report provides a comprehensive analysis of delegation within Ireland's investment management industry, emphasising the crucial role of the delegated investment management function. The research to form this paper was conducted by Deloitte through interviews with seven members of the Irish Association of Investment Managers (IAIM) and a survey of 19 impacted members, who provided valuable insights into the current regulatory framework and industry perspectives.

The delegation model is shown to deliver significant benefits not only for investors but also for the broader financial services ecosystem by providing access to global talent, enabling cost efficiencies, supporting better investment outcomes, and reinforcing governance and investor confidence. Delegation arrangements allow funds and fund managers to harness the expertise of specialist investment managers both proprietary (internal arms of financial institutions) and third-party (independent providers), irrespective of geographical barriers. Through delegation, investors access professionals deeply versed in specific assets, markets, and strategies, resulting in more diversified portfolios, improved risk-adjusted returns, and refined responses to shifting market dynamics. For example, a fund in Ireland may delegate investment management for its emerging markets exposure to a specialist manager in Hong Kong. This allows the fund to benefit from local insights on markets such as Indian equities, leading to more informed decision-making, effective risk management, and better outcomes for investors.

From an operational perspective, the economies of scale enabled by delegation drive efficiencies and cost reductions. These operational savings are typically passed through to investors, manifesting as lower fees and improved product value. Additionally, delegating complex processes permits fund boards to concentrate on core strategic decisions, confident that operational duties are managed professionally under rigorous oversight. This separation strengthens fiduciary oversight and instils further confidence in Ireland's status as a global fund centre.

The oversight and regulation of delegation are governed by mature, considered frameworks. Ireland's regime is shaped not only by the European structure by way of MiFID, UCITS, and AIFMD directives, but also regulatory enhancements from the Central Bank of Ireland such as CP86 and CP138. These rules require that both intragroup and third-party outsourcing are risk-assessed and properly controlled, ensuring high standards for risk management and governance. The regulatory landscape is evolving, with anticipated "AIFMD 2" amendments aiming to further harmonise delegation practices and investor protections across the EU.

Industry feedback, as gathered through Deloitte's interviews and survey, strongly supports the current delegation framework. Managers cite that requiring more investment managers or decision-makers to be located within the EU could constrain access to specialised expertise, drive up operational costs, and ultimately diminish returns for investors. There is a firm consensus that the positives such as global knowledge, reduced costs, portfolio diversification, and robust governance, only strengthen when supported by comprehensive regulation and ongoing risk management.

Looking forward, strategies outlined in Ireland's Funds 2030 vision and the EU's Savings and Investments Union aim to further foster competition, broaden investment choices, and reinforce investor protections. By maintaining a dynamic, open, and well-regulated delegation model, Ireland is positioned to remain a leading global fund domicile where investors continue to benefit from the combined strength of international expertise and a resilient, transparent regulatory environment.

Introduction

Ireland has long been a prominent hub for fund management companies thanks to its comprehensive regulatory framework, favourable tax environment, and geographical location connecting continents through its complementary time zone. A key component of Ireland's success in this sector is its agility and, ability to leverage regulatory permissions allowing fund management companies to delegate certain functions to alternate entities both at an intra-group level and/ or to a third-party service provider enabling more cost effective, efficiently distributed and expertly managed products for the end investor.

Ireland's success aside, the ultimate beneficiaries of well-structured delegation arrangements are the investors themselves. When implemented through robust governance frameworks, delegation enables investors to access world class investment professionals with specialised expertise in particular assets, markets, and investment strategies, regardless of geographic location. This global access to talent translates into enhanced investment outcomes, more diversified portfolios, and the potential for improved risk-adjusted returns. Furthermore, the economies of scale created through delegation can reduce costs, increase operational efficiency, and allow for faster implementation of investment decisions in rapidly changing market conditions. However, the investor benefits go beyond performance alone as delegation also strengthens fiduciary oversight by enabling fund boards to focus on their core strategic responsibilities while specially selected providers handle operational complexities under careful supervision.

The current delegation regime stems from standards issued by the European Banking Authority ("EBA"), and legislative text; the MiFID Framework (Markets in Financial Instruments Directive), UCITS Directives (Undertakings for Collective Investment in Transferable Securities) and AIFMD (Alternative Investment Fund Managers Directive) with legislative enhancements pending through the amendments by way of "AIFMD 2".

The purpose of this paper is to consider benefits and risks of the current delegation model in Ireland with a particular focus is on the delegation of the investment management function. To form this paper, Deloitte carried out interviews with 7 members of the Irish Association of Investment Managers (IAIM) to ascertain the industry concerns; benefits and drawbacks to the delegation model within this current regulatory environment. This was further supplemented by the issuance of a survey to 19 impacted IAIM members. Due to the scale of this sample, the discussions were used to form an appropriate narrative but not act as the heart of this paper.

Defining the managers

Throughout this document, there is reference to the multiple stakeholders that form the funds ecosystem with the focus on the fund managers also known across the industry as "Fund Management Companies" or "ManCos" and, investment managers. Fund managers and investment managers, while closely related, serve distinct roles. Fund managers are entities responsible for the comprehensive governance, regulatory compliance, and operational oversight of investment funds. Their duties encompass risk management, distribution, administration, and ensuring adherence to frameworks like the AIFMD or UCITS regulations. In contrast, investment managers focus on the tactical execution of investment strategies, including portfolio construction, asset selection, and day-to-day trading.

There is also a distinction between proprietary and third-party investment management which lies in the organisational structure and client focus. Proprietary models involve investment management arms of large financial institutions managing in-house funds. These entities benefit from integrated resources. Third-party investment managers, however, operate independently, offering specialised strategies to external clients. The same model options can be applicable for fund manager. The Indecon 2024 report highlights that 26.7% of Irish firms function as pure investment/asset managers, while 7.2% combine this role with fund management, reflecting a current trend toward service diversification.



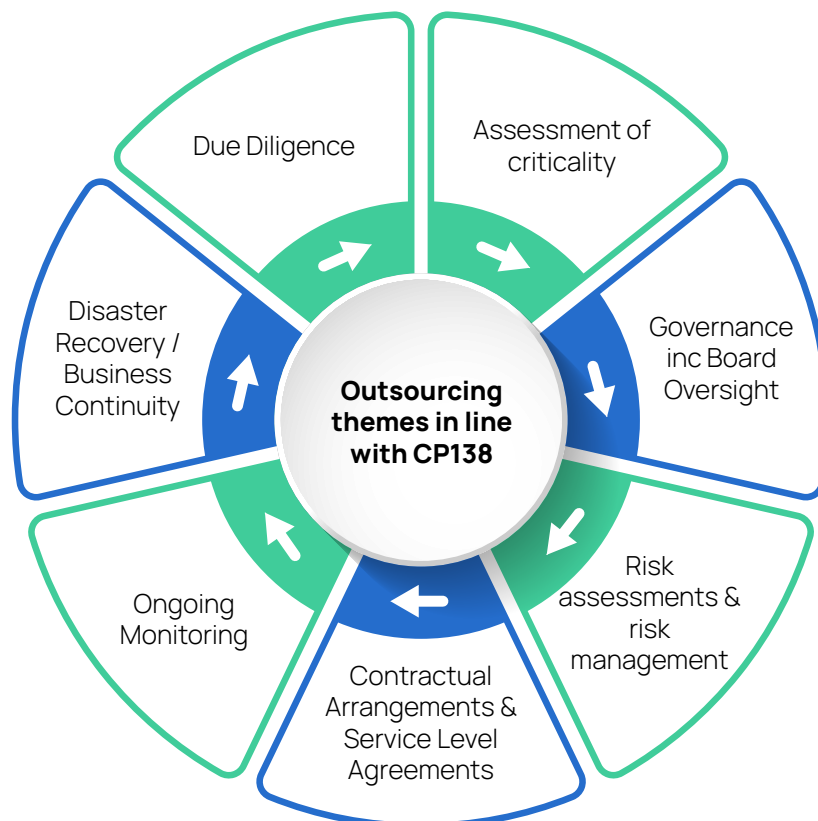
Enhancement of Regulatory Standards (Ireland)

In addition to the EU regulatory framework, Ireland has enhanced the local regulatory regime with various local guidelines. The Fund Management Companies Guidance, otherwise referred to as CP86, is the longstanding national framework for delegate oversight. Pivotal to the delegation model are the Designated Persons (DPs) within a fund manager assuming the role as the critical connection point between the Management Company's Board of Directors and its various delegates. Acting as key oversight personnel, DPs ensure effective communication, monitoring, and supervision of delegated functions across the organisation within their specific area of expertise within their day-to-day basis. These experienced professionals must have appropriate skills, deep industry knowledge, and substantial expertise in their designated functional areas to be appointed as Pre-Approved Controlled Functions (PCFs) under the Central Bank's comprehensive Fitness and Probity and, Individual Accountability regime. The PCF designation underscores the significant responsibility these individuals hold in maintaining robust governance frameworks and ensuring regulatory compliance across all delegated activities.

Moreover, "(t)here are also limits on the extent to which delegation is legally permissible. In particular, under European legislation as transposed, AIFMs and UCITS management companies are under an obligation not to delegate to the extent that they become letterbox entities". In addition to the DP conditions, there are

directorship residency requirements whereby 2 or 3 directors must be resident in the State further guaranteeing local substance and accountability and providing investors with greater confidence in the entity's tangible presence.

As remarked by many of the industry leaders interviewed, this framework embeds a "client first" theme that serves as a gold-standard model for global fund governance. Where those interviewed leveraged both intragroup and third-party outsourcing providers, it was noted that information sharing was more streamlined across group structures due to using the same or more compatible technology for data integration. Participants of an intragroup structure emphasised the benefits of enhanced visibility and tighter control over sub-delegated functions, leading to a preference for proprietary entities when feasible. However, third-party providers offered their own advantages, including operational independence, specialised expertise, and often more cost-effective solutions due to economies of scale. The ability to leverage world class providers while maintaining independence in oversight underpinned by robust governance models was seen as particularly valuable. Whether through intragroup or third-party arrangements, these operational benefits ultimately translate to enhanced service quality and value for investors.



Fund managers, particularly those operating on a smaller scale, can significantly enhance their credibility and product offerings by delegating functions to reputable, globally recognised service providers. This strategic approach not only strengthens the investment manager's market position but also provides investors with additional confidence in their investment products. Irrespective of international or a smaller scale of operations, delegation provides the flexibility to scale operations up or down quickly on a cost appropriate basis. This can include the establishing of Centres of Excellence (CoE) to maximise efficiencies across entities both on a cost and operational level and further diversify risk to ensure continuity of service if an issue did occur.

Operational resilience is particularly vital in asset management. Investors expect their funds to be managed according to the agreements, regardless of external disruptions. Operational resilience in this context means integrating resilience principles deeply within governance structures and risk management frameworks, instead of depending solely on traditional business continuity plans. Subsequently the CBI's framework on operational resilience (CP140) requires institutions to enhance their operational framework so that the entity is able to withstand

disruptions and continue functioning. Investors with Irish entities in the investment mix, receive substantial benefits through CP138 and CP140 frameworks as they facilitate protection from potential operational risks, ensuring that their investments are safe, accessible, and well-managed in the face of unforeseen events. Any proposed restrictions that would confine delegation to only EU entities can create significant bottlenecks and constrain an organisation's flexibility in responding to crises, such as personnel shortages, cyber incidents, or geopolitical disruptions. In such environments, operational resilience ensures that fund managers can continue providing core services regardless of regional challenges.

Furthermore, there are an increasing number of financial groups creating Centres of Excellence in Ireland. This can be seen through the likes of BNY, State Street and Northern Trust leveraging Ireland's and wider European strong talent pool, cyber and technological capabilities. Expanding these centres of excellence strongly support elements of the EU's Savings and Investment Union (SIU) agenda.

Centres of Excellence

A Centre of Excellence (CoE) is a dedicated team or organisational unit that concentrates specialised expertise and resources in a specific discipline or capability, to achieve and sustain optimised service delivery, efficiency and value. These centres operate as collaborative hubs that break down internal barriers between departments, unifying disparate efforts into consistent, organisation-wide approaches that directly benefit investors. In the context of the funds' ecosystem, CoEs serve as centralised knowledge repositories that provide strategic direction, establish best practices, and facilitate the efficient delivery of complex fund management services across multiple jurisdictions and asset classes.

The delegation model supported by CoEs allows firms to ensure continuous market coverage across global time zones, expanding investment opportunities and enabling more responsive portfolio management. This capability is particularly valuable in today's interconnected global markets where risk and opportunities can emerge at any time.

Understanding the existing delegation model

Delegation is defined within the Guidelines on Outsourcing Arrangements issued by the EBA as “an arrangement of any form between an institution (...) and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the institution itself”¹³. The Central Bank of Ireland (CBI) clarified in the Cross-Industry Guidance on Outsourcing (CP138) which is modelled on the EBA guidelines, that intragroup outsourcing should not be risk weighted differently compared to risk assessments undertaken on third party providers. Under the current regulatory delegation regime within the AIFMD and the UCITS frameworks, investment management, distribution, administration and some compliance and regulatory reporting activities can be delegated.

In the asset management industry however, the delegation of investment management is increasingly perceived not as an outsourcing arrangement but more as a strategic partnership. This shift is driven by industry dynamics, evolving regulation, and a greater focus on delivering value and specialist expertise for clients. Delegation is permitted within the regulatory framework

but only under strict oversight, accountability, and ongoing control by the fund manager. As noted previously, this means fund managers cannot act as “letter-box” entities. The fund, its board, and its management company retain decision-making and must ensure true substance, shifting delegation toward a collaboration rather than relinquishing responsibility.

Investment management delegation represents a strategically significant function within the delegation framework of modern fund ecosystems. Encompassing investment decisions, asset allocation, and risk management strategies, this function requires specialised expertise and global market access that many fund management companies achieve through strategic delegation arrangements.

The image below is an adaptation of the Funds 2030 depiction of the Funds Ecosystem. The most important component in this image are the investors.



Illustrative overview of the sector



Investors are depicted at the top of the chain due to their vital contribution to the wider funds' ecosystem. Retail and smaller investors, in particular, significantly deepen and diversify capital markets, making them more resilient and less dependent on a handful of large institutional investors. Delegating investment management serves as a bridge enabling these investors to access global investment expertise and sophisticated strategies that would otherwise remain beyond their reach. Beyond market resilience, retail and smaller investors play a crucial role in supporting economic growth and channeling capital into the real economy as their collective savings, when invested through funds, provide essential financing for infrastructure, housing, and innovative enterprises.

The ability for several funds to delegate to an entity with a particular expertise also allows the funds to benefit from economies of scale and operational efficiencies and therefore reduced costs for the funds and, ultimately, investors. This delegation framework ensures that the growing presence of retail investors continues to deepen and diversify capital markets, making them more resilient while providing individual investors with professionally managed investment solutions that would be impossible to achieve independently.

Industry Concerns

The primary concern among fund managers centres on the potential changes to the delegation model that could impose significantly more stringent requirements for the delegation of the investment management function. The anticipated disadvantages to the investors and the ability to provide diversified services would far outweigh the Regulators desire to bring more portfolio management activity to the European Union.

ESMA highlighted in its 2020 AIFMD review letter, that "portfolio management functions are often largely or entirely delegated to third parties within or outside of the group of the AIFM or UCITS management company". They continued by noting "in the case of delegation outside the EU, regulatory arbitrage and investor protection concerns are increased since the non-EU delegate is not directly subject to the AIFMD framework". While there is a strong recognition to protect not only investors but the wider economy, it would be amiss to view all extra-territorial delegation especially to those considered third countries as a threat without wider consideration of the benefits of leveraging cross border collaboration for the benefit of the investor. "Looking at a third country alone cannot be deemed a risk. You must look at it holistically. The UK or US do not have the same risk levels compared to Belize or Belarus" cited one of the interviewees.

IAIM members emphasised that any thresholds or parameters specified to have more investment managers in the EU would be at a detriment to the industry. "We would have to query how this is

sustainable as costs would then need to be recouped somewhere," noted one participant regarding potential thresholds for more portfolio managers onshore. While companies can absorb some rising costs, eventually these increased operational expenses would be passed on to investors, diminishing their returns and degrading the investor experience. A core benefit of delegation is access to specialised knowledge, which would become more difficult and expensive to source if every investment manager needed specialized skills. "Japanese equity solely managed by European portfolio managers does not make sense," observed one member. Another added, "Ireland is diversifying, but do we really have the talent pool? What happens when every player is trying to obtain star portfolio managers? Only the largest fund managers would be able to run this race as the costs would spiral."

Regulators want to ensure fund managers maintain substantive decision-making capabilities rather than serving as "letter-box" entities delegating core functions abroad, namely the delegation of portfolio management. "Delegation of investment management which of course includes portfolio management is a gross simplification in comparison to what the client actually receives and what a company must go through in the background" commented one IAIM interviewee. But who exactly are the decision makers within the funds process?



The Decision Makers

The decision-maker, controller, and oversight functions are three distinct but complementary concepts that ensure effective governance and accountability. The relationship between the decision-maker and controller demonstrates accountability while preserving stakeholder autonomy. Control consists of mechanisms and processes that manage delegated tasks through direct intervention, ensuring activities align with established policies and standards. Oversight involves monitoring delegated tasks and outsourced functions to ensure they meet established standards, objectives, and regulatory requirements and escalating when necessary.

Looking at this structure from an entity level, the Depositary provides oversight, the fund manager serves as the controller, and the investment manager acts as the decision-maker. However, the investment decision-maker acts on behalf of the controller and under their instruction in order to serve best interests of the investor. The decision-maker is responsible for selecting the optimal course of action based on available information, goals, and where applicable, investor values ie impact investing. The controller is the party that decides the parameters to which the investment manager must operate in.

Delegation occurs in multiple directions across the fund ecosystem however, delegation of investment management activities is not an exclusive process between a fund management company and the investment manager. While contractually the arrangement may be between Party A (ManCo) and B (IM), there are multiple stakeholders and decision makers at various stages within the asset management cycle.

“In the absence of clear legal definitions or an exhaustive list of collective portfolio management functions set out in Annex I of the AIFMD and Annex II of the UCITS Directive, it is often difficult for NCAs to assess whether the ‘supporting tasks’ provided by the group entities are subject to the delegation rules set out in the AIFMD and UCITS Directive or not”.
ESMA

Each institution in the funds sector has strict regulatory parameters to which they must operate in line with their authorised permissions. Naturally where their approved permission stops, another entity must continue in the process. In the event a company has multiple authorisations to manage most of the investment cycle in-house i.e. a Mega ManCo (UCITS, AIFM + MiFID top ups), they would have necessary firewalls in place to manage information flows. Whilst the immediate query from a supervisory perspective seeks to ascertain where the decision-makers sit, there must be further consideration of the parameters of operation, and roles and responsibilities of an entity and an individual undertaking tasks within the investment cycle.

The following table sets out broad examples of key levers of control established by a fund manager that occurs within the investment manager through to the portfolio management function. Where the table denotes the term client, this can be exchanged with fund and/or investor.

Process Stage	Key Activities	IM involvement	Parameters implemented around PM Function	Management Company & Fund Board Control	Depository Oversight
<p>1</p> <p>Benchmark Setting</p>	<ul style="list-style-type: none"> Establishing performance reference points and metrics Aligning with client objectives and investment goals Developing comparative frameworks 	<ul style="list-style-type: none"> Portfolio Management (lead, strategic oversight) Client Services (client input, requirement gathering) Compliance (documentation review, regulatory alignment) 	<p>The Portfolio Manager's benchmark selections must receive explicit approval from both the fund manager and IM Compliance department. Any deviation from approved client investment objectives or regulatory requirements will result in rejection of the proposed benchmarks.</p>	<p>Reviews and approves benchmark selection methodology. Ensures alignment with fund prospectus and investment strategy. Signs off on any material changes to benchmarks. Requires quarterly attestation from PM confirming benchmark appropriateness. PM must obtain explicit approval for any tactical benchmark adjustments.</p>	<p>Reviews and validates benchmark selection against fund documentation. Ensures alignment with stated investment objectives. Has authority to challenge benchmark changes that deviate from prospectus requirements.</p>
<p>2</p> <p>Budgeting & Risk Budgeting</p>	<ul style="list-style-type: none"> Allocating risk capital across strategies Cost optimization analysis and efficiency planning Resource distribution assessment 	<ul style="list-style-type: none"> Investment Risk Management (limits setting, risk parameters) Portfolio Management (strategy alignment, implementation) Tax Department (efficiency analysis, optimization planning) 	<p>The Portfolio Manager operates within strict risk limits established by Investment Risk Management. These limits include maximum position sizes, sector exposures, and total portfolio risk metrics. The Portfolio Manager cannot override these limits without formal approval from the Risk Committee.</p>	<p>Sets overall risk appetite and tolerance levels. Reviews risk budgeting framework quarterly. Approves any changes to risk limits or allocation methodologies. Requires monthly risk reports with detailed explanation of approach as part of ongoing monitoring.</p>	<p>Independently monitors risk limits and exposures. Reviews risk budgeting framework for compliance with regulatory requirements. Has authority to escalate breaches of investment restrictions.</p>
<p>3</p> <p>Security Selection & Model Building</p>	<ul style="list-style-type: none"> Fundamental analysis and valuation ESG screening and sustainability assessment Quantitative modelling and factor analysis Back-testing implementation 	<ul style="list-style-type: none"> Research (lead, analytical oversight) Portfolio Management (final approval, strategy validation) Compliance (regulatory adherence, guidelines verification) 	<p>Before including any security in the portfolio, the Portfolio Manager must ensure it passes all ESG criteria and regulatory requirements. Each security must have documented research approval and complete compliance verification. Non-compliant securities are automatically restricted in the trading system.</p>	<p>Oversees model governance framework. Reviews and validates all quantitative models used by PM annually. Has authority to restrict PM from using models deemed unreliable. Reviews and approves material changes to selection criteria or quantitative models. Monitors ESG integration process.</p>	<p>Oversees eligibility criteria compliance. Verifies models align with investment restrictions. Has power to challenge quantitative model assumptions.</p>

<p>4</p> <p>Pre-Trade Compliance Checks</p>	<ul style="list-style-type: none"> • Position limit verification and monitoring • Client mandate alignment and verification • Liquidity checks and assessment • Risk parameter validation 	<ul style="list-style-type: none"> • Compliance (real-time monitoring, guideline verification) • Risk Management (exposure analysis, risk assessment) • Legal (documentation, regulatory review) 	<p>The Portfolio Manager cannot execute any trade until it passes automated compliance checks for position limits, mandate alignment, and risk parameters. The trading system enforces these restrictions, and only the Chief Compliance Officer can grant exceptions in extraordinary circumstances.</p>	<p>Reviews compliance framework effectiveness quarterly (attestations). Signs off on compliance monitoring thresholds. Approves any changes to automated compliance parameters including explicit approval for trading in new instruments or markets.</p>	<p>Performs independent verification of trade compliance. Reviews effectiveness of automated compliance systems. Monitors block non-compliant trades and mandate position adjustments.</p>
<p>5</p> <p>Trade Execution</p>	<ul style="list-style-type: none"> • Order routing optimization and venue selection • Market impact analysis and timing strategy • Transaction cost management and efficiency • Execution quality monitoring 	<ul style="list-style-type: none"> • Trading Desk (execution, market coordination) • Portfolio Management (strategy oversight, implementation) • Operations (settlement preparation, processing) 	<p>The Portfolio Manager must route all trades through the Trading Desk and cannot execute trades directly. All trades must comply with best execution policies and documented trading procedures. The Trading Desk has authority to reject orders that could adversely impact market prices.</p>	<p>Reviews best execution policy annually. Monitors execution quality metrics. Approves any changes to execution venues or methodologies. Requires justification of execution costs quarterly.</p>	<p>Monitors trading activity for compliance with investment restrictions. Reviews best execution framework. Has authority to investigate trading patterns.</p>
<p>6</p> <p>Post-Trade Monitoring</p>	<ul style="list-style-type: none"> • Exposure recalibration and rebalancing • Market risk assessment and analysis • Strategy performance tracking and evaluation • Attribution analysis 	<ul style="list-style-type: none"> • Risk Management (continuous monitoring, risk evaluation) • Portfolio Management (adjustment decisions, strategy refinement) • Compliance (breach alerts, violation monitoring) 	<p>Risk Management conducts continuous monitoring of portfolio exposures and will mandate immediate adjustments if breaches occur. The Portfolio Manager must implement required changes within specified timeframes otherwise the matter may be escalated to senior management, the fund manager and/or Depository.</p>	<p>Reviews all breach reports and remediation actions. Has authority to force portfolio rebalancing if exposures drift beyond approved ranges. Signs off on material portfolio adjustments. Monitors effectiveness of risk management framework.</p>	<p>Independent oversight of portfolio compliance. Reviews breach reports and monitors remediation. Has escalation rights to regulators and can mandate immediate position adjustments.</p>

<p>7 Reconciliation & Reporting</p>	<ul style="list-style-type: none"> • Trade confirmation matching and verification • Position auditing and reconciliation • Client reporting generation and customization • Performance attribution documentation 	<ul style="list-style-type: none"> • Operations (primary, process management) • Compliance (accuracy verification, regulatory review) • Client Services (communication, report distribution) 	<p>The Portfolio Manager's activities are subject to daily reconciliation by Operations and regular audits by Compliance. Any discrepancies must be explained and documented. Client reporting must accurately reflect all portfolio activities and performance attribution.</p>	<p>Reviews reconciliation processes quarterly. Signs off on all regulatory reporting. Approves any changes to reporting methodologies or systems.</p>	<p>Independent verification of NAV calculation and valuations. Reviews accuracy of regulatory reporting. Has authority to challenge valuations and require adjustments.</p>
<p>8 Ongoing Portfolio Review</p>	<ul style="list-style-type: none"> • Drift analysis and monitoring • Tax-loss harvesting opportunities • Strategy reoptimization and adjustment • Performance evaluation 	<ul style="list-style-type: none"> • Portfolio Management (lead, strategic review) • Research (market updates, analytical input) • Risk Management (stress testing, scenario analysis) 	<p>The Portfolio Manager must obtain approval from any Research teams and Risk teams before implementing strategic adjustments. All proposed changes undergo stress testing and scenario analysis. Significant strategy modifications require additional approval from the Investment Committee.</p>	<p>Conducts monthly/quarterly strategy reviews. Approves material changes to investment approach and has authority to veto strategy changes that deviate from mandate. Reviews and challenges portfolio manager decisions and performance. Performs stress testing of proposed adjustments against multiple scenarios.</p>	<p>Reviews portfolio compliance with investment strategy. Monitors portfolio rebalancing activities. Has authority to challenge strategic changes that conflict with fund documentation.</p>

The enhanced regimes provided by CP86, CP138 and CP140 work in conjunction with the European legislation and are designed to ringfence the Irish economy from shock. Currently, the delegation amendments presented in AIFMD 2 result in minimal disruption for most Irish fund managers and investment managers due to EU and nationally enhanced frameworks in situ. The current amendments are welcomed however, any future attempts to require portfolio management undertaken in the EU poses significant risks to the EU fund management success.



Benefits of the Delegation Model

The delegation framework utilised in the fund management industry is tried and tested at a global level with the European model prioritising the investor given the layers of oversight and highly regulated environment in which it operates. In this period of emerging geo-political change with potential disruption to global trade, models which have worked well and shown stability

in promoting free global trade and certainty are important proof points in our markets. Now more than ever, not just for trade negotiations but also to support the Savings and Investments Union ("SIU") objectives, it is important that our markets remain uncomplex, diversified, competitive and sophisticated in the interests of investors and stability.



BENEFIT: Enhancing the attractiveness of the retail investment product landscape



Outcome: Having competitive, sound and retail friendly investment and savings options aligned to SIU objectives

"What is a great investor outcome? Stability, diversity, low costs and strong returns" stated one Investment manager. With these existing regulatory parameters, this creates a more secure financial ecosystem subsequently increasing investor confidence which enables Ireland and European markets remain competitive and attractive to all investors. Through the introduction of the Saving and Investments Union (SIU), "(a)t EU level, measures will be required to support competition and ultimately offer retail investors a wider choice of products that fit their preferences in terms of retirement savings, investments and insurance." The development and objectives of the SIU creates a circular economy for investors to enhance savings, to productive investment, "creating more and a wider range of financial opportunities for people and businesses".

The success of the European AIF and UCITS are based on delegation models that are well established and embedded across the world. Any potential change to that model would disrupt international trade relationships and partnerships; stability in a fund model that investors trust and potentially cause existing players to exit markets without future plans to reinvest.



Scenario: A fund manager can provide a broader range of fund types that will be suitable for investor needs. Delegating the marketing and/or regulatory reporting to an external firm with retail expertise can ensure the investor has all the information they require, and the information is presented in such a way that is suitable and appropriate for the investors level. This can assist with mitigating the risk of erroneous or unsuitable marketing practices for the delegator.





BENEFIT: Broader range of investment opportunities and strategies



Outcome: Higher levels of competition and more investor choice of strategies to align with their objectives.

Through the internationalisation of the investment management industry, a broader offering of investment vehicles are now available across the Irish market in turn requiring a specialised skill set and/or knowledge of a particular region. For clients that are investing in a fund outside of their resident jurisdiction, or those investors seeking diversification in their portfolio (pension funds as an example) they “have comfort with us knowing their strategy is managed and under the watchful eye of those who have local skills and expertise” cited one of the interviewees. For many Management Companies, this means selecting and working with the best-in-class investment managers. This can take many forms as there are entities who specialise in certain asset types, particular jurisdictions or have an aligned focus i.e. impact investing but, all must have the necessary means to adapt to changing market conditions, investor demands and execute or have sufficient capacity to sub-delegate where necessary.



Scenario: An emerging markets fund established in Ireland appoints a local fund manager that delegates investment management to a specialist in Hong Kong, who has deep expertise in, for example, Indian equities. The complexities and nuances of these markets require a deep understanding of local economic conditions, regulatory environments, and cultural factors. The management of the emerging markets portion of the portfolio to a specialist with extensive experience and located close to the region if not in the region presence, the fund can benefit from more informed investment decisions, timely market insights, and effective risk management strategies.



BENEFIT: Access to world-class expertise and specialism



Outcome: More choice, specialism, diversification and more cost-effective products for investors.

Fund managers possess the ability to leverage deep knowledge from those with extensively proven track records in specific asset classes and investment strategies. This expertise provides sophisticated market analysis, refined security selection process and nuanced understanding of sector-specific dynamics. As a result, investors benefit from a dynamic responsiveness to market shifts and increased potential for risk-adjusted returns through varying market conditions.

Furthermore, delegation unlocks access to an expansive and comprehensive suite of sophisticated investment tools and capabilities. This encompasses advanced analytical platforms, cutting-edge trading systems, and proprietary research methodologies that would be prohibitively expensive or logistically challenging to develop in-house.



Scenario: A delegated investment manager who sub-delegates fixed-income portfolio management to an external / intra-group manager that specialises in bonds. This specialist can navigate interest rate fluctuations, credit risk assessments, and macroeconomic trends with greater expertise, thereby optimising the fund’s fixed-income investments for better investor returns and reduced volatility.





BENEFIT: Operational Efficiency and cost management



Outcome: Streamlined processes facilitating building at scale, bringing cost effectiveness to the investor

By adopting the delegation model, fund managers can capitalise on economies of scale and streamline operational workflows, effectively reducing overhead costs and enhancing overall fund efficiency. Additionally, this means they can allocate resources more strategically, focus on core investment activities, and maintain a leaner operational structure. For investors, these efficiencies often result in more competitive pricing, as lower operational costs can be passed on through reduced management fees, ultimately supporting improved net returns.

Within global organisations, the strategic division of responsibilities ensures that each function of fund management is handled by specialists with the appropriate expertise. This benefits fund managers by providing the flexibility to scale operations up or down quickly and cost-effectively, whether managing international or smaller-scale funds. For investors, this approach fosters operational resilience and risk diversification, as Centres of Excellence established across different locations not only maximises efficiency and service continuity but also safeguards investor interests by minimising the impact of potential disruptions in any single location.



Scenario: A fund manager oversees a diverse range of investment funds, including equity, fixed-income, and multi-asset portfolios seeking to enhance operational efficiency and leverage specialised expertise by delegating portfolio management activities of its equity funds to a CoE specialising in equity investments. The CoE utilises sophisticated analytical tools and proprietary research to identify high-potential stocks, monitor market trends, and execute trades with precision through a team of equity analysts and portfolio managers with extensive experience in various sectors and regions. The CoE leverages advanced portfolio management systems and algorithms to optimise stock selection, manage risk, and ensure timely execution of trades. These technological tools enable the CoE to process large volumes of data, perform complex analyses, and make informed investment decisions efficiently.

As the CoE manages multiple equity portfolios for various clients, this allows them to spread operational costs across a larger asset base resulting in competitive pricing for their services, which is more cost-effective for the ManCo compared to maintaining an in-house equity management team.



BENEFIT: Europe Leading the way on Delegation Oversight, Governance and Regulation



Outcome: Robust, risk managed delegation model leading to strong investor protection, resilient markets and financial stability.

Distinguishing the European approach is its comprehensive risk management requirements and management body oversight provisions that ensure delegated functions remain under proper supervision. Anchored by the AIFMD and UCITS frameworks, European fund delegation governance exemplifies how regulation can create significant benefits for both investment managers and investors. This regulatory approach enables investment managers to access specialised global expertise, optimise business functions, and achieve economies of scale while maintaining strict accountability. For investors, the delegation model delivers enhanced investment opportunities, specialised strategies, and cost efficiencies that would otherwise be unavailable. Many of the interviewed members had shared their experience of their Irish designed Frameworks, Policies and approaches to managing delegation being used as the highest standard to be applied across group entities worldwide.



Scenario: An EU-based investment management firm, sub-delegates portfolio management for an emerging markets fund to US specialists while maintaining internal risk management and governance. The investment manager maintains oversight capabilities and contingency plans with an additional control provided by the fund manager. The investment manager must justify this delegation based on expertise and efficiency, while remaining accountable for performance and investor protection. This arrangement gives investors access to global opportunities while ensuring strong regulatory protection. Regular monitoring maintains market stability while delivering innovative, well-managed investment products.

Risks of Delegation

While delegation provides many benefits to the fund ecosystem, it's crucial to note this model also has risks which can negatively impact the very being it is built to serve; investors. Through numerous legislation namely CP86 and CP138, there are ample frameworks stipulating entities maintain strong oversight to protect investor interests when they delegate tasks. The guidance

identifies key risks that firms must carefully monitor and control throughout their delegation arrangements, making sure that investors' assets remain safe and well-managed, irrespective of which organisation is executing a task. The risks outlined below are the **inherent** risks to which the requirements within CP138 endeavour to resolve.



RISK: Concentration & Sub-delegation



Outcome: A complex chain or web of delegated services requiring continuous monitoring

This risk occurs due to lack of diversification, and it is important to note this risk can occur both at intragroup level and when externally outsourcing. When multiple firms across the industry utilise the same delegates, creating sector-wide vulnerabilities and a delegate fails, this may jeopardise investors' capital while investment managers struggle to maintain continuous operations. Finding suitable alternative providers quickly is often a process that is costly, timely and complex, can affect both investment performance and operational stability. This interconnectedness creates systemic risks that threaten investment managers' ability to perform their duties and protect investors' assets.

Additionally, within this web, sub-delegation arrangements create challenges for investment managers oversight and control over their investment strategy when tasks are delegated multiple times. For example, if an investment manager delegates a specialist area of portfolio management to another firm who then further delegates analysis, it can become increasingly difficult to ensure adherence to the original investment mandate and risk parameters. Investors face reduced transparency regarding the stakeholders involved with the management of their investments and potential delays in any resolutions with issues. their assets and data become vulnerable when passed through multiple service providers.

A layered delegation structure makes it challenging for fund managers to maintain consistent standards and proper oversight throughout the service chain and risk losing control over investment decisions and regulatory compliance. Without rigorous monitoring and controls, both investor protection and the investment manager's regulatory obligations could be compromised.





RISK: Offshoring, Legal, Regulatory and Reputational



Outcome: Reduced visibility, legal and regulatory differences, political issues and challenges in enforcing contracts, and data protection issues

Delegating to entities in other countries, particularly those outside the European Union (third countries), risks increase due to legal and regulatory divergences. Investors may find their interests less protected due to weaker local regulations, while investment managers struggle to ensure compliance across different jurisdictions, especially when dealing with varying legal systems and regulatory standards. Additionally, both sides face increased exposure to geopolitical instability and climate-related disruptions that could affect service delivery and the assets under management. These challenges can ultimately impact the investment manager's ability to safeguard investor interests and maintain effective control over delegated functions.



RISK: Data security and sensitive data



Outcome: Compromise to the accessibility and integrity of business and investor data due to inadequate controls, cyberattacks, or system failures at the delegate.

Delegation inherently requires the transfer and sharing of sensitive information, encompassing both confidential investor data and proprietary trading strategies, investment methodologies and other confidential business information with other entities. Risks become particularly pronounced and complex when data is transferred across international borders through offshoring arrangements, where varying jurisdictional requirements and regulatory frameworks offer different levels of protection for both investor privacy and fund manager intellectual property.

Data loss, corruption, or merely "being offline" pose major operational risks when delegates manage critical business and customer information. These risks can prevent investors from accessing their investment information and for the fund managers, delay crucial transactions, loss of oversight of portfolios and failing to meet regulatory obligations if delegate systems fail. These failures can emerge through several channels such as inadequate security controls, technical failures in their infrastructure or targeted cyberattacks on delegate systems leading to unauthorised alterations affecting portfolio management decisions. The challenge, therefore, goes beyond basic data protection, it requires ensuring continuous availability and data integrity across the entire delegation chain.





RISK: Business Continuity and Operational Resilience



Outcome: Inadequate planning for disaster recovery or exit strategies, and challenges in substituting providers requiring unexpected intervention to maintain or assume control of a delegate's operations

This intervention can result in substantial unplanned financial burdens, including emergency resource allocation, system integration costs, and potential legal expenses. The firm may face immediate operational challenges in maintaining service continuity, particularly if the delegate's systems and processes are incompatible. Beyond the immediate financial and operational impacts, step-in situations often lead to significant reputational damage, as stakeholders may question the firm's due diligence processes and risk management capabilities. The situation becomes particularly complex when the delegate provides critical services, requiring rapid response to prevent disruption to essential business functions.

The operational burden becomes particularly acute with financial pressures from emergency resource deployment, extensive system integration costs, and potential legal expenses when trying to maintain service continuity while dealing with incompatible or poorly documented systems from the failed delegate.

Both investors and fund managers need assurance that comprehensive contingency plans are in place to maintain service continuity and protect their interests in the event of delegate failure. Organisations are exposed when they and their delegates lack comprehensive disaster recovery protocols or do not maintain sufficient exit planning documentation. The situation becomes especially challenging when attempting to identify and onboard alternative service providers at a time of crisis. These challenges are further compounded by potential regulatory approval requirements and the need to ensure seamless service delivery throughout any provider substitution process.

Many of the participants outlined the steps they had taken to comply with CP138 to ensure more extensive levels of oversight at each entity level. This included, but not limited to; specific contractual clauses that were standardized at group level, risk assessment cycles and ongoing reporting.



Future of Delegation

The future of delegation looks to be centred on innovation, integration, and adaptation driven by regulatory evolution, technological disruption and changing market demands. A model where investment management functions such as portfolio management are outsourced, often to managers in financial centres like New York, Hong Kong or London remains a foundational element of the global asset management industry.

Regulatory Change

AIFMD 2 is set to be transposed into national law by April 16, 2026, representing a significant regulatory development for many in the European fund management industry. Importantly, while earlier proposals had raised concerns about potential restrictions on delegation, AIFMD 2 does not introduce new limitations on the delegation model itself. Instead, it acknowledges the valuable role delegation plays in allowing for efficient portfolio management and accessing necessary expertise in particular markets or asset classes.

Additionally, AIFMD 2.0 implements increased reporting requirements related to delegation arrangements, reflecting the regulators' desire for greater transparency and oversight. These enhanced reporting obligations will require fund management companies to provide more detailed information about their delegation structures, including the rationale for delegation decisions and the safeguards in place to maintain appropriate levels of substance and control.

Under Article 20, AIFMs are now required to submit detailed explanations of delegation arrangements to national competent authorities (NCAs), including evidence of conflict mitigation measures and operational staffing adequacy. Aligning with ESMA's push for more granular Annex IV reporting, which mandates disclosure of portfolio management delegation details, sub-delegation chains, and geographic distributions of delegated activities. Notably, AIFMD 2 introduces a "substance over form" principle, addressing longstanding concerns about "letterbox entities". This will require AIFMs to maintain at least two EU-resident natural persons responsible for core business functions, regardless of delegation extent. Again, for the Irish population, this has little impact due to existing local requirements under CP86.

European Synergies

Evolving from the Capital Markets Union (CMU) project, the EU's Savings and Investments Union (SIU) aims to deepen capital markets, reduce fragmentation, and channel savings into productive investments. For European fund delegation, the SIU will have a significant impact by streamlining cross-border fund management through reduced operational barriers and harmonized supervisory practices. The initiative's central goal is to ensure equal supervisory treatment for all market participants, which promotes fair competition and investor trust. The SIU emphasises unified and integrated supervision, proposing to enhance convergent tools and potentially shift certain supervisory responsibilities to the EU level by late 2025. These reforms aim to foster competition, strengthen market integration, and enhance the EU's position as a global financial hub. For investment managers, the streamlined regulations and unified supervision intend to help firms scale across the EU, potentially reducing costs and improving operational efficiency in their delegation arrangements and a more efficient client service.

On 8 May 2025, the European Commission initiated calls for evidence and consultations to assess the impact of the future Directive and Regulation for the SIU. Stakeholders are requested to provide input, with legislative proposals expected to follow based on this feedback. A mid-term review of the SIU strategy is planned for 2027, which will further evaluate its effectiveness and impact on fund delegation and other areas. The deadline for responding to the calls for evidence was 5 June 2025.

Regulatory Arbitrage

Despite the intention to converge the regulatory landscape in Europe, it would be remiss to omit the fact that third countries are subject to their own regulatory regimes. The UK's recent exit from the EU has reignited the conversation about delegation to non-EU entities with a vengeance. "This is a discussion that was a non-issue for a long time. Now is more of a political issue than a regulatory one" remarked one interviewee with the sentiment shared by several other interviewed IAIM members.

The US as another favourable location for fund delegation is also experiencing its own regulatory changes. The SEC's 2022 proposal to implement a new rule and rule amendments under the Investment Advisers Act of 1940 will impose rigorous due diligence and monitoring requirements for offshore sub-advisors, mandating performance assessments of delegated functions "necessary for compliance with federal securities laws".

Although these requirements are not new in Europe, this could create a transatlantic bifurcation by either deterring many U.S. advisers from leveraging non-U.S. delegates or, uniting and strengthening the EU/US relationship by providing another pillar of support and fostering regulatory equivalence.

Global harmonization efforts through bodies like IOSCO continue but it is highly likely the EU will revisit the equivalence of non-EU regulatory regimes, particularly as the UK diverges from EU rules. For now, however, cooperation and information-sharing arrangements are firmly in place.

Rise of the Retail Market and Product Evolution

A key trend is the rise of passive and index-based strategies, driven by cost efficiency and investor preference for transparency. Ireland, as the EU's leading domicile for ETFs, hosts over €1 trillion in ETF assets, with growth fuelled by institutional and retail demand for low-cost, liquid products (see [Ireland Inc](#)). This trend is expanding into active ETFs, particularly in fixed income and thematic sectors, as asset managers seek to blend passive structures with targeted strategies. Retail investor participation is a core focus aligned not only with the EU Capital Markets Union (CMU) and SIU objectives but naturally through changes due to digital distribution platforms and simplified products (e.g., ETF savings plans) which are reducing barriers to entry. Technological advancements, particularly tokenisation, are enabling fractional ownership of private assets, democratising access for retail investors.

Concurrently, private assets (private equity, credit, infrastructure) are also evolving especially for retail investors. Supported by regulatory reforms such as the ELTIF Regulation 2.0 which further enhances retail access to long-term investments, other regulatory initiatives like the EU Retail Investment Strategy aim to improve transparency and consumer protection.

Technological Innovation and Efficiency

Technological advancements are fundamentally transforming how investment managers oversee delegated functions, enabling unprecedented levels of operational efficiency and risk mitigation. The industry is exploring technological approaches to address concerns about excessive human decision-making power. Deep reinforcement learning (DRL) techniques are being developed for the portfolio management function to exploit cross-asset dependency information more effectively. These technological approaches could potentially reduce reliance on individual portfolio managers' judgments while improving performance.

Machine learning platforms are continuing to revolutionise the market with automating the extraction of unstructured data and integrating it directly into portfolio management systems. This automation reduces administrative burdens and minimises human error, enabling managers to focus resources on strategic activities like asset allocation and investor engagement.

However, the integration of advanced technologies necessitates careful alignment with evolving regulatory frameworks like the EU AI Act, which classifies certain AI systems as high-risk and mandates rigorous oversight. Under the Act, fund managers deploying AI for portfolio optimisation or client-facing interactions must conduct audits to verify data integrity, algorithmic fairness, and intellectual property rights. ESMA guidelines further emphasize the need for "explainable AI" in investment strategies, requiring managers to document how machine learning outputs inform decisions without undermining human accountability.

Forward-looking firms are addressing these requirements by embedding API-enabled oversight tools and blockchain-based audit trails into delegation frameworks, ensuring compliance while preserving the efficiency gains of automation. As the European Central Bank (ECB) advances its wholesale Distributed Ledger Technology (DLT) settlement infrastructure, managers leveraging these innovations will likely gain a competitive edge in cross-border fund administration and real-time liquidity management.



Conclusion

The investment management industry currently finds itself navigating an intricate and complex balancing act between two competing imperatives: the need to leverage delegation mechanisms for enhanced operational efficiency and the imperative to address valid regulatory concerns regarding oversight and control mechanisms. Thriving on the principles of free trade and open markets, the practice of delegation offers significant advantages, including valuable access to specialised expertise and the creation of beneficial economies of scale across operations, this ultimately translates into lower costs and better returns for investors. Through delegation, investors gain access to world class expertise across different markets and asset classes, while benefiting from robust risk management and operational efficiencies that would be difficult to achieve through a single entity.

Investors enjoy enhanced portfolio diversification through access to previously unavailable markets and strategies. By partnering with asset managers, administrators, and service providers in jurisdictions that specialise in particular asset classes, regulatory frameworks, or technological capabilities, firms can construct varied and resilient investment strategies. Benefits of this sophisticated global diversification is directly passed on to end investors not only through improved performance and cost efficiency, but also through increased product innovation and access to a broader array of bespoke solutions tailored to a range of risk profiles and objectives.

Sophisticated and well-established oversight mechanisms are firmly in place through the diligent work of the investment managers themselves but also fund managers, depositaries, and the Boards within each entity, who together provide multiple complementary layers of control and scrutiny over portfolio management activities and decisions. The heightened regulatory framework, particularly through CP86, CP138, and CP140, has further established Ireland as a gold standard for fund governance.

These oversight structures serve as essential safeguards within the broader investment management ecosystem ensuring investor protection while maintaining operational efficiency. From an end-investor standpoint, this means investment portfolios managed under robust delegation models typically benefit from better transparency, improved service levels, and responsiveness to market developments.

The industry strongly advocates for maintaining the existing delegation framework including the existing comprehensive regulatory requirements, arguing that additional restrictions would harm investors and market competitiveness. Investors currently benefit from access to global expertise, competitive pricing, and enhanced risk management through delegation arrangements. The future may see increased technological solutions to reduce reliance on individual portfolio managers' judgments while further improving oversight capabilities. As regulatory scrutiny rightly continues, fund managers must continue to demonstrate extensive oversight mechanisms while preserving the benefits that delegation brings to their investors.

The direction of travel is clear: while delegation remains a valid and valuable business model, it will operate within a framework of increased transparency, accountability, and regulatory oversight in the interest of investors. This evolution will provide investors with greater clarity about how their investments are managed and protected. Fund managers are encouraged to adopt a more structured approach to delegation decisions, supported by clear documentation of rationale and expected outcomes. The European funds ecosystem is an indelible success for the economy and investors. Delegation as a key component must remain to ensure the EU can benefit from other changes that will impact the funds industry going forward and maintain the success for many years to come.

Insights from the IAİM Members

The Irish Association of Investment Managers (IAİM) survey presented an overview from various Irish asset managers regarding the delegation model. While the sample size was limited to 13 respondents, their perspectives offer valuable glimpses into current practices and sentiments within the sector. However, these preliminary findings should be viewed as exploratory insights rather than definitive industry positions, providing a foundation for future research with broader participation.

The survey captured responses from a diverse range of entities such as MiFID Investment Firms, fund managers otherwise known as ManCos, "Super" ManCos, and "Mega" ManCos with headcounts ranging from 10 to 430 employees based in Ireland. The entities managed significant assets, with AUM figures varying from €49 million to €1.3 trillion. One firm held a "High Impact" PRISM rating, while remaining respondents operated at "Medium Low" or "Low" risk classification. There were 13 respondents, 61.5% of which had established European branches with the Netherlands, Germany, Italy and Sweden emerging as most notable.

Functional Outsourcing Trends

Please note: As respondents could select multiple answers for this question, the combined percentages may exceed 100%. This is a normal outcome in surveys with multiple-choice (select-all-that-apply) questions.

All participating IAİM respondents delegated at least one core activity with all respondents delegating their portfolio management function, while administration (76.9%) and distribution (61.5%) followed. Delegation of regulatory reporting featured in 46.2% of firms. To re-emphasise, **this data pertains only to the responses of the IAİM members that participated in the survey.**

Sub-delegation was universally permitted, creating multi-layered chains requiring "written agreements with rights to inspect and instruct" per AIFMD Article 20. Delegation is performed both externally and intragroup, with sub-delegation permitted by all respondents. Only 23% of entities interviewed had established Centres of Excellence (CoE). Those CoEs were in financial hubs namely Dublin, Budapest, London, and NYC.

Perceived Member Benefits of the Delegation Model

The most frequently cited advantage was access to global expertise allowing firms to tap into specialist investment knowledge and best-in-class managers worldwide, ensuring that

portfolios are managed by those with the most relevant skills and experience. This benefit was highlighted by firms of all sizes, regardless of their AUM or PRISM risk rating, and is seen as crucial for delivering high-quality, innovative investment products.

Another major benefit highlighted was greater investor choice and product variety. Respondents note that this increased competition and diversity leading to higher quality products and, ultimately, better outcomes for investors.

Operational efficiency and cost reduction were also cited with more than two-thirds of participants (69%) stressing these benefits. By pooling resources and leveraging economies of scale, firms can optimize their operations and reduce costs-savings that are passed on to investors through lower fees. Larger firms in particular, emphasise the importance of these efficiencies, but the benefit is noted across organisations of all sizes.

Additionally, respondents remarked on Ireland's enhanced risk management and oversight as a benefit. This supplemented preliminary conversations that occurred during the interview phase whereby members (7 interviewed entities) praised CP86 and CP138 for raising the bar. Delegation, when properly structured and overseen, introduces checks and balances between front office investment activity and oversight functions, reducing operational and investment risks for investors. Irrespective of size or risk profile, support for the delegation model was universal.

Concerns shared by Members

While survey respondents overwhelmingly support the delegation model, they identified areas where targeted improvements could enhance its effectiveness and investor outcomes.

A notable portion of respondents (30%) identified increasing regulatory complexity and cost as a key area for improvement. The current complexity stems from the evolving regulatory landscape and differentiation in interpretation rather than inherent weaknesses in delegation. Larger firms with more complex cross-border operations particularly noted that regulatory harmonisation across EU member states could reduce operational inefficiencies and create a more level playing field presenting an opportunity to develop unified approaches that maintain high standards while reducing unnecessary duplication and costs that eventually impact investors.

Some respondents (15%) noted opportunities to refine governance structures to minimise conflicts of interest and ensure complete independence and investor interest alignment. There was the caveat that while Ireland's structures are robust, more could be done at EU level. For example, and as mentioned, the potential risk of "letterbox" entities-firms with insufficient local substance or expertise, particularly in lower-regulation jurisdictions (23%). Where there is insufficient expertise or substance locally, oversight can be compromised making it harder for the management company to act independently and in the best interests of investors, potentially prioritising commercial interests over client outcomes.

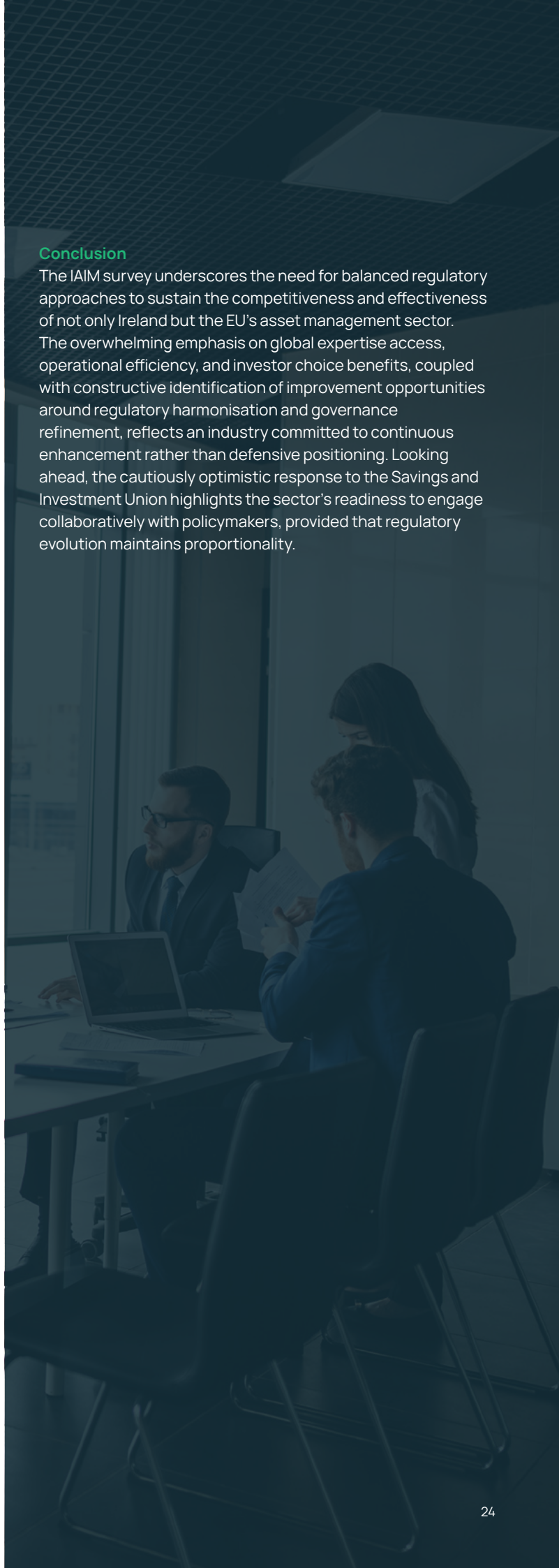
Finally, there was concern that if delegation to non-EU entities is further restricted, it could reduce investor choice and increase costs. "Fewer funds and less competition would likely mean higher fees and limited access to global expertise, negatively impacting investor outcomes". This risk was highlighted by firms with international investment teams and those offering a broad range of asset classes.

Impact of the Savings and Investment Union (SIU)

The prevailing sentiment was cautious yet optimistic with managers confident that through adequate industry consultation, the SIU can advance both supervisory coherence and market depth without compromising global connectivity. Respondents remained positive emphasising success of this initiative is dependent on regulatory requirements remaining pragmatic and proportionate. Although, many firms expect the SIU to increase regulatory complexity and operational costs, especially if delegation requirements are tightened or, if higher local substance rules are introduced. Respondents also highlighted concerns about new rules leading to more burdensome processes and shifting oversight from National Competent Authorities (NCAs) to pan-European bodies like ESMA. Stricter regulation may reduce the efficiency of the delegation model, drive up operational costs, and diminish competition and product choice for investors. However, the potential benefits in the SIU, such as reduced cross-border operational costs and expanded distribution channels are overall expected to encourage investment flows within the EU.

Conclusion

The IAIM survey underscores the need for balanced regulatory approaches to sustain the competitiveness and effectiveness of not only Ireland but the EU's asset management sector. The overwhelming emphasis on global expertise access, operational efficiency, and investor choice benefits, coupled with constructive identification of improvement opportunities around regulatory harmonisation and governance refinement, reflects an industry committed to continuous enhancement rather than defensive positioning. Looking ahead, the cautiously optimistic response to the Savings and Investment Union highlights the sector's readiness to engage collaboratively with policymakers, provided that regulatory evolution maintains proportionality.



Ireland Inc

As of 2024, Ireland has solidified its status as the European Union's second-largest fund domicile by assets under management (AUM), trailing only behind Luxembourg in scale while maintaining dominance in specialised sectors such as securitisation and exchange-traded funds (ETFs). This is underpinned by its capture of 71% of the European ETF market and 45% of the UCITS money market fund (MMF) sector by AUM, reflecting advantages in regulatory frameworks, tax efficiency, and expertise in cross-border distribution. These metrics position Ireland not only as a financial hub but as a critical player within the EU particularly through initiatives launched by the Capital Markets Union (CMU) that seek to harmonise investment accessibility across member states and make the Union a safer space for longer term retail investment.

Due to increasing macroeconomic pressures particularly inflation and the rising living costs, there is an increased demand for diverse savings and investment vehicles among retail and institutional investors alike. The Irish government's Funds 2030 strategy addresses these changes by outlining plans to strengthen product innovation, digital infrastructure, and investor protections. This approach aligns with EU goals through the proposed Savings and Investments Union (SIU), which seeks to broaden capital market access while managing risks through increasing transparency, standardised disclosures and investor education.

Critically, both national and EU policymakers recognize that technological literacy and financial education are prerequisites for inclusive market participation. Ireland's National Financial

Literacy Strategy, launched in tandem with the CMU's consumer empowerment pillars, focuses on demystifying complex investment products through public workshops and digital learning platforms. These efforts aim to reduce the advice gap for retail investors, particularly younger demographics disproportionately affected by economic volatility.

"Ireland exports 11 billion worth of Financial Services equivalent to 6.3% of the country's 2022 GDP"

Ireland's outsourcing and operational resilience guidelines set a high benchmark for managing systemic risks across an Ireland's outsourcing and operational resilience guidelines set a high benchmark for managing systemic risks across an interconnected financial Ireland's outsourcing and operational resilience guidelines set a high benchmark for managing systemic risks across an interconnected financial ecosystem. The CBI ensures firms prioritise investor protection and financial stability through mandatory board accountability, strict third-party oversight, and continuous improvement. For regulated entities, following these frameworks goes beyond mere compliance, it's a strategic necessity for building trust, strengthening competitiveness, and managing emerging threats. The alignment of these guidelines with EU regulations reinforces Ireland's role as a key hub for cross-border fund management, providing investors with confidence in Irish-domiciled structures and, non-Irish structures that are managed by an Irish Management Company.



Contacts



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Chief Executive Officer
Irish Association of Investment Managers

Michael was appointed CEO of the IAIM in October 2020. He had previously been a member of the Oireachtas (Irish Parliament) from 2007. He served on a number of committees including Finance and Public Accounts and was appointed to the statutory Banking Inquiry which investigated the collapse of the Irish banking sector prior to 2008.

In 2017, Michael was appointed Minister of State at the Department of Finance with responsibility for Financial Services and Insurance. During his term in office, he led the Irish government's campaign to relocate the European Banking Authority from London to Dublin. He launched a new 5-year strategy for the IFS sector (Ireland for Finance, April 2019). He chaired both the Government's Industry Advisory Committee and High-Level Implementation Committee. Michael attended Eurogroup and Ecofin meetings on behalf of the Government of Ireland.



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Niamh leads the Investment Management sector and is a partner in Deloitte's Financial Services audit division. Niamh specialises in the provision of assurance and advisory services to clients in the investment management and structured finance sectors, with a focus on alternative investments.

Niamh has substantial experience in risk, accounting, advisory and audit services, advising clients on operational, regulatory and valuation matters, garnered from working with both Irish domiciled companies as well as large multinational entities. She is an expert in IFRS, US GAAP and Irish GAAP and International Standards on Auditing and also US Generally Accepted Auditing Standard. Niamh is also PCAOB accredited.



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Stephanie joined Deloitte in January 2025 as Director of Investment Management Regulatory Knowledge overseeing emerging regulations and, driving strategic regulatory business development for the Investment Management team.

Stephanie is a seasoned Compliance practitioner with expertise in Irish, Luxembourgish, and UK regulations, and additional experience in the US, HK, and Singapore. She has held a number of key roles, including Chief Compliance Officer and Head of Financial Crime and has formerly been pre-approved by the Central Bank of Ireland and the CSSF.



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As the Head of Financial Services at Deloitte Ireland, Donal is responsible for leading and shaping the firm's strategy in supporting the financial services industry. With over 27 years of experience at both a domestic and global level, Donal specialises in advisory and consulting services, focusing on large-scale transformation programmes within the industry.

Donal has assisted clients in bringing new products and services to market, driving transformation through technology, and implementing organisational and operating model changes to maximise business value. He has also guided clients through complex remediation challenges.

Additionally, Donal plays a pivotal role in advancing Deloitte's community and social agenda, having spearheaded several firm-wide charity initiatives across Ireland.



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Ciara is a partner in Risk Advisory specialising in Risk and Regulation advisory with exposure to a diverse client base including Banks, FinTechs, Payment firms, E-money firms, (re)Insurance companies and Investment firms.

Ciara has extensive knowledge, expertise, and credentials in supporting clients in the domestic and European regulatory environment obtained through 15 years of experience in regulatory, risk and compliance roles in industry and professional practice. She advises clients on complex regulatory challenges including regulatory change, licensing and authorisations, second line of defence effectiveness and optimisation and the risk and regulatory impacts of restructuring.



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