INVESTMENT MANAGEMENT CLIENT ALERT MAY 2026

Date: 21 May 2026

EU Asset Management and Investment Funds Alert

By: Dr. Philipp Riedl, Dr. Hilger von Livonius, Dr. Martin Berg, Susanne Albrecht-Roggenstroh, Dipl.-Kffr.

ECON COMMITTEE REPORT ON SFDR 2.0

On 28 April 2026, the European Parliament's Committee on Economic and Monetary Affairs (ECON Committee) published the draft of its report on the revision of the Sustainable Finance Disclosure Regulation (SFDR 2.0).

Among other things, the report proposes that SFDR 2.0 should also apply to packaged investment products within the meaning of the PRIIPs Regulation. This would, for example, also include structured securities.

Stricter requirements are also proposed with regard to the principal adverse impacts of investment decisions on sustainability factors (PAIs). One proposal provides that products under Article 8 of SFDR 2.0, “ESG Basics,” should also be required to disclose mandatory PAIs. These mandatory PAIs would apply to all product categories.

For the categories under Article 7, “Transition,” and Article 9, “Sustainable,” an increase in the minimum share of taxonomy-aligned investments from 15% to 20% is proposed.

While an extended transitional period of 24 months is generally proposed, the relief measures planned under SFDR 2.0—for example, the removal of entity-level PAIs—are intended to enter into force immediately.

The report is still at an early stage and, after being adopted by the ECON Committee, must also be adopted by the European Parliament.

BAFIN CONSULTS SECOND DRAFT OF WPI MARISK

On 6 May 2026, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*,BaFin) published the second draft of a new circular entitled “Minimum Requirements for the Risk Management of Investment Firms” (*Mindestanforderungen an das Risikomanagement von Wertpapierinstituten*, WpI MaRisk) and opened it for consultation. Compared to the first draft from August 2025, this version is less extensive and now focuses on the statutory minimum requirements for small and medium-sized investment firms (*Wertpapierinstitute*). It is designed to offer a flexible and tailored framework for shaping business organization and risk management within these firms. Additionally, the circular aims to address deficiencies in the investment sector that could put the security of entrusted assets at risk; undermine the proper execution of investment services, ancillary investment services, or related transactions; or cause significant disadvantages for the wider economy. It is also intended to help reduce the risk of disorderly resolution of investment firms. The guiding principle of the WpI MaRisk is prudential supervision to protect clients, which requires proper business organization and effective risk management by the investment firms.

©2005-2026 K&L Gates LLP. All Rights Reserved.

Large investment firms remain excluded from the scope of the WpI MaRisk, as the MaRisk for banks in its current version shall continue to apply to them.

Comments on the draft can be submitted to BaFin until 17 June 2026. The final coordinated circular is scheduled to come into effect from 1 January 2027.

BAFIN TO APPLY ESMA GUIDELINES ON LMTS

On 5 May 2026, BaFin announced that it will apply the guidelines of the European Securities and Markets Authority (ESMA) on liquidity management tools (LMTs) for open-ended funds.

The ESMA guidelines were published on 12 March 2026 and contain the supervisory framework relating to the selection and calibration of LMTs for Undertakings for Collective Investment in Transferable Securities (UCITS) and open-ended alternative investment funds (AIFs). The guidelines will therefore be incorporated into BaFin's supervisory practice.

ESMA ADVANCES SIMPLIFICATION OF EU REPORTING OBLIGATIONS FOR FUNDS AND TRANSACTIONS

On 4 May 2026, ESMA published two key reports on simplifying regulatory reporting obligations in fund and transaction reporting. The aim is to reduce the increasing complexity and operational burden of European reporting regimes for fund managers and other market participants.

At the center of ESMA's approach is the “report once” principle: In the future, market participants should, as far as possible, only have to report data once, while supervisory authorities should be able to exchange information more efficiently across the European Union. This is intended to reduce duplicate reporting, inconsistent data requirements, and parallel reporting processes.

For the funds sector, ESMA proposes a harmonized EU-wide reporting framework with a single reporting template. The currently fragmented national reporting systems are to be gradually replaced by a common European system. A hybrid model is envisaged, under which data collection would continue to take place at national level, while data validation and analysis would be consolidated more strongly at the EU level. Initially, the reporting obligations under the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities (UCITS) are to be merged in particular.

In addition, ESMA published an interim report on simplifying transaction reporting under the European Market Infrastructure Regulation (EMIR), the Markets in Financial Instruments Regulation (MiFIR), and the Securities Financing Transactions Regulation (SFTR). The authority identifies overlapping requirements, inconsistent data standards, and frequent regulatory changes in particular as major cost drivers for the industry. In the long term, ESMA is also examining the introduction of an integrated “report once” model in this area. Specific regulatory recommendations are expected to follow by mid-2026 after further market consultation.

For fund initiators, management companies, and other regulated market participants, the proposals could have significant medium- to long-term implications for reporting processes, data management, and IT interfaces. At the same time, there are indications of greater standardization of European supervisory data, which is likely to entail higher requirements for data quality and governance in the future.

©2005-2026 K&L Gates LLP. All Rights Reserved.

CONSULTATION PAPER ESMA—GUIDELINES ON THE ENDORSEMENT REGIME UNDER ARTICLE 11 OF THE ESG RATINGS REGULATION

The Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities (ESG Ratings Regulation) will apply from 2 July 2026. From that date, in-scope entities will have one month to notify ESMA of their intention to apply for authorization, registration, or recognition under the ESG Ratings Regulation.

Entities that apply for authorization may also request to endorse ESG ratings issued by legal entities established outside the European Union. The purpose of the ESMA guidelines is to provide additional guidance on the requirements and documentation expected for such applications and on how the endorsement process should be implemented in practice.

ESMA has opened a consultation on draft guidelines outlining its proposed framework for endorsing ESG ratings issued outside the European Union under Article 11 of the ESG Ratings Regulation. The draft guidelines are intended to clarify the information and documentation that firms must provide when seeking approval to endorse third-country ESG ratings. The endorsement regime aims to ensure continued access to global ESG data while maintaining market integrity and protecting investors.

According to ESMA's proposed framework, ESG ratings endorsed under the regime would be expected to comply with standards broadly comparable to those applicable to EU-authorized rating providers, including requirements relating to governance, methodologies, and transparency disclosures.

The consultation paper provides a detailed table outlining the documentation ESMA expects applicants to submit when seeking endorsement of ESG ratings, mapped against each requirement set out in Article 11. It also explains how rating providers may demonstrate ongoing compliance with the specific obligations under Article 11.

ESMA is inviting feedback on both the proposed application information requirements and the continuous supervisory obligations.

The consultation closes on 29 May 2026. ESMA will publish further information on the outcome of the consultation and the adoption of the guidelines no later than the end of July 2026.

©2005-2026 K&L Gates LLP. All Rights Reserved.

KEY CONTACTS



DR. PHILIPP RIEDL
PARTNER

MUNICH
+49.89.321.215.335
PHILIPP.RIEDL@KLGATES.COM



DR. MARTIN BERG
PARTNER

BERLIN
+49.30.220.029.325
MARTIN.BERG@KLGATES.COM



DR. HILGER VON LIVONIUS
PARTNER

MUNICH
+49.89.321.215.330
HILGER.LIVONIUS@KLGATES.COM



SUSANNE ALBRECHT-ROGGENSTROH, DIPL.-KFFR.
PARTNER

BERLIN
+49.30.220.029.326
SUSANNE.ALBRECHT-ROGGENSTROH@KLGATES.COM

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.

©2005-2026 K&L Gates LLP. All Rights Reserved.