

Performance Magazine

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FOREWORD



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The investment management industry is approaching a pivotal moment. Across markets, firms are navigating a landscape shaped by technological acceleration, evolving investor expectations, regulatory transformation, and the continued expansion of private markets. What once appeared to be gradual change is now becoming structural, forcing organizations to rethink how they operate, innovate, and build trust in an increasingly interconnected financial ecosystem.



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Artificial intelligence sits at the center of many of these conversations. Yet the debate is no longer limited to whether AI represents disruption or opportunity. The real challenge lies in determining how firms can adopt emerging technologies in a way that delivers meaningful operational value while preserving resilience, governance, and human connection. As explored throughout this edition, the most successful organizations will likely be those capable of combining innovation with adaptability, embedding technology not simply as a productivity tool, but as a strategic component of long-term transformation.

At the same time, the rapid growth of private markets is exposing the operational complexity that exists beneath the industry's expansion story. Sophisticated fund structures, fragmented data environments,

and increasingly demanding reporting expectations are placing pressure on existing operating models. This has accelerated interest in next-generation solutions, including agentic AI and integrated digital architectures capable of improving coordination, scalability, and decision-making across investment operations. As alternatives continue to grow globally, operational efficiency is becoming as important as investment performance itself.

Regulation and product innovation also remain central themes shaping the future of the industry. The ongoing evolution of the sustainable finance agenda, including discussions around SFDR 2.0, reflects the market's continued effort to improve transparency, strengthen investor confidence, and address concerns around greenwashing. Meanwhile, Europe's structured credit landscape is entering a new phase of maturity, with the continued development of collateralized loan obligations and CLO-backed ETFs broadening access to floating-rate investment opportunities and reshaping private lending markets.

Alongside these developments, jurisdictions that combine regulatory sophistication with operational flexibility continue to strengthen their global positioning. Luxembourg's growing role as a hub for crypto-asset investment funds

illustrates how established financial centers are adapting to emerging asset classes, while Ireland's evolving private fund structures demonstrate the importance of tax efficiency, legal flexibility, and regulatory modernization in attracting international capital. These developments underscore a broader industry trend: competitiveness increasingly depends on the ability to support innovation within robust and trusted frameworks.

In this edition of *Performance*, we explore the forces redefining investment management—from AI-driven transformation and operational modernization to sustainable finance, digital assets, and the evolution of Europe's private capital markets. Together, these perspectives highlight an industry balancing innovation with resilience, and growth with responsibility. We hope this edition provides valuable insights as firms continue to navigate one of the most transformative periods in the history of asset management. Happy reading.





EDITORIAL



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Ireland's asset management industry has experienced an immense growth trajectory over the past 18 months, with the net asset value (NAV) of Irish domiciled funds rising to around €5.51 trillion by Q4 2025¹, up from just below the €5 trillion mark in mid 2024.

Throughout 2025, the sector demonstrated consistent momentum. Despite a brief dip in Q1 2025, NAV increased as of Q2 and continued rising through the year². This resilience mirrors broader European trends, with the Undertakings for collective investment in transferable securities (UCITS) breaking record sales in 2025, and the aggregate net assets of European UCITS and alternative investment funds (AIFs) surpassing the €25 trillion milestone for the first time³. Ireland's exchange-traded fund (ETF) market has been particularly strong accounting for approximately 75% of the European ETF market⁴.

Alongside its established strengths in UCITS and the surge in ETFs and money market funds (MMFs), Ireland's funds industry is broadening its range of products in private markets, private credit, and other alternative assets.

Innovative fund structures such as the Irish Investment Limited Partnership (ILP) and the democratization of

investor access, continue to carve a path for the European long-term investment funds (ELTIFs) and other semi liquid structures.

Simultaneously, interest in tokenization has piqued as industry bodies seek to make strides moving this from merely discussion to mainstream⁵ and, managers accelerate the adoption of technology and AI as operational efficiency becomes a competitive necessity.

All of this is unfolding amid persistent fee pressure, asset valuation and market risks, margin compression, liquidity and leverage risks, and increasingly complex operating models. A familiar sentiment echoed across many jurisdictions.

Looking ahead to H2 2026 and beyond, Ireland's Presidency of the Council of the European Union could be a key moment for the European funds sector, with a particular opportunity to shape progress on the Savings and Investments Union and the related measures aimed at strengthening EU competitiveness.

Against a backdrop of ongoing geopolitical unrest, managers will need to balance growth ambitions with stringent risk management and operational resilience.

At the same time, the regulatory landscape will remain a defining factor, as firms adapt to the revised UCITS frameworks and the Alternative Investment Fund Managers Directive (AIFMD), as well as the evolution of the Sustainable Finance Disclosure Regulation (SFDR). Further changes are anticipated that will affect distribution, disclosure, and value for money.

In this edition of *Performance*, we look at the modernized ILP and the Collective Asset-management Vehicle (ICAV) as tax-efficient Irish vehicles for those operating in private markets. The topics of AI, ETFs, and liquidity are explored through the lens of European collateralized loan obligations (CLOs), and we provide a practical view on AI for asset managers as we deep dive into integration and operational considerations.

We explore the future of asset management more broadly drawing on interviews with senior industry leaders for their foresight. We also continue the private markets discussion, examine the next generation, simplification, and the importance of people in an increasing digital world.

1. [Irish Funds data](#)
2. [Investment fund stats](#)
3. [EFAMA stats](#)
4. *ibid*
5. [DP12](#) DLT paper CBI

The future of asset management

TRUST, TECHNOLOGY, AND THE IMPORTANCE OF CONNECTION IN A TRANSFORMING INDUSTRY



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INTRODUCTION

Across global markets, investment leaders are rethinking how value is created and how collaboration can unlock growth. Technology is now embedded in the architecture of the investment industry, powering everything from private-market access to personalized portfolios. Yet for the leaders driving this change, progress still begins and ends with trust. Niamh Geraghty, Partner and Investment Management Lead at Deloitte Ireland discusses with **Enda McMahon, BlackRock** Country Head for Ireland and **Ann Prendergast**, Head of EMEA at **State Street Investment Management**, their views on the Future of Asset Management.



"Clients are and always will be at the front of everything we do," explains Ann Prendergast. "That is where we always start. And then we're thinking about how that feeds into our vision and our strategy. We're positioning ourselves for growth, and that's client led."

"It's a fiduciary industry," Enda agrees. "It's all about acting in the clients' best interests. Managing assets over the long term requires an incredible level of trust."

That trust and client-centricity remain the fixed points around

which innovation turns, according to Niamh Geraghty, "because for all the technology and transformation, it is still about earning and protecting that enduring trust."

"Recognizing the direction of travel of the industry, technology is hugely important" says McMahon highlighting the importance of progress. "We are positioning ourselves for the future and indeed shaping it through our commitment to the ecosystem and by advocating for sensible policy outcomes, which will drive industry growth."

Prendergast agrees, noting that the industry's relationship with technology has fundamentally evolved. At State Street IM, technology is viewed in three ways: "How it allows us to engage with clients. How it helps us manage our business more effectively, and how it supports our investment decisions."

"One key focus," Prendergast continues, "is being less reactive and more proactive, giving end investors, whether institutional or retail, timely access to information about their portfolios so they can

make informed decisions instantly. Technology allows that."

For Geraghty, this reflects Deloitte's view and a broader industry shift. "Technology is, in effect, democratizing access."

"Exactly that. Eighteen- to twenty-five-year-olds are already actively engaging with technology and investments," Prendergast explains. "Their allocations may be small today, but platforms allow them to participate, and we are seeing this across Europe. With a significant intergenerational

transfer of wealth expected in about fifteen years, this cohort will already be accustomed to digital engagement. The industry needs to be ready for that.”

One area of continued evolution for both firms is in Exchange- Traded-Funds (ETFs). “The wrapper is inherently flexible and lends itself to innovation,” McMahon notes.

“ETFs, private markets, high-growth regions like the Middle East and APAC, that’s where we’re positioning for growth,” Prendergast adds. “We have built an expanding network of strategic partnerships that complement our expertise, from specialists to product providers to wealth platforms.”

As the discussion turns to the intersection of innovation and digitization, attention shifts to tokenization and digital assets.

“There’s a sense of inevitability around tokenization,” McMahon says. “It represents other assets in ways that facilitate fractionalization, make them easier to distribute and, increased accessibility. We’ve been discussing it for a long time, but I think the tipping point will come when legal and regulatory views align.”

“Enda is absolutely right,” Prendergast agrees. “It’s that confluence of technology, regulation, user experience, and institutional integration that we must bring together. We’ve been thinking about this for some time, but it’s one of those areas where all stakeholders must work together.”

Deloitte has witnessed the same dynamic in other emerging technologies. But progress depends not just on innovation, but on alignment.

“There’s an expectation that by 2030, 22% of private-markets Assets Under Management (AUM) will be held by individual investors, including retail clients” Prendergast notes. “This asset class is no longer just institutional. Retail investors are seeing the advantages of private markets and want access. They want managers who think about how private markets fit with their overall portfolio.”

McMahon echoes that sentiment. “These are major growth areas. Managing private assets requires different infrastructure and different operational models. They are less scalable and more complex, but we see them as a fundamental part of the future portfolio, maybe something like 50-30-20, with 20% allocated to private assets.”

Whether through partnership or acquisition, both approaches point to the same truth. “Private markets are where much of the innovation is happening,” Niamh observes, “but they require a different kind of resilience.”

When the conversation pivots to artificial intelligence, all three agree that its potential is enormous, but so are the responsibilities that come with it.

“Of course, AI is really important,” Prendergast points out, “but it comes with significant considerations: regulatory compliance, legal considerations, data privacy, confidentiality. We also have to consider third-party oversight, and ethics and ensure our people feel empowered to use these tools responsibly.”

“We’re bringing AI to our boards on a regular basis,” adds McMahon, “and asking our



service providers to present to us on their AI offerings. It carries huge potential in terms of scale and efficiency, but there are operational challenges too, getting people comfortable with it, bringing boards on the journey. People have to be encouraged and trained responsibly, with policies and guardrails. But the potential is extraordinary.”

“AI has the power to enhance human judgment rather than replace it,” Geraghty agrees. “Firms that succeed are those that pair technological fluency with emotional intelligence as this is essential to the next generation of leadership.”

“We’re in a time of tremendous change,” Prendergast says, and leaders must help their teams feel empowered and safe as they navigate through this. Leaders need to have emotional intelligence and resilience.”

For McMahon, the challenge is sustaining adaptability and empathy at scale. “Leadership now means being comfortable with change and creating cultures where curiosity and openness thrive. Authoritarian styles don’t work anymore. It’s empathy that connects people.”

Inevitably, the discussion turns to consolidation, a defining feature of today’s investment landscape.

“I think consolidation is a good thing,” McMahon says. “Scale allows you to continue to innovate, and that innovation offers further choice. Some worry about reduced competition, but I don’t see it that way. Consolidation brings operational strength, client safety, and value for money.”

“Institutional investors and wealth platforms are increasingly wanting to do business with fewer providers,”



adds Prendergast. Larger firms are better suited to give investors a breadth of product offering across asset classes, risks, and geographies at attractive price points. That's driving consolidation. And while there will always be niche players, clients want to focus on larger partners, and then select specialists for specific gaps. It's a trend that will continue."

"Simplicity in a complex world." Geraghty adds. "Clients are looking for fewer, deeper relationships, and that's reshaping how value is defined." Fee compression is both a driver and a consequence of that consolidation.

"Fee compression has been a feature of this industry for such a long time," says McMahon. "We seem to get more fee compression in two years now than we used to in five. It's not going away. You have to have scale to make sure you can

continue to run your business with reasonable profitability in the face of lower revenues per unit of assets managed, and you have to innovate in spaces where you can support a different price point."

As the discussion draws to a close, the focus shifts to the policy environment, particularly Europe's ambition to build a Savings and Investment Union.

"There's a lot of talk about financial services doing more to grow the real economy," McMahon reflects. "There's so much capital sitting in low-yielding or zero-yielding accounts that needs to be mobilized. But there's a dissonance between the policy objectives and what's happening. We need a regulatory infrastructure that allows those funds to flow."

Across the industry, momentum is building, but challenges remain. "The EU is making progress," Prendergast adds "but there's still a lot more we could be doing. We need to remove barriers to scale and think about how to make investment accessible for citizens. Ireland has an opportunity, we have one of the largest fund domiciles in the world, but we still have billions sitting on deposit. That's a gap we have to address."

CONCLUSION

The window to act is much narrower than many realize. Industry leaders must accelerate the development of infrastructure that makes private markets and tokenized assets accessible to retail investors not as an afterthought, but as a core operating model. Simultaneously, firms must navigate fee compression not through cost-cutting alone, but through operational excellence and ecosystem partnerships that create

genuine value differentiation. Finally, the industry's collective responsibility is to demonstrate to regulators and policymakers that capital mobilization serves both commercial interests and the real economy.

The firms that thrive will not be those that optimize for today's landscape rather, it will be those that invest in capabilities they may not fully monetize for three to five years. For clients, regulators, and for the teams working together, that commitment to sustained purpose is ultimately what builds enduring trust."

"What I think this conversation shows," Geraghty observes, "is that the future of investment management isn't just about technology or regulation. It's about connection between firms, between markets, and with clients. Those who can combine innovation with empathy, and scale with purpose, will define the next decade."

TO THE POINT

- **Trust and client focus remain central.** Despite rapid technological change, long-term trust and client-centricity continue to anchor the industry's strategy and evolution.
- **Technology is reshaping delivery and access.** AI, data, and digital platforms are redefining engagement, operations, and investment access, from portfolio personalization to private-market democratization.
- **Private markets and ETFs drive future growth.** Institutional and retail investors alike are increasing allocations to private assets and ETFs, demanding scalable, transparent, and digitally enabled solutions.
- **Leadership and culture are evolving.** The next decade of success will depend on adaptive, empathetic leadership that balances innovation with responsibility and embeds technological fluency across teams.
- **Consolidation and scale underpin resilience.** Fee pressure and client preference for deeper partnerships are driving mergers and integration, enabling efficiency, product breadth, and sustainability in a compressed margin environment.

Irish Private Fund Structures

OVERVIEW OF ILP AND ICAV STRUCTURES, INCLUDING KEY FEATURES AND RECENT DEVELOPMENTS



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INTRODUCTION

Ireland offers a robust, flexible, and tax-efficient environment that attracts both global asset managers and investors. The Irish private funds sector features a variety of fund vehicles tailored to different investment types and regulatory requirements. Among these, the Investment Limited Partnership (“ILP”) and the Irish Collective Asset-management Vehicle (“ICAV”) are the most prominent in the market.

Investment Limited Partnership: Structure, Operation and Key Features

An ILP is a common law partnership regulated by the Central Bank of Ireland “CBI”, designed specifically for investment funds including private equity, real assets and infrastructure. ILPs are regulated as alternative investment funds (“AIFs”) and can be formed as a Retail AIF (“RAIF”) or a Qualifying Investor AIF (“QIAIF”).

Structure and operation

An ILP is established by way of a partnership agreement between one or more General Partners (“GPs”) and one or more Limited Partners (“LPs”), governed by the Investment Limited Partnerships Act 1994. The Investment Limited Partnerships (Amendment) Act 2020 introduced several key changes to modernize the Irish ILP which have further strengthened Ireland’s appeal as an investment destination.

The GP is responsible for managing the ILP’s business and would typically be structured as a body corporate (although non-body corporates are permissible as GPs). The GP can be domiciled in any jurisdiction and is not required to be an alternative investment fund manager (“AIFM”), but the GP is subject to the CBI’s fitness and probity regime.

LPs have limited liability which they can retain even when involved in certain activities related to the ILP. Their risk is limited to the amount they have invested in the ILP.

While the GP can act as the AIFM, it is more likely to be

a single use limited liability corporate entity due to the unlimited liability it will have for the debts of the company.

Key features

- An ILP is not a separate legal entity. All the assets and liabilities belong jointly to the individual partners.
- Tax transparent investment vehicle – income and gains at a fund level are attributed directly to the partners.
- Generally, no Irish tax expected on income at fund level or on distribution to partners.
- ILP is typically considered to be tax transparent from a US tax perspective but can be “checked closed” from a US tax perspective if desired.
- GP can be domiciled in any jurisdiction and does not need to be a corporate vehicle.
- ILPs may establish umbrella funds with segregated liability between sub-funds in the event of insolvency (similar to other regulated fund types). Umbrella funds allow for diverse investment strategies within one structure.
- Amendments to the ILP agreement require approval by a majority of limited partners (by value or class, for example) and a majority of the general partners, removing the need for consent from all LPs (unless provided for within the limited partnership agreement).
- ILP can avail of the CBI 24-hour approval process (however depends on approval status of participants).
- ILPs may register an alternative foreign name in a non-English speaking jurisdiction to allow for more efficient marketing in other jurisdictions.



Irish Collective Asset-management Vehicle: Structure, Operation and Key Features

Introduced in 2015, the ICAV is a corporate vehicle regulated by the CBI and can be authorized as both a UCITS (Undertakings for Collective Investment in Transferable Securities) and an AIF (as a QIAIF or a RAIF). It combines the benefits of a corporate structure with enhanced flexibility and tax efficiency.

Structure and Operation

An ICAV is governed by the Irish Collective Asset-Management Vehicles Act 2015 and is essentially a corporate entity limited by shares but with variable capital, which allows the ICAV to issue and redeem shares without the need for shareholder approval for capital changes.

An ICAV must appoint a depository located in Ireland to perform functions such as safe keeping of assets, cash monitoring and oversight duties.

An ICAV is managed and controlled by its board of directors however the board generally delegates many functions to third party service providers, including fund administration and investment management services.

Key features

- Separate legal personality, allowing the ICAV to hold assets and enter contracts in its own name.
- ICAVs can be structured as an umbrella fund with multiple sub-funds, each with segregated liability, enabling fund managers to offer a range of investment strategies under one legal entity.

- ICAVs can file a “check the box” election to be treated as a partnership for US federal income tax purposes.
- ICAVs are not subject to annual tax on income or gains however it has a responsibility to deduct exit tax in respect of payments made to certain unit holders and on deemed disposals. Non-resident unit holders can generally receive distributions free from tax provided a non-resident declaration is submitted.
- Can benefit from reduced withholding tax rates on certain income due Ireland’s extensive double taxation treaty network.

Upcoming changes impacting Irish fund vehicles

Finance Bill 2025, announced on 16 October 2025, introduced a number of key changes to Irish domestic tax legislation which will positively impact both corporates and partnership fund vehicles operating in the private assets space.

DWT Exemption

Effective from 1 January 2026, there will be a new dividend withholding tax ("DWT") exemption on distributions made by Irish corporate entities to ILPs where certain conditions are met.

The following conditions must be satisfied by the ILP to avail of the exemption:

- The partners must be beneficially entitled to at least 51% of the ordinary share capital of the company making the distribution,
- The distributing company's ordinary share capital must be an asset of the ILP, and
- The ILP must submit a declaration to the distributing company in the form prescribed by the Irish Revenue Commissioners before the distribution is made. At the date of drafting, the declaration had not yet been released by the Irish Revenue Commissioners.

This extension of the DWT exemption to ILPs is a positive development which can significantly reduce tax drag for ILP investors. Consideration will also need to be given to the Outbound Payments Defensive Measures as dividend payments are also subject to these rules.

Reduction in exit tax for Irish taxable investors

Also effective from 1 January 2026, Finance Bill introduced a reduction in the rate of exit tax applicable from 41% to 38% on distribution and redemption gains paid to Irish taxable investors in ICAVs (and other opaque funds).

Reverse hybrid rules

At the time of writing, the Committee Stage amendments to the Finance Bill 2025 were published. There are welcome updates particularly in the context of the reverse hybrid rules, with the broadening of the meaning of collective investment scheme, increasing the % threshold of diversification from 10% to 20%. Further, the legislative amendments provide clarity

that an ILP Holdco structure should not inadvertently fall foul of the reverse hybrid rules due to lack of diversification.

CONCLUSION

With the continued growth in the private asset sector, there are a variety of fund structures available to be utilized in a number of jurisdictions, each with unique legal and operational features. Ongoing regulatory developments continue to shape the environment in which these vehicles operate, both in an Irish and wider European context. When choosing a fund structure, it is important to consider the key features, rules and requirements of the jurisdiction in line with the investment strategy.

TO THE POINT

- ILPs are common law partnerships regulated by the CBI, with limited liability for Limited Partners. They can avail of quick regulatory approval for QIAIFs, possessing umbrella fund capabilities and are tax transparent vehicles.
- ICAVs are corporate vehicles with separate legal personality. They can be structured as an umbrella structure with no Irish tax on income or gains at the fund level. The ICAV can generally access Ireland's double tax treaties and the option to "check the box" for U.S. tax purposes.
- From 1 January 2026, ILPs can benefit from a new DWT exemption on qualifying distributions from Irish corporate entities (e.g. asset holding companies), subject to certain conditions being met.
- Also effective from 1 January 2026 is a reduction in the rate of exit tax (from 41% to 38%) on distributions/redemption gains paid to Irish taxable investors in ICAVs (and other tax opaque funds).



Rethinking alternative investment operations

AGENTIC AI AND THE PATH TO SMART, AUTONOMOUS OPERATIONS



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INTRODUCTION

Private markets are often framed as a growth story, yet beneath the expansion lies a coordination challenge. Alternatives AUM is accelerating¹, but operational pressure is driven not by scale alone, it is rooted in structural complexity. Sophisticated fund structures, fragmented data ownership, manually processed unstructured documents, and processes reliant on continuous human intervention create an operating model that struggles to scale efficiently.

The effects are tangible: capital is deployed more slowly, cost per unit

of AUM rises, fund closing timelines lengthen, and operations teams absorb an unsustainable share of the burden.

Unlike traditional finance institutions, alternative investment managers are not anchored by decades of deeply embedded legacy infrastructure. This relative freedom creates a rare strategic inflection point: firms have the opportunity not merely to digitize existing workflows, but to reconsider how work should be structured in a more intelligent, adaptive operating environment.

Agentic AI makes this shift attainable. These systems pursue defined business objectives across multiple tools and datasets, coordinating tasks, handling exceptions, and escalating to humans when needed.

For COOs and CIOs, the question is therefore not simply whether to adopt the technology, but how ambitiously to apply it: to embed it within existing operating models, or to use it as a catalyst for designing fundamentally different ones.



The case for a different technology path in Alternatives

Private markets are scaling along a distinct trajectory from traditional asset classes. Global alternatives Asset under Management (AUM) have expanded steadily over the past decade and are widely expected to exceed USD 30 trillion globally by 2030². Yet the operational strain now emerging across alternative investment managers cannot be explained by growth alone.

More consequential is how that growth manifests: longer holding periods that prolong oversight requirements; increasingly bespoke fund structures that resist standardization, jurisdiction-specific regulatory overlays that compound compliance demands; and rising investor expectations for transparency, ESG reporting, and rigorous risk oversight³. Together, these forces are not simply adding scale, they are reshaping the operating burden of the industry.

Many firms have absorbed growth by expanding headcount. The result is a

gradual fragmentation of information, growing reliance on individual knowledge to manage exceptions, and diminishing organizational visibility. For mid-size managers, every new fund introduces incremental operational overhead precisely when speed to market matters most. Complexity in alternatives is no longer cyclical; it has become structural.

The operational pain points are increasingly specific and measurable

- Scalability constraints driven by manual workflows and document heavy processes.

- Siloed teams and rising coordination overhead as strategies and jurisdictions expand.
- Fragmented data spanning portfolio companies, administrators, and internal systems.
- Slower speed to market as operational capacity struggles to keep pace with deal flow.
- A high exception handling burden triggered by bespoke structures and regulatory variability.
- Talent shortages in specialized roles such as risk and compliance.

1. Preqin, "[Private Markets 2030](#)", January 2026.

2. Preqin, "[Private Markets 2030](#)", January 2026.

3. Nicol, Drew, "[Press Release: Frontoffice Gen AI adoption shifts from 'if' to 'when' for leading fund managers, AIMA research finds](#)", AIMA, 16 September 2025.

Unlike traditional financial services such as banking and insurance, alternatives are not constrained by decades of tightly coupled core systems or regulatory architectures built for high frequency, standardized transactions. This relative freedom creates the conditions for a fundamentally different architectural trajectory, one in which technology reshapes how work is performed rather than merely automating fragments of legacy processes.

This is where Agentic AI enters the picture. Rather than optimizing isolated tasks, it offers a means to manage complexity at the system level. By enabling intelligent agents to operate across data sources, applications, and workflows, firms can begin to scale without a proportional increase in operational burden. The step change lies not in technological sophistication for its own sake, but in the capacity to operate differently on a scale.

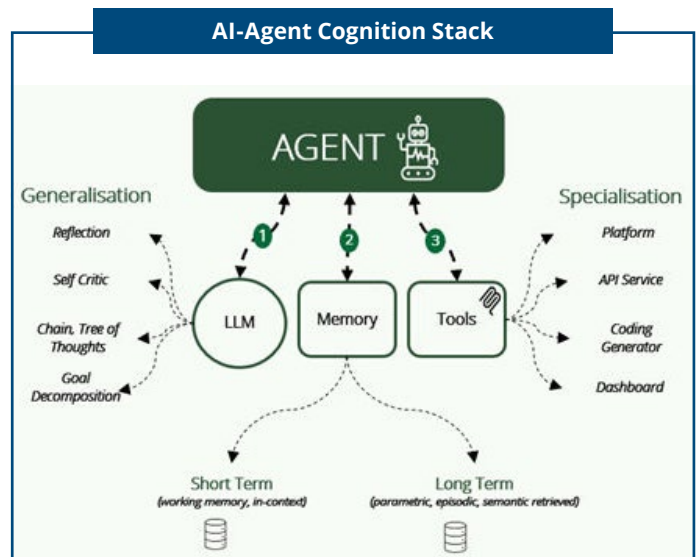
From automation to agency: A structural shift in how work gets done

Most discussions of AI in asset management center on efficiency gains: faster document review, improved data extraction, and accelerated analysis. These advances matter, but they are evolutionary. Agentic AI signals a more foundational shift. Just as electricity reshaped factory design, enabling continuous motion and new production models, Agentic AI makes possible a reconfiguration of operational architecture.

Factories were ultimately redesigned around continuous power rather than constrained by the limits of intermittent mechanical energy. AI now sits at a comparable inflection point. Applied narrowly, it enhances existing workflows; deployed agentially, it redefines them.

The parallel to alternatives is instructive. Early factory owners often installed electric motors exactly where steam engines had stood, capturing only marginal benefits until they reimagined the production line itself. Many firms are making a similar mistake today: placing AI into legacy workflows (document review, data extraction and analysis) rather than redesigning how work is produced end to end. The transformative question is therefore not where AI can be inserted, but what the operating model would look like if agentic intelligence were foundational from the start. Agentic systems perceive information, reason toward objectives, act across tools, and adapt based on outcomes. They pursue goals rather than execute discrete tasks. By coordinating across platforms, systems and other agents, they escalate decisions only when human judgment is truly required.

The implications for alternatives are concrete and operational. In real estate, key stakeholders, from property managers to valuers, often rely on incompatible systems. In private equity, portfolio companies maintain divergent reporting standards and accounting policies. In infrastructure, asset diversity limits standardization. In private debt, borrower data



arrives in fragmented formats across syndicate partners, making covenant monitoring and credit risk assessment intensive. Agentic systems operate across these seams, stitching fragmented processes into continuous flows.

Importantly, autonomy does not mean absence of control. Agents operate within boundaries set by humans: escalation rules, approval thresholds, audit trails. They do not replace humans, they augment professionals by absorbing complexity, allowing experts to focus on judgment and oversight.

Transforming operations: How Agentic AI addresses Alternatives' pain points

AI adoption across asset management is widespread: 95% of fund managers use generative AI somewhere in

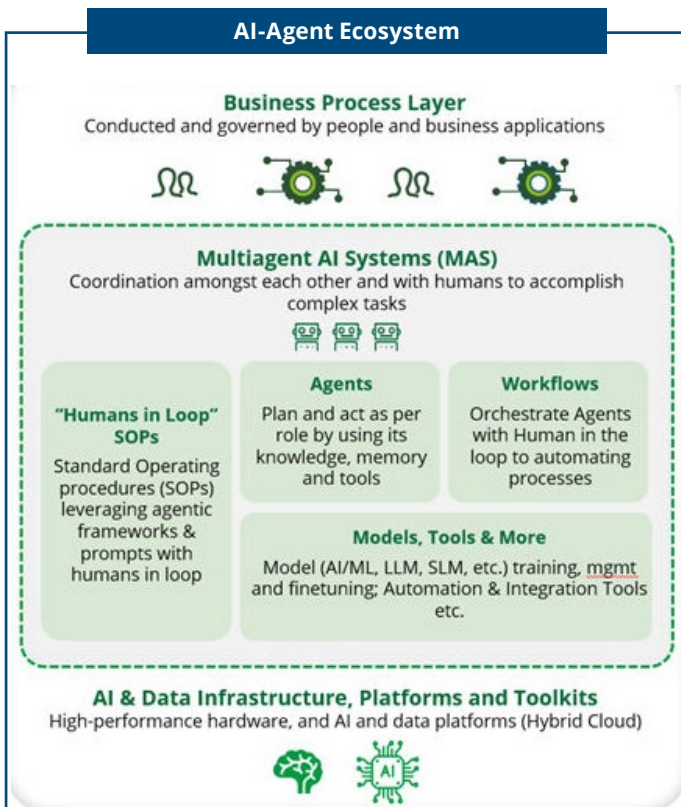
their organization⁴, with the heaviest use in operations, risk, compliance, and reporting⁵, where manual effort and reconciliation costs peak. But this widespread adoption masks a critical distinction. Generative AI is used for daily work: task-level applications augmenting individual productivity. By comparison, Agentic AI in comparison is transformational, yet deployment to transform workflows across functions remains low⁶. The gap is not technological maturity, but operating model readiness and risk management discipline.

Take investor reporting as an example. In most firms today, this process involves a fund accountant pulling data, a compliance officer reviewing regulatory requirements, an operations manager coordinating with administrators, and an investor relation professional finalizing material. The process depends on sequential handoffs, status updates via email, and exception handling through ad hoc conversations. As complexity grows, with more funds, more investors,

4. Rose, Susan, "Artificial Realities: The Use, Risk and Reward of AI for Fund Managers", AIMA, 21 October 2025.

5 Statista, "Top AI workloads in financial services globally 2024", February 2025.

6 Mittal, N; Perricos, C; Rowan, J, and Ammanath, B, "The State of AI in the Enterprise - 2026 AI report", Deloitte, 2026.



and expanding regulatory obligations, firms typically respond by adding headcount at each stage to preserve throughput. The model scales linearly with labor, embedding operational friction rather than eliminating it.

In an Agentic operating model, an agent assumes a role rather than executing a linear function, augmenting human capability in high-volume data environments and taking on low-value, repeatable tasks. Instead of following sequential workflows, agents interact dynamically across systems and stakeholders. An agent can orchestrate data collection, apply jurisdiction-specific regulatory rules, reconcile anomalies against administrator records, and assemble draft reports in investor-specific formats.

Humans retain ownership of outcomes. They define the parameters, escalation triggers, regulatory interpretations, and tone, while focusing their attention on high-value judgement and exception review. This form of augmentation elevates professional contribution rather than displacing it. For a Head of Investor Relations, the shift is meaningful: from production coordinator to strategic advisor, and anticipating investor needs instead of chasing inputs.

Strategy, architecture and trust: The path to scale

Agentic AI cannot compensate for weak foundations. Before autonomy becomes feasible, firms must establish an operating environment capable of supporting agent

deployment. Success rests on institutional discipline and deliberately constructed layers:

- **A curated data layer** that exposes enterprise data and documents securely while enabling scalable access.
- **API-based system integration** that surfaces functionality programmatically, removing bottlenecks created by manual entry.
- **A model layer** housing LLMs and prompt libraries with robust versioning, monitoring, and rollback controls.
- **A tool layer** that makes core applications available for agent use.
- **An orchestration layer** responsible for agent coordination, routing, escalation, and exception management.

Consider quarterly reporting, where data arrives from 30 portfolio companies in disparate formats. Without a coherent architecture, agents remain constrained by the very silos they are meant to overcome. With the right foundations in place, however, agents can orchestrate and execute the end-to-end flow, detecting anomalies, cross-referencing patterns, enriching data from internal systems, applying jurisdiction-specific templates, and escalating only true exceptions.

Trust is often cited as the primary barrier to AI adoption. Executives consistently point to privacy, security, and perceived loss of control as their chief concerns, reinforcing the view that AI operates as a black box beyond effective oversight. Yet these anxieties reflect unfamiliarity more than inherent limitation. With deliberate design, governance and control are entirely achievable.

A private equity firm, for example, can establish full traceability over agent-driven decisions, while an infrastructure manager can ensure transparent covenant interpretation when governance is embedded into the system architecture from the outset.

Trust in AI will not emerge overnight. Firms must build confidence deliberately and incrementally, starting with contained, lower-friction deployments and expanding autonomy only as governance frameworks mature and organizational trust strengthens through demonstrated reliability.

Deloitte's Trustworthy AI framework translates governance intent into concrete architectural requirements spanning foundational elements such as governance, controls, and regulatory compliance, as well as core dimensions including robustness, privacy, transparency, security, and accountability. These principles become operational through specific design choices:

- **Explainability** requires logged reasoning paths.
- **Privacy** demands data minimization by default.
- **Robustness** depends on validation checkpoints before actions propagate.

When governance is embedded architecturally rather than enforced procedurally, control becomes both stronger and scalable.

Deloitte's Trustworthy AI framework is designed to help develop ethical safeguards



What this means for Alternatives leaders

01. Treat this as a structured incremental journey.

Success requires a clear roadmap: defining the destination, sequencing initiatives to build capability progressively, and avoiding fragmented experimentation that leads to ungovernable AI sprawl.

02. Prioritize ruthlessly and iterate continuously.

Focus on areas where coordination pain is greatest and architectural dependencies remain manageable. Begin with contained, high-value domains, learn from each deployment, refine governance through feedback, and allow early insights to shape subsequent phases. Maintain a willingness to experiment, accept setbacks, and explore alternative paths as capabilities mature.

03. Secure the right capabilities.

This transformation spans strategy, data architecture, governance, change management, deep industry and functional expertise. Assess whether these capabilities exist internally; where gaps remain, engage external specialists with a proven track record in comparable transformations.

04. Manage change intentionally.

The scale of this shift demands a disciplined change program. Equip people early as augmentation unfolds. Roles will evolve, processes will be redesigned, and organizational readiness will influence adoption as much as technical capability.

05. Rethink rather than retrofit.

Transformative value emerges when work itself is redesigned, not when AI is layered onto existing processes.



Challenge assumptions about role boundaries, approval hierarchies, and process ownership. Build operating models around outcomes: humans define success and govern exceptions, while agents execute and coordinate.

06. Align AI performance with organizational structure. Outcomes are shaped by governance maturity, data discipline, and the flow of accountability across the enterprise. Without these foundations, even the most sophisticated AI will deliver only incremental gains.

07. Evaluate pragmatic options in combination.

Offshoring, hybrid models, and Agentic AI each have a role to play. The question is less about choosing between them and more about orchestrating the right mix based on process complexity, talent availability, and strategic importance. Tasks that offshore effectively often automate well; the distinction lies in scalability, consistency, and long-term flexibility.

08. Adopt a modular, reusable design.

Engineer for reusability from the outset by building agents as modular components. A due diligence agent, for instance, can be repurposed for covenant monitoring or regulatory tracking with minimal rework. Modularity accelerates prototyping while maximizing architectural return as components scale across functions.

TO THE POINT

- Private markets are constrained less by growth than by structural complexity-sophisticated fund structures, fragmented data, and coordination-intensive processes.
- While GenAI enhances task-level productivity, Agentic AI tackles structural coordination by orchestrating cross-system workflows and reshaping operating models.
- Architecture is the primary constraint: scalable agents require modern core systems, robust data governance, automated workflows, and strong AI governance.
- Success depends on ruthless prioritization, clear ownership, and the disciplined use of specialists, partners, and technology.



How Europe's CLO market is coming of age

A NEW CHAPTER FOR PRIVATE AND STRUCTURED LENDING?



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INTRODUCTION

What was once a bank-dominated ecosystem has evolved into a deep, diversified landscape powered by private lenders, syndicated loans and structured products like collateralized loan obligations (CLOs). Even against the backdrop of geopolitical tension and slower growth, investor appetite continues to build, helped by product innovation and investor's persistent search for yield.

To understand what is driving the rise in both private and liquid credit, we spoke to **Alex Leonard, senior managing director and head of European liquid loan strategies for Blackstone Credit and Insurance (BXCI)**. Based in Ireland, Leonard oversees one of the largest liquid credit platforms in Europe, investing across the broadly syndicated market while also serving as senior portfolio manager for BXCI's European CLOs and liquid loan funds.



Leonard sees a market that is currently defined by choice. *“Flexibility is key at the moment,”* he explains. *“Borrowers value options, and the private and broadly syndicated loan markets serve different needs. The syndicated loan market can provide liquidity and competitive pricing for generally large, straightforward credits, while private credit can offer certainty of execution, especially in more volatile markets, and also bespoke terms which borrowers value.”*

The shift has rewritten Europe’s credit landscape, with the region now dominated by a broader mix of private lenders, syndicated loan activity and rising demand for structured products such as CLOs. Investors have expanded their toolkit too, seeking yield, resilience and access through new vehicles like CLO-backed exchange traded funds (ETFs) that package the safest tranches into tradable products.

Against this backdrop, Leonard manages a platform operating at the center of these market dynamics. *“If you look at corporate credit specifically, the European syndicated loan market is roughly US\$400 billion, while private credit has grown to about US\$560 billion. Globally, private credit is around US\$2 trillion and, depending on how you define it, the total opportunity could be as high as US\$30 trillion.”*

What stands out is not just the growth, but the durability of activity. *“Even in a year when leveraged buyout activity was relatively quiet, both markets continued to grow,”* Leonard explains. *“Banks kept the syndicated space active through refinancings, add-on financings and dividend recaps, which shows the underlying resilience of the system.”*

This resilience matters because CLOs remain the structural backbone of the leveraged loan market, and their role in this ecosystem is fundamental when it comes to linking issuers with a broad investor base.

Leonard is unequivocal about their importance.

“CLOs are absolutely central,” confirms Leonard. *“They are the engine that connects investors to corporate borrowers. By pooling hundreds of senior secured loans, they allow investors to choose where they want to sit in the capital stack, from AAA-rated senior debt to the more risk-taking equity tranches.”*

A core appeal of this structure lies in its performance. *“CLOs have proven resilient through multiple credit cycles. Senior tranches have maintained stability and low default risk, while investors in the equity market have enjoyed strong returns when held through volatility.”*

Leonard reaffirms that the momentum in European CLO markets is accelerating. Lower funding costs, he notes, strengthen the case for CLO equity, which is attracting renewed interest from both established and newer entrants to the market. The

evolution has created space for something novel in Europe: CLO ETFs. Here, Leonard sees genuine structural change.

“A CLO ETF essentially packages the safest part of the CLO, the AAA-rated tranches, into an ETFT that investors can buy and sell like a stock,” he says. *“It’s about democratizing access. CLOs were historically the domain of institutional balance sheets. Now a broader range of investors can access high-quality floating-rate credit with daily liquidity.”*

This sits comfortably with investor demand for defensive yield. *“We view CLO ETFs as cash-plus products that are low-risk, short in duration and income generating. The European AAA CLO market, now above US\$176 billion is deep enough to support this evolution so we’re working with partners who have a lot of experience in this space.”*

Inevitably, macro uncertainty looms in the background. Leonard sees it shaping positioning but not dampening opportunity. *“We’re focused on defensive positioning, with regard to the underlying loan portfolios, high-quality, senior-secured exposures and well-structured deals,”* Leonard says. *“Credit doesn’t need high gross domestic product (GDP) growth to perform. Even a 1-2% growth environment is adequate if businesses continue to generate steady cash flow and can service their debt.”*

Technology, particularly AI, is another factor reshaping how credit risk is viewed. *“AI is already starting to change how businesses operate, and by extension how we analyze credit risk,”* Leonard explains. *“But it’s important to separate the noise from the substance. As lenders, our focus is always*

on a company's ability to generate cash flow and service debt. AI doesn't change that principle, but it can change the dynamics within industries, cost structures, competitive advantages and even how demand is captured. Two companies in the same sector can diverge quickly based on how they adopt it."

Blackstone is applying the same lens internally. "We're using data and automation to help portfolio monitoring, track key performance indicators (KPIs) and anticipate early warning signs in performance. AI is reshaping industries while giving us new tools to be better investors."

Sentiment toward Europe, meanwhile, has improved meaningfully. "We're seeing increased allocations from global investors, from Japanese banks to US insurers. They see Europe as stable, well-regulated and attractive on a relative-value basis," Leonard notes. "The region has become

less bank-dependent and more capital-markets-driven, which increases resilience and liquidity."

Ireland plays an important role in this next phase. "Our European CLO platform is managed out of Dublin, which has become a hub for structured credit," he adds. "The regulatory environment is constructive and the talent base strong."

CONCLUSION

Taken together, Leonard sees a maturing market at the start of a new chapter. "CLOs have proven their worth through multiple cycles, and the arrival of CLO ETFs marks another step forward," he says. "They bring more liquidity, broaden the investor base, and deepen understanding of the asset class. Wrapping them in an ETF structure makes them easier to access and easier to trade and ultimately shows that Europe's credit market has truly come of age."

TO THE POINT

- Europe's credit market has matured, with private credit now larger than syndicated loans and CLOs (collateralized loan obligation) central to market functioning.
- CLOs remain resilient across cycles, connecting investors to corporate credit and offering flexible risk-return options.
- New CLO ETFs (exchange traded funds) are broadening access, turning AAA-rated tranches into liquid, tradable income products.
- Investor appetite for European credit is strong, driven by demand for defensive yield and relative value.
- AI and data tools are enhancing portfolio monitoring, supporting disciplined, forward-looking credit management.



Why SFDR matters for investors and financial institutions

The Sustainable Finance Disclosure Regulation (SFDR)¹ is a cornerstone of the European Union's (EU) effort to enhance transparency around how financial products incorporate sustainability considerations. Introduced in 2021, the regulation requires financial market participants to articulate how environmental, social and governance (ESG) factors are integrated into investment decision-making, enabling more effective risk assessment while providing investors with clear and comparable information.

SFDR was designed to advance the EU's broader sustainable finance agenda by mitigating greenwashing risks, improving investor understanding of the sustainability characteristics and objectives of financial products, and strengthening risk management frameworks in support of fiduciary responsibilities.

Climate-related risks—both physical and transitional—remain central to this agenda, as they continue to materially affect companies and value chains across the global economy, irrespective of shifting political dynamics. Systematically identifying, assessing, and managing these risks is therefore fundamental to building resilient portfolios and underpinning credible long-term investment strategies.

SFDR 2.0

KEY ACTIONS TO NAVIGATE THE NEW SUSTAINABLE FINANCE REGULATION



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Why SFDR 2.0 is needed: Challenges and market context

On 20 November 2025, the European Commission published a proposal to revise SFDR, signaling recalibration of the EU's sustainable finance framework². While the regulation's core objectives—greater transparency, enhanced comparability, and better integration of sustainability in financial decision-making—continue to command broad support, the Commission's review found that SFDR has not yet operated fully as intended.

Several challenges have become apparent. Market participants have grappled with the framework's complexity, the operational effort required for implementation, and inconsistencies across key definitions. Coherence with adjacent regimes—notably the EU Taxonomy and the European Sustainability Reporting Standards (ESRS)—has also proven difficult to achieve, contributing to fragmentation within the reporting landscape. At the same time, limitations in the availability and comparability of ESG data have constrained firms' ability to deliver complete and decision-useful disclosures. Compliance has therefore remained resource-intensive, often without providing the level of clarity originally envisaged for end investors.

Investor-protection concerns added further momentum to the case for reform. Articles 8 and 9—originally intended as disclosure categories—increasingly came to be interpreted by the market as de facto sustainability labels. Their use in marketing contributed to uneven application, investor confusion, and an elevated risk of greenwashing.

Feedback from ultimate users also suggested a growing preference for the clearer, label-based regime adopted in the United Kingdom³, reinforcing the case for a more intuitive categorization framework within the EU. Combined with high compliance costs and fragmented market practices, these dynamics strengthened the rationale for legislative change.

Against this backdrop, the Commission determined that the framework required structural revision. The proposal therefore seeks to simplify requirements, reduce administrative burden, enhance coherence across the EU sustainable finance architecture, and strengthen investors' ability to understand and compare sustainability-linked financial products.

Key features of SFDR 2.0

The Commission's proposal introduces a significant simplification of the SFDR regime while reshaping the framework governing

ESG claims. In doing so, it directly addresses many of the operational and investor-related challenges that emerged during the regulation's initial phase of implementation. Key proposed changes include:

- **A narrower scope**, applying only to product manufacturers and managers, with financial advisers falling outside the scope.
- **The removal of entity-level principle adverse indicators**, eliminating one of the most resource-intensive requirements and improving alignment with the Corporate Sustainability Reporting Directive (CSRD) and the related ESRS.
- **A new three-tier product classification**, sustainable, transition, and ESG basics, intended to replace Articles 8 and 9, with the option to combine categories under draft Article 9a where appropriate.
- **Clearer eligibility thresholds**, requiring at least 70% portfolio alignment alongside mandatory exclusions, thereby replacing the previous "sustainable investment" construct.
- **Stronger discipline around ESG-related claims**, whereby only categorized products may use sustainability terminology, while non-categorized products face tighter limitations. Notably, the proposed 70% SFDR threshold diverges from ESMA's 80% guidance, suggesting an area that may warrant close supervisory attention.

- **Streamlined disclosures**, supported by shorter, more consumer-oriented templates with fewer indicators and greater alignment with the CSRD and EU taxonomy.
- **The introduction of Articles 6 and 6a**, creating additional differentiation across products. Article 6 claims funds would remain uncategorized but permitted to make limited, factual ESG statements, while Article 6a would establish baseline transparency requirements for products exhibiting certain sustainability features without meeting the thresholds of the three primary categories.

While these measures enhance clarity, some stakeholders caution the ESG basics category could still be broadly interpreted. Products may qualify through strength in a single sustainability dimension or through flexible internal methodologies, potentially expanding the range of eligible offerings.

As a result, robust governance, well-defined eligibility criteria, and credible minimum safeguards are likely to become critical in maintaining investor confidence and mitigating greenwashing risk.

1. European Parliament and Council, [Regulation \(EU\) 2019/2088 on sustainability-related disclosures in the financial services sector](#), 27 November 2019

2. European Commission, [Proposal to revise the Sustainable Finance Disclosure Regulation \(SFDR\): Commission simplifies transparency rules for sustainable financial products](#), 20 November 2025

3. Financial Conduct Authority (FCA), [Sustainability Disclosure Requirements and investment labelling regime \(UK\)](#), 27 February 2026

How should firms assess whether SFDR 2.0 applies?

STEP 1: Confirm regulatory perimeter—Financial market participant versus financial adviser

The first and most critical step is to determine whether SFDR 2.0 obligations remain applicable in light of the firm's business model. Under the proposed revisions, the regulatory perimeter narrows considerably: financial market participants remain in scope, while financial advisers are expected to fall outside the regime.

ACTION:

Firms should reassess their regulatory classification to establish whether they may move out of scope, particularly where the organization operates as:

- an investment firm or credit institution providing portfolio management;
- a credit institution, investment firm, AIF or UCITS offering investment advice; or
- an insurance undertaking or intermediary providing advice in relation to insurance-based investment products.

STEP 2: Establish a product inventory and map existing SFDR classifications

Given the proposed recalibration of SFDR, firms should avoid assuming continued applicability and instead undertake a structured reassessment of scope.

ACTION:

Develop a structured product inventory capturing:

- the current SFDR classification (Article 6, 8, or 9);
- the sustainability features and associated claims for each product; and
- existing documentation that may support subsequent mapping to the new categories.

STEP 3: Evaluate portfolio alignment against proposed SFDR 2.0 requirements

For products that appear to be viable candidates for the new categories, firms should assess whether existing strategies align with the proposed SFDR 2.0 thresholds, including the indicative 70% minimum portfolio alignment, mandatory exclusions, and other criteria-based requirements. This analysis is essential to determine whether products can transition seamlessly, require targeted adjustments, or may ultimately fall outside the revised categorization regime.

ACTION:

Building on the applicability review and product inventory established in earlier steps, firms should:

- Re-confirm applicability (financial market participant vs adviser);
- Maintain a product list with current SFDR classifications (Article 6, 8, or 9);
- For each product, list current sustainability claims and criteria and map them to the new categorization system based on the draft definitions.
- For products that meet the new category definitions, verify whether the strategy/portfolio meets the requirements for:
 - minimum 70% contribution of asset allocation,
 - mandatory exclusions criteria and related thresholds.



Preparing for SFDR 2.0

Although the final text of SFDR 2.0 and its delegated acts continues to evolve, firms can take proactive steps now to strengthen readiness and alleviate future operational strain.

Monitoring regulatory developments should be the immediate priority. Firms should track legislative negotiations between the European Parliament and the Council, alongside the release of delegated acts and disclosure templates, as these will ultimately define the regime's operational expectations and implementation timeline.

A structured, top-down product assessment should follow. Mapping existing

portfolios to the proposed categories (sustainable, transition, and ESG basics) can help identify gaps against investment thresholds, exclusion criteria, and eligibility requirements, while highlighting where repositioning or product redesign may be necessary.

Firms should also reassess ongoing and planned sustainability initiatives. Programs anchored in elements of the current framework that may be revised or withdrawn should be realigned early, reducing the risk of duplication or late-stage remediation once the regime is finalized.

Strengthening data frameworks will be equally critical. Enhancing data governance, documentation, and quality controls—while preparing to leverage both third-party

datasets and internally derived estimates—will support defensible categorization and more resilient disclosures.

Finally, firms should revisit product names, marketing materials and investor communications to ensure they can meet the forthcoming restrictions on sustainability-related claims. Non-categorized products, in particular, may require revised language.

Taking these steps now will help firms transition smoothly to SFDR 2.0, safeguard credibility with investors and maintain momentum as the regulatory landscape evolves⁴.

Navigating the SFDR 2.0 timeline

The legislative process for SFDR 2.0 is expected to unfold over several years, with application

currently anticipated toward the end of 2028. While the trajectory broadly reflects the EU's standard lawmaking cycle, firms should remain alert to potential acceleration, as shifts in political prioritization could materially compress implementation timelines.

Indicative milestones include:

- **20 November 2025**—Publication of the Commission's proposal.
- **Late 2025 to Q2 2027**—Negotiations between EU Parliament and the Council under the ordinary legislative procedure. Although fast-tracking remains technically possible, SFDR reform is not presently designed as a priority legislative file.
- **May 2027**—Earliest plausible window for formal adoption.
- **May–June 2027**—Publication in the EU's Official Journal.

4. Science Based Targets initiative, [Ambitious corporate climate action](#)



- **June 2027**—Entry into force, initiating an estimated 18-month implementation period.
- **December 2028**—Expected application date of the new framework.

This phased trajectory underscores the importance of sustained regulatory monitoring, particularly as critical operational detail will emerge through Level 2 measures. For many firms, these technical standards—rather than the Level 1 text alone—will ultimately shape implementation complexity.

Although the timeline aligns with conventional legislative sequencing, the possibility of accelerated adoption cannot be discounted. A compressed timetable could bring forward implementation as early as 2027, increasing execution risk for firms that delay preparatory work.

In practice, the length of the transition should not be mistaken for flexibility; regulatory programs of this scale typically demand multi-year transformation efforts spanning product governance, data infrastructure, and disclosure frameworks.

Unlocking strategic opportunities with SFDR 2.0

Beyond compliance, SFDR 2.0 presents financial institutions with an opportunity to reinforce their sustainable finance positioning. Clearer product categorization should support more effective articulation of sustainability strategies, strengthening transparency and fostering investor confidence. Meanwhile, simplified disclosures—alongside greater alignment with adjacent EU frameworks such as the CSRD⁵,

the corresponding ESRS⁶, and the EU taxonomy⁷—may enable firms to rationalize reporting processes, reduce duplication, and enhance data integrity.

For investment managers, the revised framework also has the potential to catalyze innovation in sustainable product design. The introduction of transition and ESG basics categories broadens the investable spectrum, creating scope for strategies that address evolving investor preferences while supporting decarbonization and long-term economic resilience across the EU. Firms that undertake early portfolio assessments, refine methodologies, and deepen ESG integration are likely to be better positioned as sustainability considerations become increasingly embedded in capital allocation decisions.

The proposed changes also present investment firms with an opportunity to

reassess their approach to sustainable investing, moving beyond conventional ESG risk management within investment policies.

Through a bottom-up lens, firms can evaluate which sectors and business models are best positioned to succeed in the emerging green and transitional economy. Conventional companies with credible, science-based pathways toward long-term net-zero—including those aligned with the Science Based Targets Initiative⁷—may increasingly represent compelling candidates for transition-oriented products.

More broadly, SFDR 2.0 supports closer alignment between investment strategies and the objectives of the Paris Agreement, as well as national climate and transition plans. In doing so, it strengthens the capacity of financial institutions to contribute meaningfully to the wider decarbonization

5. European Parliament and Council, [Directive \(EU\) 2022/2464 amending Regulation \(EU\) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Regulation \(EU\) No 537/2014 as regards corporate sustainability reporting \(CSRD\)](#), 14 December 2022

6. European Commission, [Commission Delegated Regulation \(EU\) 2023/2772 supplementing Directive 2013/34/EU as regards European Sustainability Reporting Standards \(ESRS\)](#), 31 July 2023

7. European Parliament and Council, [Regulation \(EU\) 2020/852 on the establishment of a framework to facilitate sustainable investment \(EU Taxonomy Regulation\)](#), 18 June 2020



agenda while responding to growing investor expectations for climate-aligned capital allocation.

CONCLUSION

SFDR 2.0 marks a significant step in the EU's sustainable finance agenda, aiming to simplify compliance, improve coherence, and provide investors with clearer, more comparable information.

While full application is expected by December 2028,

firms that begin monitoring legislative developments, assessing products, refining data and methodologies, and updating marketing practices now will be better positioned to navigate the transition with confidence.

Beyond regulatory compliance, SFDR 2.0 presents an opportunity to strengthen sustainability strategies, enhance investor trust, and support innovation in ESG-focused financial products.

As the framework evolves, competitive differentiation is likely to depend less on meeting minimum requirements and more on how effectively firms embed sustainability into governance, investment processes, and risk management. Those that act early and strategically may not only adapt more smoothly to the new regime, but also help shape emerging market standards.

Ultimately, the regulation is poised to reshape how sustainability is integrated into investment decision-making, rewarding firms that act early and strategically.

How Deloitte can support you through SFDR 2.0

Deloitte can support financial institutions throughout the SFDR 2.0 journey, from strategic planning to operational implementation. Services include:

- **Impact assessments and portfolio mapping:** Evaluate existing product ranges against the new categories and thresholds, identifying gaps, and redesigning requirements.
- **Disclosure and reporting support:** Help develop streamlined, ESRS-aligned templates, improve data governance, and integrate external ESG data and internal estimates.
- **Methodologies and KPIs:** Strengthen sustainability methodologies, monitor frameworks, and transition metrics to ensure credible product categorization.
- **ESG and climate risk management:** Enhance risk frameworks and processes, integrate climate and ESG risks into investment decision-making, and support scenario analysis, stress testing and risk governance to align with emerging regulatory expectations.
- **Marketing and communication alignment:** Review product names, marketing materials, and investor communications to comply with the new rules on ESG claims.
- **Governance and operational readiness:** Advise on process redesign, internal controls, and training to prepare teams for the new regulatory environment⁸.

By partnering with Deloitte, you can reduce operational risk, accelerate readiness, and position yourself as credible, forward-looking players in the evolving sustainable finance landscape.

TO THE POINT

- SFDR 2.0 seeks to simplify the regulatory framework, reduce administrative burden, and enhance clarity for investors.
- Articles 8 and 9 are expected to be replaced by clearer product categories— Sustainable, Transition, and ESG Basics— supported by defined thresholds and exclusion criteria.
- The revised regime is anticipated to narrow the regulatory perimeter, with only financial market participants remaining in scope while financial advisers fall outside it.
- Firms should begin mapping products, strengthening data frameworks and methodologies, and reviewing ESG claims alongside related marketing materials.
- Early preparation may help mitigate transition risk while positioning firms to respond more effectively to evolving market and regulatory expectations.

Why Luxembourg is the home of stable growth for crypto-asset investment funds



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INTRODUCTION

Over the last 12 months, the global regulatory narrative around crypto assets has shifted decisively. In the United States, a series of policy initiatives introduced—aimed at reinforcing the country’s leadership in digital financial innovation—and have contributed to a clearer and more supportive environment for crypto-assets. Legislative initiatives such as the GENIUS Act and the Clarity Act, combined with the appointment of a new, open pro-crypto Chair of the Securities and Exchange Commission, Paul Atkins, have helped restore confidence and accelerate institutional engagement.

This renewed momentum has not gone unnoticed. Greater regulatory clarity and policy

stability have encouraged traditional financial institutions to engage more actively with crypto assets, prompting the development of new products and services tailored to investor demand.

Against this backdrop, questions naturally arise as to Europe’s positioning, particularly given its reputation for a more prescriptive regulatory approach.

This article examines how Luxembourg, in particular, has leveraged its long-standing strengths to position itself as a compelling European hub for crypto-asset investment funds.

of leading US law firms specializing in merger and acquisition (M&A) and fund structuring further illustrates the market’s maturity.

Funds domiciled in Luxembourg benefit from a full spectrum of professional services, including fund administration, depositary and custody services, as well as accounting, audit, legal, tax, and corporate finance advisory.

Today, the ecosystem comprises more than 298 management companies³, 942 authorized and registered alternative investment fund managers (AIFMs)⁴, 115 banks, 61 custodians⁵, and over 3,000 investment funds⁶, providing a robust infrastructure capable of supporting a wide range of strategies and asset classes.

Thanks to its long-standing economic and political stability—illustrated by its renewed AAA credit rating—combined with a consistently pro-business approach, Luxembourg’s financial sector has been able to thrive in a supportive and predictable environment. This has led to the development of a robust and comprehensive fund ecosystem, with Luxembourg-domiciled funds representing approximately EUR 8.29 trillion in assets under management, including around EUR 3.11 trillion attributable to alternative investment funds (AIFs)¹. As a result, Luxembourg has established itself as the second-largest investment management hub globally.

This success rests on three closely interconnected pillars.

1

Championing the European single market

Luxembourg has historically played a pioneering role in implementing the European regulatory framework for investment funds.

Its early and pragmatic adoption of the UCITS and Alternative Investment Fund Manager (AIFM) Directives, combined with an accessible and engaged supervisory authority, has made the jurisdiction a natural choice for cross-border fund distribution.

The European passporting regime under the AIFM Directive, for example, enables fund managers to market their funds across the EU without the need for multiple national approvals. This has significantly streamlined fund launches and facilitated access to a broad investor base, supporting efficient fundraising across Europe².

2

A mature and diversified financial ecosystem

Luxembourg’s status as an early mover has allowed it to develop a deep, sophisticated, and well-integrated financial place. The recent establishment

3

A flexible and investor-centric fund toolbox

Over time, Luxembourg has continuously expanded and refined its range of fund vehicles to address differing investor needs, regulatory expectations, and liquidity profiles.

At one end of the spectrum, UCITS structures cater to investors seeking liquid strategies within a highly regulated framework. At the other end, non-regulated vehicles such as special limited partnerships (*sociétés en commandite spéciale*), closely aligned with US limited partnership structures, offer flexibility and operational efficiency.

1. AIFI - Luxembourg

2. Chapter VI: RIGHTS OF EU AIFMs TO MARKET AND MANAGE EU AIFs IN THE UNION: Art 31-33 AIFMD [Directive - 2011/61 - EN - aifmd - EUR-Lex](#)

3. [app_data-import-alfi-2025-09-10_manco-2025_alfi_final.pdf](#)

4. [Private Equity in Luxembourg - LPEA](#)

5. [Banking - Luxembourg Financial Centre - Luxembourg for Finance](#)

6. AIFI - Luxembourg



Between these extremes, regimes such as the (RAIF) provide an effective balance between flexibility and investor protection. While RAIFs are not directly supervised by the regulator, they qualify as alternative investment funds (AIFs) and must appoint an authorized external AIFM, ensuring indirect regulatory oversight. This pragmatic and modular approach has become a defining feature of Luxembourg's fund offering which is highly acclaimed by institutional investors.

Finally, another positive aspect of the Luxembourg toolbox lies in the absolute tax neutrality it offers creating an attractive gateway to European capital. This neutrality is reflected through the absence of corporate income tax or net wealth tax at fund level (but rather a subscription tax at a rate of 0.01% on the net asset value (NAV)) and a withholding tax exemption on the distributions made to non-resident investors⁷. VAT

exemption also applies to management fees, lowering significantly the fund's expense ratio⁸.

From fund hub to pioneer of the digital revolution

As the second-largest jurisdiction globally for alternative investment funds assets⁹, Luxembourg has not remained idle in the face of the digital revolution. On the contrary, it has taken proactive steps to position itself as a leading jurisdiction for crypto-asset ventures and investment funds, leveraging pioneering legislation, a robust digital infrastructure, and a deeply rooted fund culture.

Over the past decade, crypto assets have evolved from a niche phenomenon into a significant financial trend shaping global investment strategies. Institutional investors increasingly seek

jurisdictions that combine regulatory clarity, operational stability, and a supportive ecosystem.

The Luxembourg regulator, the *Commission de Surveillance du Secteur Financier* (CSSF), has played a central role by issuing and regularly updating guidance on digital assets. This ongoing dialogue with market participants has contributed to a constructive regulatory environment and has fostered confidence among investors and service providers alike. As a result, a growing number of crypto-asset market participants—including exchanges, custodians, and specialized AIFMs—have established a presence in Luxembourg.

The recent entry into force of the EU's Markets in Crypto-Assets (MiCA) regulation further completes Luxembourg's legal framework for crypto-asset investments. While MiCA does not directly regulate investment funds,

it introduces a harmonized regulatory framework for crypto-asset service providers, such as exchanges and custodians. Its implementation enhances regulatory clarity across the EU, reduces operational complexity, and sets high standards for market integrity and investor protection.

Key MiCA provisions include, among others:

- Enhanced transparency obligations, including the publication of dedicated white papers containing detailed information about crypto-assets issuance.
- Prudential requirements relating to capital and insurance coverage.
- Reinforced supervisory oversight and AML/KYC controls.
- A comprehensive market abuse prevention framework addressing insider trading and market manipulation.

Together, these measures strengthen investor protection while reducing fragmentation across EU markets, thereby lowering operational barriers for crypto-asset investment strategies.

Luxembourg's pragmatic supervision and maturing crypto fund ecosystem

This supervision is nevertheless carried out in Luxembourg with a specific focus of the CSSF on financial innovation and using what we could call the "Luxembourgish pragmatism." One notable example is the

7. Law of 13 February 2007 relating to specialised investment funds, article 68

8. Article 44 (1) (d) of the Luxembourg VAT Law

9. [Key Figures - Luxembourg Financial Centre - Luxembourg for Finance](#)

specific license available to AIFMs wishing to manage AIFs investing fully into crypto assets.

Recent updated guidelines from the CSSF go even further by, for example, permitting UCITs to gain indirect exposure to crypto-assets for up to 10% of their NAV, and allowing alternative investment funds open to retail investors other than well-informed investors to invest in crypto-assets up to a maximum of 10% of their NAV¹⁰.

The concentration of talent resulting from the presence of major crypto exchanges, institutional-grade custody service providers, and authorized third-party AIFMs servicing crypto-focused funds—across strategies such as buy and hold, trading (spot, derivative, market neutral), stacking, yield farming or arbitrage—further cements Luxembourg's position as a leading destination for digital asset investments.

Finally, while not directly applicable to crypto-asset funds, it is worth noting that Luxembourg has enacted four successive blockchain laws since 2019, reflecting its recognition of distributed ledger technology (DLT) as a cornerstone of the future of finance. The most recent iteration (Blockchain IV) enhances the financial sector's ability to issue, hold, and transfer dematerialized securities via DLT, while also enabling the tokenization of real assets and regulating certain smart contract obligations¹¹.

This comprehensive legal framework, combined with an accessible regulator and a well-established yet continuously evolving network of fund professionals, makes Luxembourg an attractive and efficient jurisdiction for new entrants seeking to establish funds and raise capital in Europe.

A platform for sustainable growth in crypto-asset funds

Building on its position as a global financial hub, Luxembourg's ability to combine regulatory pragmatism with institutional-grade infrastructure has enabled it to extend its leadership in traditional fund management into the digital asset space. The presence of experienced service providers, specialized talent, and a responsive regulator significantly lowers the barriers to entry for new market participants seeking to establish and distribute crypto-asset investment funds in Europe.

Building on its established position as a global investment fund hub, Luxembourg has successfully attracted key players from across the crypto-asset value chain. The result is an ecosystem that offers regulatory clarity, political and economic stability, and a comprehensive range of services, providing a solid foundation for the long-term development of crypto-asset investment strategies.

In an environment where confidence and credibility are paramount, Luxembourg stands out as a jurisdiction where stability and innovation

converge, offering fund sponsors and investors a trusted platform for growth in the evolving digital asset landscape.

TO THE POINT

- Regulatory clarity is reshaping crypto fund decisions. As global frameworks mature, investors favor jurisdictions that combine legal certainty with supervisory pragmatism, an area where Luxembourg excels.
- Luxembourg's fund leadership extends naturally to digital assets. Its AAA-rated stability¹², EU passporting expertise and EUR 8.29 trillion fund ecosystem¹³ offer crypto strategies an institutional-grade foundation.
- A flexible fund toolbox supports diverse crypto strategies. From undertakings for collective investment in transferable securities (UCITS) and reserved alternative investment fund (RAIFs) to unregulated partnerships, Luxembourg enables tailored structuring across liquidity, risk and regulatory needs.
- MiCA¹⁴ reinforces Luxembourg's competitive advantage. Harmonized EU rules for crypto-asset service providers, paired with innovation-focused Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF) supervision, enhance protection while reducing complexity.
- Stability and innovation underpin sustainable growth. With specialized service providers, deep talent pools and progressive blockchain legislation, Luxembourg offers a credible long-term platform for crypto-asset funds in Europe.



10. [FAQ Crypto assets UCI](#)

11. [L_060413_dematerialised_securities.pdf](#)

12. Key Figures - Luxembourg Financial Centre - Luxembourg for Finance

13. [ALFI - Luxembourg](#)

14. MiCA (Markets in Crypto-Assets) is the EU's unified regulatory framework for crypto-assets, setting harmonized across all Member States.; What is MiCA? EU Crypto-Assets Regulation Explained Updated on 26 January 2026

Start small, think big, act fast

A PRACTICAL VIEW ON AI
FOR ASSET MANAGEMENT



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INTRODUCTION

“Disruption doesn’t wait for permission.”¹

That statement has never been more relevant. We speak with leaders who are wrestling with the same question: Is AI a true revolution or just another bubble waiting to burst?

It doesn’t matter.

What matters is separating the financial cycle from the operational reality. Today’s “hype” is fueling the construction of massive data centers, expanding energy infrastructure, and accelerating the development of AI capabilities at scale. Even if the stock market corrects itself over time – as it inevitably does – the physical and technological infrastructure will remain.

The bubble builds the road. The technology drives on it.

And the technology is already moving. Generative AI (GenAI) is beginning to reshape how organizations approach market research, operations, compliance and client services. These changes are no longer theoretical; they are unfolding in real time.

In this environment, a “wait and see” approach has quietly become the riskiest move a leader can make.

So, where do we start? How do we cut through the noise and focus on what actually matters?

At Deloitte Ireland, our philosophy is clear and practical: start small, think big and act fast. This isn’t just a catchphrase. It’s a roadmap for turning uncertainty into momentum, and it reflects what we’re seeing work in practice today.

¹ Editors, H. *How to spark and steer disruptive innovation*, Harvard Business Review, 8 October 2025



Start small: Identify your quick wins

Starting small means delivering a quick, tangible win, something that clearly demonstrates value and brings your people on board. The most effective place to start is with a clear assessment of your existing operations. In our experience, most processes fall into three simple buckets:

1. The automation bucket, where AI removed the last mile of friction.

These are processes where the heavy lifting of standardization has already been done. Historically, the workflow is structured but still depends on unstructured input, such as non-standard PDFs or ad hoc broker emails. This is precisely the friction point AI agents² can eliminate. Because the underlying

process is already solid, an AI agent can bridge the final gap: interpreting variable inputs and mapping them onto your standardized rails.

2. The replace bucket, eliminating process debt.

One of the most common mistakes organizations make is automating a bad process that only locks inefficiency into the system. AI adoption creates an opportunity to do something better:

replace the process entirely with something designed for purpose. For example, instead of building an agent to manage a complex spreadsheet workflow, you can use AI to connect directly to the underlying data sources and eliminate the spreadsheet altogether. The result isn't just faster, it's fundamentally cleaner and more resilient.

2. An AI agent is a sophisticated system that uses AI to understand a goal, make independent decisions and take actions across multiple applications, Google, 12 April 2025



3. The reimagine bucket, where “start small” connects to “think big.”

AI is not just a cost-reduction tool. It is a growth tool. This is where the conversation shifts. Instead of asking “how do we speed up this process?” we ask a more ambitious question: “What outcome are we actually trying to achieve?” Or even more provocatively, “if we had effectively unlimited reasoning capacity, what new problem could we solve?” At this stage,

the focus moves away from simply accelerating outputs and toward redefining the outcomes themselves.

Act fast: Navigate the build versus buy matrix

In the world of GenAI, the classic build versus buy question has evolved from a linear choice into a

multidimensional matrix. Acting fast is about ruthlessly identifying where we need the true differentiation and moving quickly without sacrificing governance. To do this effectively, organizations need to think across two layers: the application layer and the model layer, while balancing three strategic imperatives: flexibility, reliability, and differentiation.

Decision 1: The application layer

This is the interface where portfolio managers, analysts and operations teams interact with the technology. Here we see three paths: adopt, buy and build.

1. Adopt

The first option is to leverage AI capabilities already embedded within the existing enterprise software (e.g., Microsoft Copilot, Google Gemini). This is the path of least resistance. It allows organizations to access GenAI functionality without implementing entirely new systems. Because these features are natively integrated into existing platforms, they benefit from continuous improvements and updates managed by large technology vendors.

In this model, you trade control for speed. You have limited influence over the product roadmap or the underlying models powering the functionality. And if the features don't perfectly align with the specific use cases, your ability to customize them is constrained.

This approach works best for general productivity,

client Q&As, and standard CRM workflows, areas where industry parity is sufficient. For example, relationship managers might use Copilot to summarize a 40-page investment committee pack ahead of a client meeting, while operations teams use embedded AI capabilities to draft routine client communications.

2. Buy

Another option is to buy dedicated, purpose-built GenAI solutions designed for specific business functions. This approach allows organizations to inject cutting edge capabilities into targeted teams without building the technology themselves. Specialist vendors often innovate faster than general-purpose platforms because they focus on solving **deep, vertical problems** within specific industries.

The primary risks are reliance and integration. Under Digital Operational Resilience Act,³ organizations must carefully assess the solvency and security of emerging AI vendors before allowing them to access sensitive or client data. At the same time, adopting multiple point solutions can easily create data silos if they are not properly integrated into the broader technology architecture.

This model works best for high friction, text heavy business functions such as legal review, regulatory compliance, and documentation analysis. For instance, organizations may deploy regulatory-specific AI tools to review prospectus updates against evolving regulatory guidelines.

3. [Digital Operational Resilience Act \(DORA\)](#), European Insurance and Occupational Pensions Authority, 15 December 2025

That said, technical due diligence is required. Many AI products are little more than simple prompts frameworks built on top of large language models such as Gemini or GPT. Without careful evaluation, organizations may end up paying €50,000 per year for functionality their internal teams could replicate using existing enterprise tools like Copilot.

3. Build

The final option is to develop proprietary GenAI applications tailored to your organization's unique data and workflows. This path should be reserved for areas tied directly to your core value proposition, where technology can create a defensible competitive advantage. Building a custom solution allows you to embed your organization's unique investment philosophy, risk frameworks, and decision processes directly into the technology. You retain full ownership of the intellectual property, the product roadmap, and the data governance. This requires significant operational commitment and is resource intensive compared to adopt or buy.

This model is best suited to core investment processes, such as proprietary trading strategies and critical workflows where the methodology itself is a differentiator. For example, rather than relying on a standard market tool, an organization might build a bespoke interface on top of its proprietary credit research database. Portfolio managers could then query decades of internal analyst notes, cross-referenced with live market data, allowing

them to generate investment insights that are simply unavailable to the wider market.

Decision 2: The model layer

If you choose to adopt or buy at the application layer, the decision at the model layer has largely already been made for you by the software vendor. In this case, your role shifts from model selection to due diligence, ensuring that the vendor's chosen model meets your organization's privacy, security, and governance standards.

However, if you decide to build at the application layer, a second strategic decision emerges at model layer.

1. Buy "as is"

In this model, you connect your application via Application Programming Interface (API⁴) to powerful commercial models like GPT, Claude or Gemini. This is typically the fastest route to market. Using an architecture known as retrieval-augmented generation, you can supply the model with relevant context for each query, such as live portfolio data or internal documents. This allows the large language models (LLM) to generate highly specific, organization-aware responses without requiring you to modify or retrain the model itself.

The primary considerations are data sovereignty, cost and model drift. Because queries are processed through an external API, organizations must implement robust privacy

controls and governance over what data is shared. Finally, major vendors update their models frequently. Without strict version control and testing, these updates can introduce the model drift, leading to inconsistent outputs over time.

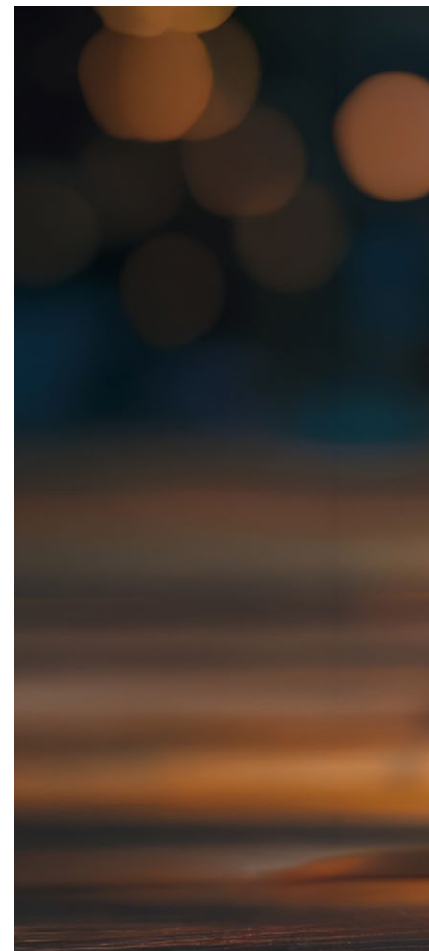
2. Build "hybrid"

In this approach, organizations partner with a cloud provider or model vendor to fine-tune a foundational model using your proprietary data. By training the model on historical investment memos, risk frameworks, and compliance manuals, it begins to understand the organization's internal language, decision frameworks and institutional knowledge. It recognizes that "risk," for example, carries a different meaning on a fixed income desk than it does within derivatives trading.

However, this approach is inherently **data sensitive**. A fine-tuned model is only as strong as the quality of the data used to train it. If sensitive information is embedded in the training data, the model may inadvertently expose elements of that information through carefully crafted prompts. In effect, the model can flatten traditional data access hierarchies if governance controls are not designed carefully.

3. Build "custom"

Traditionally, building a custom model meant training a large LLM from scratch, a path requiring rare expertise, vast datasets, and massive Graphics Processing Unit clusters. Today, a more practical alternative is emerging



through small language models. These models are efficient, compact and can be hosted entirely within an organization's own secure infrastructure. However, developing a proprietary model is still a significant undertaking and should only be considered when three conditions are met:

- **Security mandates** require that sensitive data never leaves internal infrastructure.
- The organization's **core value proposition** is directly linked to the model architecture itself.
- The organization has **sufficient data maturity and engineering capability** to justify the investment.

4. [Digital Operational Resilience Act \(DORA\): Central Bank of Ireland](#), Central Bank of Ireland, 29 January 2026



CONCLUSION

As we look toward the medium term, AI strategy will evolve beyond deploying simple, reactive chatbots toward orchestrating complex, autonomous agents.

Are you ready for that capability leap? In part 2 of this series, “Think big,” we will explore the three non-negotiable pillars of any successful AI strategy: cloud, data, and governance. We will share examples of journeys—bridging the gap between unstructured data and trust by design.

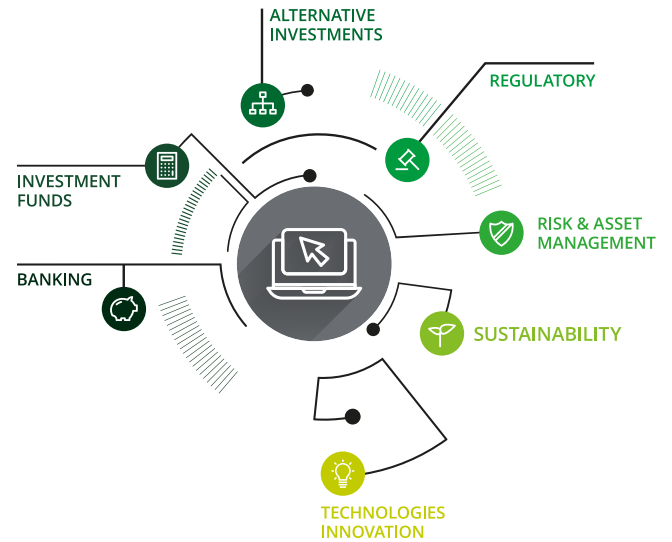
Perfection is the enemy of progress. Start now. Your organization’s AI maturity will only develop through the momentum of execution. The technology is ready. The strategic path is clear. The only remaining variable is the willingness to begin.

TO THE POINT

- Avoid markup tools: don’t pay premium fees for vendors that simply repackage standard AI.
- Most industry challenges are deficits of context, not intelligence.
- Success at this crossroads requires us to balance three strategic imperatives: flexibility, reliance and differentiation.
- The driver of success is the willingness to begin and learn in real time.

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