

# ESMA Report on AI and Funds

The European Securities and Markets Authority (“ESMA”), the overall European regulatory authority for financial services, issued a report on February 25<sup>th</sup> 2025 (the “Report”) in relation to the use of AI by the fund management industry as well as the extent to which European funds were investing into companies developing AI models. The findings of the report may influence future regulatory guidance or legislative measures at the European level.

### Background

ESMA periodically conducts research on trends, risks and potential vulnerabilities of the financial sector as part of its ongoing risk analysis remit. Such reports are published under Article 32 of Regulation 1095/200 (as amended), which deals with its remit of “assessment of market developments”.

### Scope of the Report

The Report firstly studied the operation use of AI by fund managers and secondly assessed the extent of investment in AI by European fund portfolios.

### Use of AI

The Report found that investment funds which promoted the use of AI represented a small percentage of the overall total and were typically a feature of systematic strategies. Furthermore the results of such funds was not materially different (either positively or negatively) to the mean and enjoyed varied success in terms of attracting investors. The Report also found however that

asset managers were increasingly using generative AI to support human investment decisions.

### Investments in AI

The Report found that the percentage of equity focussed actively managed funds investing in AI companies had increased by 50% (to 14%) since 2013.

### Next Steps

The Report will be used to inform key European institutions including the European Commission, Parliament and the Council, as well as regulatory bodies including the EBA, EIOPA and the ESRB.

### How Clerkin Lynch Can Help

Clerkin Lynch’s financial services team can assist with queries on the interpretation of EU financial services legislation as well as compliance with new guidance from both ESMA and the Central Bank of Ireland. We can also assist with responses to questionnaires received from regulatory authorities.

Contact us with questions or for more information.



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