



Regulatory Insights

July 2024



Anti-Money Laundering (1)

Public consultation on FATF Money Laundering National Risk Assessment Guidance Update

The Financial Action Task Force (FATF) is in the process of updating its [guidance](#) on National Risk Assessments (NRAs), with a particular focus on Money Laundering (ML) NRAs. This update aims to improve the effectiveness, comprehensiveness, and utility of the NRA guidance for all relevant stakeholders.

The FATF will review the feedback from the consultation, which closed on July 22, 2024, before proposing the revised guidance for adoption at the FATF Plenary in October 2024.

What is an NRA?

A National Risk Assessment (NRA) is a thorough process used by countries to identify, assess, and understand the money laundering (ML) and/or terrorist financing (TF) risks they face. This process involves evaluating threats and vulnerabilities, determining the level of risk, and developing strategies to mitigate these risks. The NRA serves as a foundation for informed policy-making, resource allocation, and the implementation of effective anti-money laundering (AML) and counter-terrorist financing (CFT) measures. It ensures that national strategies are tailored to the specific risk landscape of the country and address both domestic and international threats.



Anti-Money Laundering (2)

FATF report update on jurisdictions' compliance with Recommendation 15

The latest FATF [report](#), published on 9 July 2024, is the fifth in its series focusing on compliance with Recommendation 15 (R.15) and its Interpretative Note (INR.15). Recommendation 15, updated in 2019, extends anti-money laundering and counter-terrorist financing (AML/CFT) measures to virtual assets (VAs) and virtual asset service providers (VASPs). This report also highlights emerging risks and market developments related to the use of VAs for illicit activities, including money laundering, terrorist financing, and proliferation financing.

Key Findings:

- ❑ **Slow global implementation:** despite some progress, global implementation of AML/CFT regulations for VAs remains behind. Only 25% of jurisdictions are fully compliant with FATF's standards, based on 130 mutual evaluation and follow-up reports since 2019.
- ❑ **Materially important VA sectors:** countries with significant VA sectors show better compliance, though gaps remain.
- ❑ **Persistent challenges:** many jurisdictions struggle with fundamental requirements like risk assessment and supervisory inspections.
- ❑ **Travel Rule implementation:** insufficient progress has been made in implementing the Travel Rule, a crucial AML/CFT measure. One-third of surveyed jurisdictions, including high-risk ones, have not passed the necessary legislation.

Concerns and progress:

- ❑ **Illicit use of VAs:** slow regulation is concerning as VAs are used for various illicit activities, including the proliferation of weapons of mass destruction.
- ❑ **Positive developments:** the private sector has reported increased use of Travel Rule compliance tools and greater consideration of Travel Rule obligations.

Monitoring and assistance:

- ❑ **DeFi and stablecoins:** though DeFi represents a small percentage of VA activity, it still poses risks that need monitoring. The use of stablecoins for illicit activities is also on the rise.
- ❑ **Ongoing efforts:** FATF will continue to assist lower-capacity jurisdictions, share best practices, and engage with stakeholders to enhance compliance.

FATF urges all jurisdictions to swiftly implement its standards, including the Travel Rule, to ensure a robust global AML/CFT framework for virtual assets.

Asset Management (1)

ESMA consults on Liquidity Management Tools (LMT) for funds

ESMA on 8 July 2024 issued a consultation seeking input [on draft guidelines](#) and [technical standards](#) under the revised Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive. Both Directives aim to mitigate potential financial stability risks and promote harmonisation of liquidity risk management in the investment funds sector.

In the draft Regulatory Technical Standards (RTS) on the characteristics of Liquidity Management Tools (LMTs) ESMA defines the constituting elements of each LMT, such as calculation methodologies and activation mechanisms. ESMA also publishes draft Guidelines on LMTs of UCITS and open-ended AIFs, providing guidance on how managers should select and calibrate LMTs, in light of their investment strategy, their liquidity profile and the redemption policy of the fund.

These draft RTS and guidelines are designed to promote convergent application of the Directives for both UCITS and open-ended AIFs and make EU fund managers better equipped to manage the liquidity of their funds, in preparation for market stress situations. Additionally, they intend to clarify the functioning of specific LMTs, such as the use of side pockets, a practice that currently varies significantly across the EU.

The deadline for responses is 8 October 2024. ESMA intends to publish final reports on the draft RTS and guidelines by 16 April 2025.

EU Commission adopts RTS Delegated Regulation on ELTIF 2.0

On 19 July 2024, the EU Commission published the final version of the [regulatory technical standards](#) (“RTS”) with respect to Regulation (EU) 2015/760 as amended (“ELTIF 2.0”). The RTS clarify various aspects with respect to ELTIF 2.0., including, but not limited to the (i) minimum holding period, (ii) minimum notice period, (iii) liquidity management tools (“LMTs”), (iv) redemption gates and (v) liquidity pocket provisions that are applicable to open-ended European long-term investment funds (“ELTIFs”).

The RTS:

- makes the application of a minimum holding period optional;
- eliminates the previously mandated 12-month notice period for redemptions;
- offers significant flexibility to ELTIF managers in setting the maximum redemption size per day;
- removes the requirement for ELTIFs to always maintain a minimum allocation of UCITS-eligible assets; and
- better aligns cost disclosures under ELTIF 2.0 with PRIIPs, MiFID II, and AIFMD standards.

The RTS also cover other key areas mandated by ELTIF 2.0, including the use of derivatives and order matching, which are not addressed in this update.

Asset Management (2)

EFMA statistics on ELTIFs

According to the European Fund and Asset Management Association (EFAMA), the update to the ELTIF regime in 2021 has led to remarkable market changes within just three years.

- ❑ The number of ELTIFs has increased from 57 to more than 120
- ❑ The AuM of ELTIFs have increased from €2.7bn to more than €13.6bn
- ❑ New domiciles have begun hosting ELTIFs
- ❑ At least 8 new asset managers have launched their own ELTIFs

With the Level 2 rules soon to take effect, even more significant developments in this market are anticipated.

Banking & Finance (1)

EBA publishes methodology and draft templates on the 2025 EU-wide stress test

On 5 July 2024, EBA published the [methodology, draft templates, and guidance](#) for the 2025 EU-wide stress test.

This marks the beginning of a consultation with the banking industry and builds on the 2023 test, incorporating new insights and regulatory updates.

Key changes include integrating the upcoming Capital Requirements Regulation (CRR3), addressing the delay in the fundamental review of the trading book (FRTB), centralizing net interest income (NII) projections, and improving market risk methodology. Participating banks will need to project the impact of defined scenarios under a common set of risks (credit, market, counterparty, and operational). The stress test will involve 68 banks from the EU and Norway, covering 75% of the EU banking sector, with expanded geographic reach and new proportionality features for greater efficiency and transparency.

The EBA expects to publish the final methodology at the end of 2024, launch the stress test in January 2025 and publish the results by the end of July 2025.

EBA publishes report on convergence of supervisory practices under CRD IV

On 8 July 2024, the EBA released a [report](#) on the convergence of supervisory practices under the fourth Capital Requirements Directive (CRD IV). The report highlights that the four key topics from the 2023 European Supervisory Examination Programme (ESEP)—macroeconomic and geopolitical risks, operational and financial resilience, transition risks, and money laundering and terrorism financing risks in the Supervisory Review and Evaluation Process (SREP), as well as internal controls and governance—were largely addressed by most competent authorities in their supervisory priorities. However, the report also notes that there is still room for greater consistency in how risks covered by Pillar 2 requirements are identified and managed across the EU.

EBA publishes programme on supervisory topics

On 8 July 2024, the EBA released its 2025 [European Supervisory Examination Programme](#) (ESEP) for prudential supervisors (EBA/REP/2024/14). Published annually, the ESEP outlines key areas for supervisory focus to promote convergence. For 2025, the main topics include adapting to rising economic and financial uncertainties, addressing digital challenges (especially ICT risk management and enhancing operational resilience amid digital transformation), and implementing Basel III along with the EU banking package.

EBA updates the supervisory reporting framework

On 9 July 2024, EBA published its [final draft implementing technical standards](#) (ITS) on supervisory reporting requirements under the Capital Requirements Regulation (CRR) in its report EBA-ITS/2024/06. These ITS update the supervisory reporting framework to align with the amending CRR 3, which incorporates the latest Basel III reforms.

The new ITS, effective from 1 January 2025 with the first reference date on 31 March 2025, will provide supervisors with comprehensive and comparable information to monitor institutions' compliance with CRR 3 requirements. This will support enhanced and consistent supervision by covering reforms related to the output floor, credit risk, market risk, operational risk, crypto assets, and the leverage ratio, while repealing the previous Commission Implementing Regulation (EU) 2021/451.

Banking & Finance (2)

BCBS launches consultation on third-party risk management

On 9 July 2024, the Basel Committee on Banking Supervision (BCBS) released a [consultation paper](#) outlining principles for the sound management of third-party risk. The paper proposes twelve high-level principles to guide banks and supervisors in managing and overseeing risks associated with third-party arrangements. It introduces concepts such as the third-party life cycle and emphasizes criticality and proportionality. The principles aim to set a common baseline while allowing flexibility to adapt to evolving practices and regulatory frameworks across different jurisdictions. Responses to the consultation are due by 9 October 2024.

ECB launches consultation on draft guide for banks on governance and risk culture

On 24 July 2024, the European Central Bank (ECB) released a [draft guide on governance and risk culture](#) for consultation. This guide aims to provide a practical reference for banks, addressing areas needing improvement despite progress since the global financial crisis. It will replace the 2016 Single Supervisory Mechanism (SSM) supervisory statement on governance and risk appetite. While not legally binding, the guide clarifies supervisors' expectations for the composition and functioning of management bodies and committees, defines the roles and responsibilities of internal control functions, underscores the importance of risk culture, and outlines expectations for banks' risk appetite frameworks. The consultation period is open until 16 October 2024.



Digital Finance & Fintech (1)

New MiCA rules increase transparency for retail investors

On 4 July 2024, ESMA released its [second Final Report](#) under the Markets in Crypto-Assets Regulation (MiCA), which includes eight draft technical standards aimed at enhancing transparency for retail investors and providing clarity on disclosure and record-keeping requirements for providers.

These standards also set data requirements to support effective supervision by national competent authorities (NCAs).

The final report covers the following draft technical standards:

- Sustainability indicators for crypto-asset consensus mechanisms
- Business continuity measures for crypto-asset service providers (CASPs)
- Trade transparency
- Content and format requirements for order books and record-keeping by CASPs
- Machine readability of white papers and the white paper register
- Public disclosure of inside information

These standards are designed to ensure that crypto-asset white papers are readable by both humans and machines, and provide templates and formats for CASP order and transaction records. They also specify how CASP trading platforms should disclose data for pre-trade and post-trade transparency, enabling NCAs to effectively supervise the EU crypto-asset market. Additionally, the report addresses public disclosures regarding the environmental impact of consensus mechanisms and how issuers should handle price-sensitive information to prevent market abuse.

Once finalised, these draft technical standards will be submitted to the EU Commission for adoption. The EU Commission will decide whether to adopt them within three months.

Digital Finance & Fintech (2)

ESAs consult on guidelines under the Markets in Crypto-Assets Regulation

On 12 July 2024, the European Supervisory Authorities (ESAs) released a [consultation paper](#) outlining new guidelines under the Markets in Crypto-Assets Regulation (MiCA). These guidelines introduce templates for explanations and legal opinions regarding the classification of crypto-assets and propose a standardized test to ensure a uniform approach to classification.

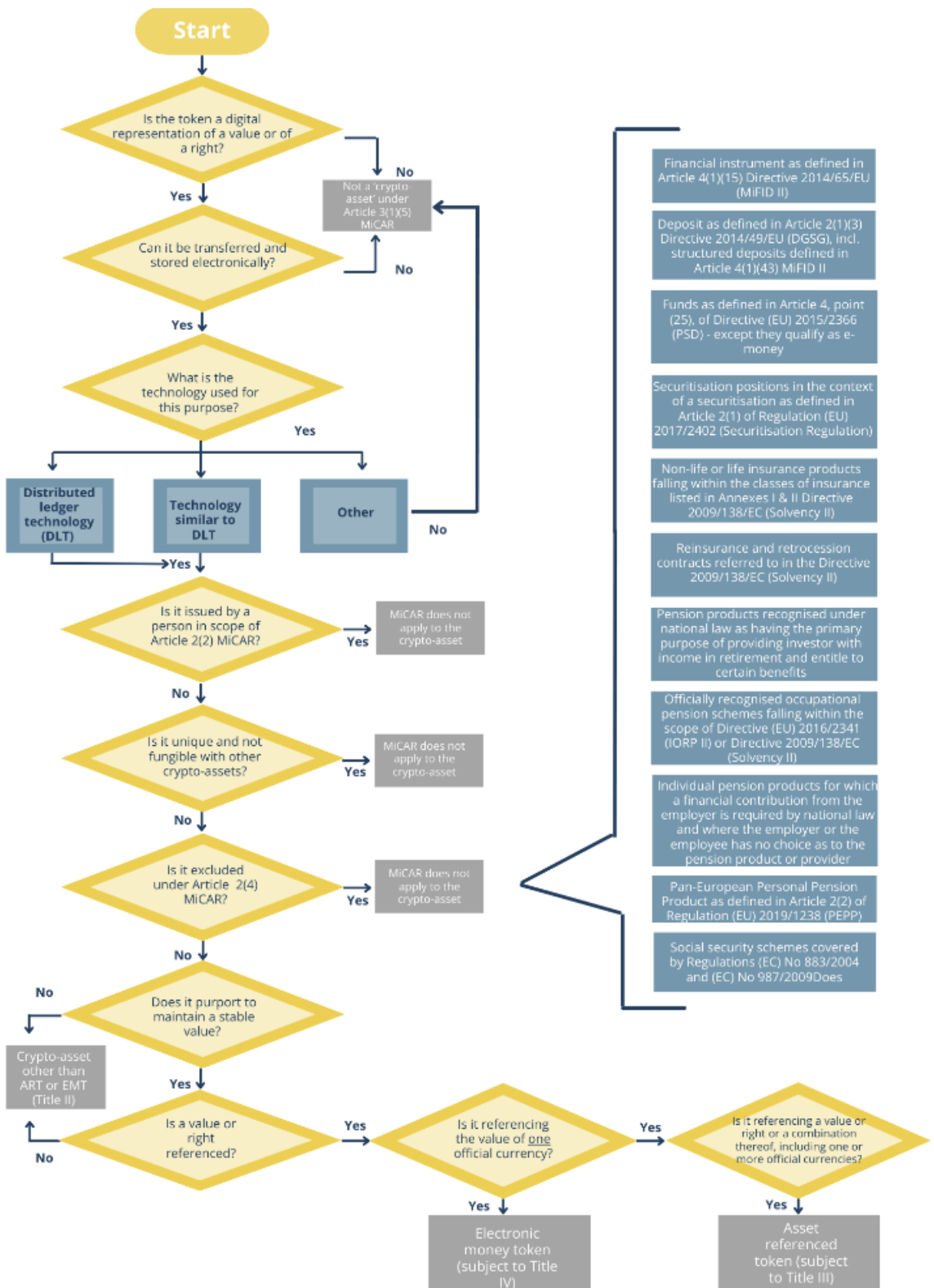
The guidelines aim to support both market participants and supervisors by providing:

- A standardised test for classifying crypto-assets
- Templates for explanations and legal opinions, detailing the regulatory classification in two scenarios:
 - Asset-referenced tokens (ARTs): The white paper for ART issuance must include a legal opinion explaining the token's classification, confirming it is neither an electronic money token (EMT) nor a crypto-asset excluded from MiCA.
 - Other crypto-assets: The white paper must explain that the asset is not an EMT, ART, or a crypto-asset excluded from MiCA.

Comments on the consultation paper are due by 12 October 2024.

Additionally, the ESAs will host a virtual public hearing on 23 September 2024 from 10:00 to 12:00 CEST. Stakeholders interested in attending should register by 19 September 2024 at 16:00 CEST.

Digital Finance & Fintech (3)



Digital Finance & Fintech (3)

ESAs published second batch of policy products under DORA

On 17 July 2024, the European Supervisory Authorities (ESAs) released the second batch of policy products under the Digital Operational Resilience Act (DORA). This new batch includes four final draft regulatory technical standards (RTS), one set of Implementing Technical Standards (ITS), and two guidelines, all aimed at strengthening the digital operational resilience of the EU financial sector.

Key elements of this package focus on:

- Reporting framework for ICT-related incidents, including reporting clarity and templates
- Threat-led penetration testing
- Design of the oversight framework to enhance resilience and ensure continuous financial services and data safety

The final draft technical standards cover:

- ❑ [RTS and ITS on the content, format, templates and timelines for reporting major ICT-related incidents and significant cyber threats](#);
- ❑ [RTS on the harmonisation of conditions enabling the conduct of the oversight activities](#);
- ❑ [RTS specifying the criteria for determining the composition of the joint examination team \(JET\)](#);
- ❑ [RTS on threat-led penetration testing \(TLPT\)](#).

The set of guidelines include:

- ❑ [Guidelines on the estimation of aggregated costs/losses caused by major ICT-related incidents](#);

[Guidelines on oversight cooperation](#).

The guidelines have been adopted by the ESAs' Boards of Supervisors. The final draft technical standards are now with the EU Commission for review and adoption in the coming months. The RTS on subcontracting will be published separately.

Background:

Public consultation for these technical standards and guidelines ran from 8 December 2023 to 4 March 2024, receiving over 364 responses from market participants, including a joint response from ESAs' stakeholder groups.

The RTS on JET had a separate consultation from 18 April to 18 May, garnering 9 responses. These consultations led to specific updates in the standards, simplifying requirements, increasing proportionality, and addressing sector-specific issues.

The ESAs also consulted with the European Central Bank (ECB) and the European Union Agency for Cybersecurity (ENISA) regarding incident reporting standards.

Digital Finance & Fintech (3)

ESAs published joint Final report on the draft technical standards on subcontracting under DORA

On 26 July 2024, the ESAs released their joint [Final report](#) on the draft Regulatory Technical Standards (RTS) for assessing conditions related to subcontracting ICT services that support critical or important functions under the Digital Operational Resilience Act (DORA). These RTS aim to strengthen the digital operational resilience of the EU financial sector by enhancing ICT risk management for subcontracting.

The RTS address ICT services provided by subcontractors that support or are critical to important functions. They detail requirements for managing these subcontracting arrangements throughout their lifecycle, emphasizing the need for financial entities to assess risks during the precontractual phase, including thorough due diligence.

The RTS also outline specific requirements for implementing and managing subcontracting contracts, ensuring that financial entities effectively monitor and control the risks associated with subcontractors supporting critical ICT functions.

This publication marks the conclusion of the ESAs' second batch of regulatory products under DORA.

Background

The ESAs have divided their Level 2 legislative responsibilities into two batches. The first batch was largely finalized in January 2024 following an extensive consultation and feedback process with various stakeholders.

Batch 1 includes:

- RTS on criteria for ICT risk management
- RTS on criteria for classifying ICT-related incidents
- Regulations on criteria for critical ICT third-party service providers in the financial sector
- Draft Implementing Technical Standards for templates for the register of information

While minor adjustments to the Level 2 rules may still occur before they become binding, significant changes to the current drafts are unlikely. Financial entities should now accelerate their efforts to implement the necessary changes to comply with DORA by the **17 January 2025 deadline**. IT suppliers also need to update their systems and revise contracts to ensure alignment with regulatory expectations when DORA takes effect.

Digital Finance & Fintech (4)

ESAs establish framework to strengthen coordination in case of systemic cyber incidents

On 17 July 2024, the European Supervisory Authorities (ESAs)—the EBA, EIOPA, and ESMA—[announced](#) the establishment of the EU Systemic Cyber Incident Coordination Framework (EU-SCICF) under the Digital Operational Resilience Act (DORA). This framework aims to enhance the financial sector's response to cyber incidents that could threaten financial stability by improving coordination among EU financial authorities, relevant bodies, and key international actors.

In the coming months, the ESAs will launch several components of the framework:

- ❑ The EU-SCICF Secretariat to support its operation
- ❑ The EU-SCICF Forum to test and refine its functioning
- ❑ The EU-SCICF Crisis Coordination to manage actions during crises

A [factsheet](#) detailing the framework's functions and operations has also been released. The ESAs will report any legal and operational challenges encountered during the initial setup to the EU Commission. The framework's further development will depend on resource availability and additional measures taken by the EU Commission.

EU AI Act published in the Official Journal

The European Parliament and Council have published on 12 July 2024 [Regulation \(EU\) 2024/1689](#) laying down harmonised rules on artificial intelligence (EU AI Act) in the Official Journal of the European Union. The EU AI Act is aimed at the safe and ethical development, deployment and use of AI.

The EU AI Act will come into force on 1 August 2024. While most provisions will apply from 2 August 2026, some will begin to apply earlier. These include prohibitions on certain AI practices, such as enabling emotional recognition in the workplace, which will apply from 2 February 2025.

Securities & Markets (1)

ESMA's stress test of Central Counterparties finds clearing system resilient

On 9 July 2024, ESMA published the [results of its fifth stress test exercise](#) for Central Counterparties (CCPs). The findings affirm the overall resilience of both EU CCPs and third-country Tier 2 CCPs to core credit and liquidity risks under the tested scenarios.

Key Updates:

- ❑ **New Analysis:** This year's exercise introduced an exploratory analysis of climate risk, alongside enhanced model risk assessments for concentration and extended reverse stress tests for credit and liquidity.
- ❑ **Findings:**
 - CCPs demonstrated robust defenses against significant market shocks, even with the default of the two largest clearing member groups.
 - CCPs proved resilient to severe liquidity stress events, with their clearing and investment activities crucial to the results.
 - Some gaps remain in the coverage of concentration risk, particularly in commodity derivative positions.
 - CCPs' exposure to climate risk is influenced by their market's exposure to transition risks, such as those in commodities and energy sectors. Most sampled CCPs have begun incorporating climate risk into their stress testing frameworks.
 - The ecosystem analysis highlighted that the total required margin increased by 56% compared to the previous exercise.

Scope and Coverage:

The stress test covered 16 CCPs, including two UK CCPs qualifying as Tier 2 CCPs and all authorized EU CCPs. It evaluated credit, concentration, and liquidity risks, and included a new climate risk component. An enhanced clearing ecosystem analysis complemented the exercise.

Next Steps:

In accordance with the EMIR mandate, ESMA will issue recommendations if any resilience shortcomings are identified in one or more CCPs.

Securities & Markets (2)

**CSDR Refit:
ESMA consults
on rules to
recalibrate and
further clarify
the framework**

On 9 July 2024, ESMA released three consultation papers on various aspects of the Central Securities Depositories Regulation (CSDR) Refit, Regulation (EU) 2023/2845.

The consultations focus on:

1. [Review and evaluation process](#): Proposing harmonised information-sharing requirements for EU CSDs, aiming to standardize data on cross-border activities and risk assessments for national competent authorities (NCAs).
2. [Information from Third-Country CSDs](#): Streamlining the reporting obligations for third-country CSDs to simplify the understanding of their services within the EU and reduce reporting burdens.
3. [Scope of settlement discipline](#): Outlining proposals on identifying the causes of settlement fails and defining circumstances where certain operations are not considered trading.

Background:

These draft rules are intended to refine and clarify the CSDR framework. They address the information to be provided by European CSDs to their NCAs, the data to be reported by third-country CSDs to ESMA, and the scope of settlement discipline.

Next Steps:

ESMA invites EU CSDs, third-country CSDs, CSD participants, and other affected stakeholders to submit their responses by 9 September 2024. The feedback will be used to finalise the proposals, which will be submitted to the EU Commission in Q1 2025. Additional consultations on other aspects of the CSDR Refit are expected in the coming months.



Securities & Markets (3)

MiFIR review: ESMA launches new consultations

On 10 July 2024, ESMA released a comprehensive [set of public consultations](#) aimed at improving transparency and system resilience in financial markets. This initiative seeks to reduce reporting burdens and promote supervisory consistency. The package includes:

- ❑ Amendments to existing rules: revisions to liquidity assessment rules for equity instruments, equity transparency, and volume caps.
- ❑ Draft Implementing Technical Standard (ITS) for Systematic Internalisers (SIs): proposing new standards to enhance transparency and regulatory consistency for SIs.
- ❑ Equity Consolidated Tape Provider (CTP): updates on input/output data requirements to ensure alignment between transparency standards and CTP specifications.
- ❑ Post-Trade transparency flags: introduction of new flags for non-equity instruments, addressing gaps from previous consultations.
- ❑ Organisational requirements for trading venues: new provisions on circuit breakers and targeted amendments to align with the Digital Operational Resilience Act (DORA).

Once approved, these standards will support the implementation of the Consolidated Tape Provider (CTP) in the EU, enhance the pre-trade and post-trade transparency regime, and streamline reporting requirements to boost efficiency and competitiveness in European financial markets.

Next Steps:

- Comments due by 15 September 2024: for technical advice on Section 3, RTS 1 (Section 4), RTS on input/output data for shares and ETFs CTP (Section 8), and flags under RTS 2.
- Comments due by 15 October 2024: for SI ITS (Section 5), RTS 3 (Section 6), and RTS 7 (Section 7).

ESMA will review the feedback and prepare a final report.

Draft technical standards for RTS 1, input/output data RTS, and RTS 2 will be submitted to the EU Commission in December 2024.

Remaining mandates will be submitted in March 2025.

For further details on the MiFID II/MiFIR review and the consultation process, visit the ESMA [dedicated webpage](#).

Securities & Markets (4)

ESMA publishes 2023 data on cross-border investment activity of firms

ESMA together with the NCAs, completed an [analysis](#) of the cross-border provision of investment services during 2023.

The data sets were collected from investment firms across 30 jurisdictions in the EU/EEA.

The main findings include:

- ❑ A total of around 386 firms provided services to retail clients on a cross-border basis in 2023;
- ❑ Approximately 8 million clients in the EU/EEA received investment services from firms located in other EU/EEA Member States in 2023;
- ❑ Compared to 2022, the cross-border market for investment services grew by 1.6% in terms of firm numbers, and by 5% in terms of retail clients, while the number of complaints increased by 31%;
- ❑ Cyprus is the primary location for firms providing cross-border investment services in the EU/EEA, accounting for 20% of the total firms passporting investment services. Luxembourg and Germany follow with 15% and 14% of all firms, respectively; and
- ❑ Germany, France, Spain, and Italy are the most significant destinations (in terms of number of retail clients) for investment firms providing cross-border services in other Member States.
- ❑ The insights gained from the analysis will allow ESMA and the NCAs to better understand and monitor cross-border investment services provided by firms in the EU/EEA.

ESMA will perform the next data collection in 2025.

ESMA publishes consultation paper on order execution policies under MiFID II

On 16 July 2024, ESMA published a [consultation paper](#) outlining draft regulatory technical standards (RTS) for evaluating the effectiveness of investment firms' order execution policies under MiFID II.

This initiative comes in response to observed shortcomings in how firms implement their execution policies. In particular, some firms have been found to lack detailed documentation justifying their choice of execution venues, fail to demonstrate adherence to their order execution policies, and provide only generic public disclosures about their execution practices.

The consultation paper seeks feedback on several key areas, including:

- ❑ Policy Establishment: Criteria for establishing an investment firm's order execution policy, including the classification of financial instruments and selection of execution venues.
- ❑ Effectiveness Monitoring: Procedures for monitoring and assessing the effectiveness of order execution arrangements and policies.
- ❑ Own Account Dealing: The handling of client orders when executed through own account dealing.
- ❑ Client Instructions: Guidelines for managing client instructions.

Comments are due by 16 October 2024, and ESMA plans to finalise and submit the draft RTS to the EU Commission by 29 December 2024.

Sustainable Finance

ESMA puts forward measures to support corporate sustainability reporting

On 5 July 2024, ESMA released its [Final Report on the Guidelines on Enforcement of Sustainability Information \(GLES\)](#) and [a Public Statement on the first application of the European Sustainability Reporting Standards \(ESRS\)](#). These documents are designed to support the consistent application and supervision of sustainability reporting requirements.

Key Highlights:

- **GLES:** provides guidance to harmonize supervisory practices related to sustainability reporting. Watch explainer video [here](#).
- **Public Statement:** aims to assist large issuers in navigating the initial implementation of ESRS. View visuals [here](#).

These publications align with recommendations from ESMA's recent Position Paper, "Building more effective and attractive Capital Markets in the EU," which focuses on:

- Promoting EU Capital Markets for Green Finance.
- Enhancing clarity in sustainability disclosures to improve investor comprehension, potentially through sustainability labels and categories.
- Reducing complexity and enhancing clarity.
- Simplifying reporting requirements to ease industry compliance.
- Improving supervisory consistency.
- Ensuring uniform enforcement across EU NCAs through better cooperation and convergence.

Next Steps:

ESMA will continue to monitor sustainability reporting practices and the application of GLESI throughout 2025. The GLESI will be translated into all EU languages and made available on ESMA's website. Additionally, ESMA plans to release further recommendations on sustainability statements for listed companies in Q4.

Sustainable Finance (2)

ESMA sets out its long-term vision on the functioning of the Sustainable Finance Framework

ESMA published on 24 July 2024 an [Opinion](#) on the Sustainable Finance Regulatory Framework (the “Framework”), setting out possible long-term improvements.

ESMA acknowledges that the EU Sustainable Finance Framework is already well developed and includes safeguards against greenwashing. At the same time, ESMA considers that, in the longer-term, the Framework could further evolve to facilitate investors’ access to sustainable investments and support the effective functioning of the Sustainable Investment Value Chain.

Main recommendations for the EU Commission’s consideration:

- ❑ The [EU Taxonomy](#) should become the sole, common reference point for the assessment of sustainability and should be embedded in all Sustainable Finance legislation;
- ❑ The [EU Taxonomy](#) should be completed for all activities that can substantially contribute to environmental sustainability and a social taxonomy developed;
- ❑ A [definition of transition investments](#) should be incorporated into the Framework to provide legal clarity and support the creation of transition-related products;
- ❑ [All financial products should disclose some minimum basic sustainability information](#), covering environmental and social characteristics;
- ❑ A [product categorisation system](#) should be introduced catering to sustainability and transition, based on a set of clear eligibility criteria and binding transparency obligations;
- ❑ [ESG data products](#) should be brought into the regulatory perimeter, the consistency of ESG metrics continue to be improved, reliability of estimates ensured; and
- ❑ [Consumer and industry testing](#) should be carried out before implementing policy solutions to ensure their feasibility and appropriateness for retail investors.

This Opinion builds on the findings of the [ESMA Progress Report on Greenwashing](#) and the [Joint ESAs Opinion on the review of the SFDR](#). The Opinion also represents the last component of ESMA’s reply to the [EC Request for input related to greenwashing](#), next to the [Final Report on Greenwashing](#).

Glossary

AIF Alternative Investment Fund (EU)

AIFMD Directive 2011/61/EU on Alternative Investment Fund Managers

AIFMs Alternative Investment Fund Managers

AML/CFT Anti-Money Laundering/Countering the Financing of Terrorism

CSRD Corporate Sustainability Reporting Directive

CySEC Cyprus Securities and Exchange Commission

EBA European Banking Authority

ECB European Central Bank

EIOPA European Insurance & Occupational Pensions Authority

ESG environmental, social, and governance

EMIR European Market Infrastructure Regulation

ESAs European Supervisory Authorities (EBA, EIOPA and ESMA)

ESMA European Securities and Markets Authority

ESRB European Systemic Risk Board EU European Union

ICT Information and Communication Technology

MiCA Regulation of the European Parliament and of the Council on markets in crypto-assets

MiFID Markets in Financial Instruments Directive

NCA National Competent Authority

RTS Regulatory Technical Standards

SFDR Sustainable Finance Disclosure Directive

OECD Organisation for Economic Co-operation and Development

OJ Official Journal

UCITS Directive directive 2009/65/EC on Undertakings for Collective investments in Transferable Securities

UCITS Undertakings for Collective investments in Transferable Securities (EU)



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