



Regulatory Insights

Financial Services

August 2025

Anti-Money Laundering

Technology can make EU anti-money laundering supervision more effective, says EBA

EBA published [a report](#) on 12 August 2025 on how technology tools (SupTech) can improve the supervision of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). The report examines ongoing innovation by EU authorities and how technology can help implement the new EU AML/CFT framework

Key points:

- ✅ The EU has created a new authority, the AMLA, to coordinate AML/CFT supervision across member states. This change offers a chance to modernise how supervision is done, making it more data-driven and risk-focused.
- ✅ The EBA conducted a survey of national supervisors and hosted a workshop to understand trends, challenges, and best practices in using technology for AML/CFT supervision.
- ✅ Almost half of the technology tools identified are already in use, with another third under development. These tools help improve data quality, foster collaboration between authorities, and risk identification.
- ✅ Challenges remain, including limited resources, unclear legal rules, and issues with data governance.

The report shows that technology can strengthen AML/CFT supervision across the EU, helping authorities detect risks more efficiently and coordinate better while adapting to the new framework.



Asset Management

ESMA publishes overview of cross-border fund distribution

ESMA published on 21 August 2025 a [comprehensive overview](#) of rules for the cross-border distribution of UCITS and AIFs across the EU-27 and EFTA countries (Iceland, Liechtenstein, Norway).

Key highlights:

- ✓ Notification & passporting: Funds must submit core documents—such as the prospectus, KIID, and reports—to host NCAs before marketing; some jurisdictions allow marketing once an acknowledgment is received.
- ✓ Marketing communications: Materials must be clear, fair, and not misleading. Most NCAs review marketing after dissemination rather than through pre-approval.
- ✓ Fees & transparency: The overview provides links to national fee schedules and highlights jurisdictions differences.
- ✓ Regulatory context: The publication aligns with the CBDF Regulation (EU 2019/1156), complementing UCITS, AIFMD, and PRIIPs frameworks.

This resource is intended as a practical reference for firms planning cross-border fund distribution, while noting that national rules and procedures may still vary.



Banking & Finance (1)

EBA publishes results of 2025 EU-wide stress test

EBA released the [results of its 2025 EU-wide stress test](#) on 1 August 2025, covering 64 banks from 17 EU and EEA countries, representing 75% of EU banking sector assets. The results confirm that EU banks remain resilient under a severe hypothetical economic downturn.

The adverse scenario assumes a sharp deterioration in the global macro-financial environment, driven by renewed geopolitical tensions, entrenched trade fragmentation (including higher tariffs), and persistent supply shocks.

In this scenario, banks would face losses of EUR 547bn, leading to a capital reduction of 370 basis points and leaving the CET1 ratio at 12% by the end of the stress period. Strong income generation helps offset part of these losses, resulting in a smaller capital impact compared to the 2023 exercise, despite significant market and credit risk pressures. Further details are available in the EBA's [2025 EU-wide stress test presentation](#).

Banks entered the exercise with higher profitability and capital than in recent years, demonstrating improved shock absorption capacity. However, the results also highlight continued vulnerabilities in credit and market risk, as well as the need for further enhancements in sectoral risk modelling.

The EBA stresses that maintaining adequate capital buffers remains critical to safeguard the stability of the EU banking system.

EBA publishes RTS on operational risk losses under EU banking package

EBA also published [three final draft Regulatory Technical Standards \(RTS\)](#) on 4 August 2025, clarifying requirements on the treatment of operational risk losses under the EU Banking Package

✓ **RTS on risk taxonomy:** Establishes a harmonised taxonomy of operational risk events, categories and attributes, in line with international standards. The taxonomy introduces clearer definitions, incorporates ESG-related attributes, and aligns with the Digital Operational Resilience Act (DORA).

✓ **RTS on exemptions:** Defines conditions under which it would be unduly burdensome for institutions to promptly calculate their annual operational risk losses, allowing for temporary waivers in such cases.

✓ **RTS on adjustments for mergers and acquisitions:** Provides rules for incorporating operational risk loss data following mergers or acquisitions, including guidance on currency, taxonomy use, and treatment of missing historical data.

These RTS are mandated under Articles 316, 317, and 321 of the Capital Requirements Regulation (CRR3). Together, they aim to improve consistency in recording, classifying, and managing operational risk losses across EU institutions, while reducing operational complexity and supporting supervisory convergence.

EBA publishes draft RTS on prudential treatment of crypto-asset exposures

Finally on 5 August 2025, the EBA published its [final draft Regulatory Technical Standards \(RTS\) specifying the technical elements for calculating and aggregating crypto-asset exposures under the Capital Requirements Regulation \(CRR3\)](#). The RTS aim to ensure consistent application of capital requirements for crypto-asset exposures across the EU.

Banking & Finance (2)

(Continued)

EBA publishes RTS on equivalent legal mechanism for unfinished property exposures

EBA launches consultation on revised internal governance Guidelines

Key elements include:

✓ **Scope of application:** Prudential treatment for credit, counterparty credit, market, and CVA risk exposures to Asset-Referenced Tokens (ARTs), other crypto-assets, and unbacked crypto-assets (e.g. Bitcoin).

✓ **Calculation and aggregation rules:** Technical provisions on netting, recognition of hedges, aggregation of long and short positions, and relevant exposure formulas.

✓ **Alignment with international standards:** The RTS are consistent with Basel standards on crypto-asset exposures and take into account the Markets in Crypto-Assets Regulation (MiCA).

✓ **Changes from consultation:** Removal of the prudent valuation requirement for fair value exposures and addition of provisions clarifying aggregation of long/short positions for exposure limits.

These RTS provide transitional prudential rules for crypto-asset exposures until a permanent framework is in place, enabling institutions to engage in crypto markets while maintaining capital discipline.

EBA released its [final Regulatory Technical Standards](#) (RTS) on 6 August 2025, that explain when a legal guarantee can be considered sufficient for properties still under construction, under the Capital Requirements Regulation (CRR3). These rules affect how banks calculate the capital they must hold (own funds) for loans on such properties under the Standardised Approach for credit risk.

The RTS define the conditions a guarantee must meet to be recognised, including requirements for the protection provider and the terms of the guarantee. The final standards now allow certain existing national completion guarantee schemes to qualify, provided they meet basic safeguards such as enforceability and minimum creditworthiness (with a 20% risk weight cap). These standards aim to harmonise how banks across the EU treat loans for properties under construction, supporting financial stability while making rules practical and consistent across Member States.

EBA opened a [consultation](#) on 7 August 2025 on its revised Guidelines on internal governance under the Capital Requirements Directive (CRD). The proposed updates reflect recent changes in CRD VI, the Digital Operational Resilience Act (DORA), and lessons from supervisory practices across the EU. The consultation runs until 7 November 2025 and focuses only on the proposed changes.

Key updates include:

Clearer role and duty definitions: Each member of the management body, senior manager, and key function holder must have a documented statement of role and duties, and a mapping of responsibilities must be in place.

Robust governance for third-country branches: Guidance ensures branches outside the EU maintain strong internal governance frameworks.

Alignment with DORA and diversity practices: Updates reflect operational resilience requirements, gender-neutral remuneration policies, and EBA benchmarking findings.



Consultation process:

Stakeholders can submit comments via the EBA consultation page until 7 November 2025.

Banking & Finance (3)

(Continued)

EU/EEA banking sector remains robust in Q1 2025 despite higher cost of risk

EBA publishes final standards for off-balance sheet items

A virtual public hearing will be held on 5 September 2025.

The Guidelines aim to strengthen governance frameworks across EU credit institutions, supporting robust regulation, effective supervision, and enhanced risk management under the EU Banking Package.

EBA published its [Risk Dashboard for Q1 2025](#) on 11 August 2025, which tracks key indicators for the largest EU/EEA banks. The results show that banks remain financially solid, even though the cost of risk has gone up.

Key findings:

✓ **Capital strength** : Banks' main capital ratio (CET1) stayed stable at 16.2%, showing that they hold healthy levels of financial buffers.

✓ **Growth in assets**: Banks' total assets rose by 2.7% to EUR 29 trillion, mainly due to more investment in debt securities. Loans to households and SMEs also grew slightly, especially mortgages and SME loans.

✓ **Loans quality**: Non-performing loans (NPLs) stayed flat at around EUR 378 billion. However, the cost of risk (a measure of potential loan losses) rose to its highest level since 2021.

✓ **Profitability**: Banks earned a return on equity of 10.5%, similar to last year. Income from lending fell slightly as interest margins narrowed, but this was offset by higher fee and commission income (+6% year-on-year).

✓ **Liquidity and funding**: Liquidity buffers decreased a little but remained well above requirements. Deposits from households and firms fell slightly, while deposits from non-bank financial institutions increased strongly.

✓ **Takeaway**: EU/EEA banks remain resilient and profitable but rising credit risks and pressure on interest income signal a more challenging environment ahead.

EBA released its [final Regulatory Technical Standards](#) (RTS) on 18 August 2025, on how banks should classify and assign risk factors to off-balance sheet items. Off-balance sheet items are financial commitments not recorded on the main balance sheet, but which may still expose banks to credit risk, such as guarantees or undrawn loan commitments.

Key points:

The RTS clarify how banks should allocate off-balance sheet items into different risk "buckets" according to their likelihood of leading to a credit loss. This takes into account factors like financial covenants, non-credit related conditions, and whether the borrower has flexibility in drawing the commitment.

The EBA provides examples to help banks classify these items correctly. The RTS introduce four factors that limit a bank's ability to cancel commitments that are otherwise unconditionally cancellable. These factors relate to risk management, commercial considerations, reputational concerns, and potential litigation.

To reduce reporting burdens, the RTS propose using the COREP framework to notify regulators of off-balance sheet items not already included in the standard CRR buckets.

Banking & Finance (4)

EBA response to Delegated Act postponing market risk framework

EBA issued a [statement](#) confirming its response to the Commission's Delegated Act delaying the application of the EU market risk framework. The Delegated Regulation, adopted in June 2025, postpones the implementation of the Fundamental Review of the Trading Book (FRTB) by one year, to 1 January 2027, under Article 461a of the Capital Requirements Regulation.

The EBA confirmed that its [no-action letter of 12 August 2024](#) remains fully valid, advising supervisors not to prioritise enforcement of trading book boundary rules until the full FRTB framework applies. The EBA also noted that its earlier considerations on issues arising from the postponement will continue to apply throughout the extended period.



Digital assets

**MiCA:
Delegated
Regulation on
Market Abuse
RTS published**

On 20 August 2025, Commission Delegated Regulation [2025/885](#), supplementing the Regulation on markets in crypto-assets [2023/1114](#) (MiCA) with regard to regulatory technical standards (RTS) on market abuse, was published in the Official Journal of the European Union. The RTS sets out requirements for systems and controls, reporting templates and cooperation between competent authorities in relation to market abuse. The Delegated Regulation will enter into force on 9 September 2025.



Securities & Markets

ESMA publishes quarterly bond liquidity assessment

On 1 August 2025, ESMA published its latest [quarterly liquidity assessment](#) of bonds available for trading on EU venues.

For this period, 1,346 bonds were classified as liquid under MiFID II transparency requirements. The assessment is based on quantitative liquidity criteria, such as average daily trading activity and the percentage of days traded per quarter.

The transparency obligations for these liquid bonds will apply from 18 August to 16 November 2025, in line with RTS 2 provisions.

The full list of assessed bonds is accessible via ESMA's Financial Instruments Transparency System (FITRS) and the Register web interface. ESMA also provides completeness indicators on bond liquidity data and may publish updates within the quarter should additional data or corrections be submitted.

For further details, see ESMA's dedicated webpages on the bond liquidity assessment.

MiFIR reform: draft Delegated Regulation open for feedback

The European Commission launched a consultation on a [draft delegated regulation](#) to implement recent reforms to the Markets in Financial Instruments Regulation (MiFIR). These reforms remove barriers to the creation of three consolidated tape providers, a key step toward improving market transparency and competitiveness across the EU.

The draft updates the framework in Delegated Regulation (EU) 2017/567 by removing outdated provisions and refining requirements in three areas: the concept of a reasonable commercial basis for market data, the definition of liquid markets for equity instruments, and rules on post-trade risk reduction services.

The proposal is open for [public feedback](#) until 5 September 2025, and contributions will help shape the final regulation.



Sustainability

ESMA and the European Environment Agency sign MoU to strengthen cooperation in sustainable finance

The European Securities and Markets Authority (ESMA) and the European Environment Agency (EEA) signed a [Memorandum of Understanding](#) (MoU) on 20 August 2025 to work more closely together on sustainable finance.

The cooperation will focus on how environmental issues - such as climate change, biodiversity loss, and pollution - are incorporated into Europe's sustainable finance rules. Both institutions will share information, data, and expertise, and support each other in building knowledge and skills. They also plan to encourage closer collaboration between financial regulators and environmental authorities across EU countries. In addition, the partnership will help enhance policy discussions on sustainable finance.

By joining forces, ESMA and the EEA aim to avoid duplication of work and strengthen Europe's capacity to address major environmental challenges.



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

EFAMA European Fund and Asset Management Association

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

FATF Financial Action Task Force

ICT Information and Communication Technology

INTERPOL International Criminal Police Organisation

IOSCO International Organisation of Securities Commissions

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

OECD Organisation for Economic Co-operation and Development

OJ Official Journal

RTS Regulatory Technical Standards

SFDR Sustainable Finance Disclosure Directive

UNODC United Nations Office on Drugs and Crime

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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