



Regulatory Insights

May 2025

Anti-Money Laundering

FATF, INTERPOL & UNODC urge critical action on Money Laundering & Terrorist Financing (ML/TF)

In the context of the 34th session of the UN Commission on Crime Prevention and Criminal Justice (CCPCJ), held on 19 May 2025 in Vienna, the FATF, INTERPOL, and UNODC issued a joint call for governments to intensify efforts to combat the significant illicit proceeds stemming from drug and human trafficking, organised illegal migration networks, fraud, and Illicit financial schemes.

Key recommendations include:

- ✓ Asset recovery: strengthen cross-border cooperation and legal frameworks to identify, seize, and repatriate assets associated with criminal and terrorist organisations, thereby undermining the financial systems that enable their operations.
- ✓ Economic-crime approach: embed financial investigations into crime-prevention strategies to protect societies, ensure financial stability and foster economic growth.
- ✓ Operational tools:
 - INTERPOL's silver notice: roll-out to 51 pilot countries for rapid asset-related information sharing.
 - FATF standards: ongoing tightening of global AML/CFT standards; nearly 80% of jurisdictions still have only low-to-moderate asset-recovery effectiveness.
- ✓ Public-private partnerships: encourage collaboration with financial institutions, FIUs (Egmont Group) and civil society to deploy innovative, scalable solutions.
- ✓ Looking ahead: Practical guidance for practitioners on international cooperation will be published later this year, ahead of the 15th UN Crime Congress to be held at Abu Dhabi on 25–30 April 2026.

This collective call to action highlights the urgent need for member states to accelerate capacity-building, adopt risk-based approaches, and leverage new technologies—ensuring that no jurisdiction remains a safe haven for illicit finance.



Asset Management

IOSCO publishes final report on revised liquidity risk management recommendations for investment funds

On 26 May 2025, the International Organisation of Securities Commissions (IOSCO) released its [Final Report](#) on revised recommendations for liquidity risk management for Collective Investment Schemes (CIS), accompanied by detailed [implementation guidance](#).

This milestone follows extensive work by IOSCO and builds on the Financial Stability Board's (FSB) December 2023 revised recommendations addressing structural vulnerabilities from liquidity mismatches in open-ended funds.

The 17 updated recommendations, structured across six key areas - CIS design, liquidity tools and measures, day-to-day management, stress testing, governance, and disclosures - aim to strengthen the resilience of investment funds and better protect investors.

The accompanying implementation guidance provides practical direction and good practices to support regulators and market participants in effectively inserting these standards into their supervisory and operational frameworks. IOSCO Chair, Jean-Paul Servais urged regulators to carefully consider the revised standards and ensure appropriate oversight of liquidity management practices.

The publications are part of a broader global initiative, in collaboration with the FSB, to enhance the robustness of liquidity frameworks for investment funds worldwide.



Banking & Finance (1)

EBA publishes final technical package for reporting framework v4.1

On 28 May 2025, EBA released the final technical package for version 4.1 of its reporting framework, introducing key updates to support:

- ✓ The identification and assessment of significant crypto-asset service providers; and
- ✓ The development of the EBA's Pillar 3 data hub, which aims to centralise prudential disclosures and enhance data accessibility for institutions and stakeholders.

The finalised package includes specifications such as validation rules, the Data Point Model (DPM), and XBRL taxonomies, and covers:

- ✓ Pillar 3 templates under the Implementing Technical Standards (ITS) for the Pillar 3 data hub;
- ✓ Draft [MiCAR reporting guidelines](#) for supervisory use by competent authorities;
- ✓ Integration of Instant Payments reporting ITS; and
- ✓ Enhanced validation rules for the ESG ad-hoc data collection module.

This version continues the EBA's transition to DPM 2.0 and a new glossary format, as first outlined in June 2024. The framework will apply from the second half of 2025.

EBA releases onboarding plan for Pillar 3 Data Hub (P3DH)

EBA published on 22 May 2025 its [onboarding plan](#) outlining how institutions, particularly large and other CRR-regulated entities, will access and submit data to the new Pillar 3 Data Hub (P3DH), a centralised platform for public prudential disclosures under the Capital Requirements Regulation (CRR3).

This marks a key milestone in the EBA's efforts to enhance transparency, comparability, and market discipline across the EU financial system.

Key points from the onboarding plan include:

- ✓ A step-by-step process for onboarding institutions to the EUCLID regulatory reporting platform, which will serve as the entry point for Pillar 3 disclosures;
- ✓ A phased-in implementation timeline allowing institutions to continue fulfilling their 2025 disclosure obligations as usual, with P3DH submissions beginning at a later stage;
- ✓ Transitional provisions to give institutions time to align internal systems and processes;
- ✓ A dedicated set of FAQs, which will be regularly updated to support institutions during onboarding and initial reporting.

The P3DH platform will provide a single public access point to explore, compare, and visualise Pillar 3 disclosures across institutions and time period, significantly strengthening the transparency and resilience of the EU banking sector. Public access to the platform is expected to begin in December 2025.

The EBA encourages institutions to begin familiarising themselves with the process and prepare for integration.

This initiative stems from the CRR3/CRD6 Banking Package, which mandates the creation of the P3DH under Articles 434 and 434a. Further detail is available in the [EBA's roadmap on strengthening the prudential framework](#) issued in December 2023.

Banking & Finance (2)

EBA opens consultation on enhanced ESG, equity and shadow banking disclosures

EBA initiated a [public consultation](#) on proposed amendments to [the European Commission's Implementing Regulation on Pillar 3 disclosures under the CRR3](#). The proposals aim to enhance transparency, proportionality, and alignment with broader EU sustainability reporting initiatives.

Key highlights of the proposed amendments include:

- ✓ Extended ESG risk disclosures: the scope of ESG-related disclosure requirements will be expanded to all institutions, with a proportionate framework that simplifies obligations for Small and Non-Complex Institutions (SNCIs) and non-listed banks. No new requirements are imposed on large listed banks, but existing disclosures will be clarified and streamlined.
- ✓ New templates for equity exposures and shadow banking, with the introduction of disclosure templates covering:
 - Equity exposures (CRR3 Article 438(e))
 - Aggregate exposure to shadow banking entities (CRR3 Article 449b)
- ✓ Updated economic classification codes: the framework integrates the latest NACE codes for the statistical classification of economic activities in the EU.
- ✓ Transitional provisions and supervisory flexibility: to ease implementation, the EBA proposes transitional measures and supervisory tolerance. This includes a potential “no-action” letter, advising competent authorities not to prioritise enforcement of certain ESG templates during the initial transition phase.
- ✓ Improved usability tools: An updated mapping tool will support institutions by linking Pillar 3 templates with corresponding supervisory reporting requirements.

These updates support the EBA's Pillar 3 Data Hub initiative and align with the [EU Commission's Omnibus Proposal](#) to reduce the reporting burden under the CSRD, CSDDD, and the Taxonomy Regulation.

📅 The consultation is open until 22 August 2025. A virtual [public hearing](#) will be held on 26 June 2025 (11:00–12:30 CEST), with a registration deadline of 24 June 2025.

Institutions are strongly encouraged to:

- Review the proposed amendments,
- Assess the potential impact on their disclosure processes, and
- Prepare early for compliance with the updated requirements.



Banking & Finance (3)

EBA reports EU deposit guarantee scheme funds reach €79 billion milestone

EBA announced on 21 May 2025 that all national Deposit Guarantee Schemes (DGSs) across the EU have now reached the minimum target level of available financial means, marking a major milestone in depositor protection across the EU.

According to data published for year-end 2024, the aggregate amount of financial means held by EU DGSs rose by 11.1% to €79 billion, meeting or exceeding the target level of 0.8% of covered deposits in all Member States. This follows a 10-year build-up phase, during which banks contributed to national DGSs to ensure sufficient resources are in place to protect depositors in the event of a bank failure.

✓ **Key figures from the report:**

- ❑ €79 billion in available financial means across the EU DGSs (up from €71 billion in 2023)
- ❑ €8.6 trillion in covered deposits (up 3.2% from 2023)
- ❑ €8.8 trillion in total covered deposits across the European Economic Area (EEA), including Iceland, Norway, and Liechtenstein
- ❑ €81 billion in total financial means available in EEA DGS funds

✓ **What does this mean for depositors?**

Deposits up to €100,000 per depositor per bank are protected by law under the Deposit Guarantee Schemes Directive (DGSD). In the event of a bank failure, national DGSs are now fully equipped to reimburse eligible depositors within 7 working days, offering confidence and stability to EU banking customers. In addition to the available financial means, DGSs also have mechanisms to raise additional funds - either through extraordinary contributions or short-term financing - should the need arise during a crisis.

✓ **Transparency and accountability**

The EBA publishes this data annually to enhance transparency and reinforce public trust. The data is available for each EU Member State and EEA country and includes details on:

- ❑ Covered deposit volumes
- ❑ Financial means held by each DGS
- ❑ Compliance with target funding levels

EBA publishes 2024 Annual Report highlighting regulatory milestones and risk oversight

EBA released on 20 May 2025 the [first part of its 2024 Annual Report](#), presenting a summary of the authority's key achievements and activities over the past year. The report underscores another year of strong performance, with the EBA successfully delivering over 93% of its Work Programme mandates — marking 2024 as a milestone year for EU financial regulation.

✓ **Regulatory progress and prudential standards**

A major focus in 2024 was the implementation of the Basel III reforms, reinforcing the resilience of EU banks to future crises. In strengthening the EU Single Rulebook, the EBA issued new and updated guidelines and technical standards across core areas such as:

- ❑ Credit risk

Banking & Finance (4)

(continued)

- ☐ Market risk
- ☐ Operational risk

The EBA also played an instrumental role in supporting the European Green Deal. It advanced the integration of sustainability considerations into the prudential framework through:

- ☐ ESG risk disclosure guidance
- ☐ Reports on greenwashing risk
- ☐ Scenario analysis methodologies

✓ **Risk monitoring and transparency**

Against a backdrop of high interest rates, low growth, and geopolitical tensions, the EBA closely monitored risks to financial stability. Two editions of the Risk Assessment Report were published, in spring and autumn, with the latter accompanied by the EU-wide transparency exercise, offering insights into the soundness of individual institutions.

✓ **Stress testing and climate resilience**

Key methodological updates were introduced to enhance the EU stress-testing framework, notably:

- ☐ Inclusion of net fee and commission income
- ☐ Sensitivity to market risk shocks

In parallel, the EBA conducted a one-off climate risk stress test, designed around the Fit-for-55 policy package. The results indicated limited exposure to transition risks, though potential vulnerabilities emerge when climate factors are combined with adverse macroeconomic conditions.

What's next?

A consolidated and detailed version of the Annual Report will be published by end-June 2025, covering the full spectrum of EBA activities, including:

- ☐ Implementation of the Work Programme
- ☐ Budget and resource management
- ☐ Staff policy and internal controls


This first part provides a high-level overview of the year's strategic achievements and sets the stage for more detailed reporting to follow in the upcoming full report.

ECB launched a [digital euro innovation platform](#) to support collaboration with EU stakeholders on the future digital euro ecosystem. The sandbox aims to test and simulate technical infrastructure, enabling intermediaries to design innovative digital payment services across the EU.

The platform consists of two workstreams:

✓ **Pioneers** : focuses on implementing conditional payments and developing use cases for everyday transactions.

✓ **Visionaries** : explores future use cases aligned with broader societal goals, such as digital financial inclusion.

 The ECB plans to publish findings from both workstreams in a report **later in 2025**.

ECB launches
digital euro
sandbox to
foster
innovation

Banking & Finance (5)

EBA repeals guidelines on high-risk exposure classification

Following CRR3 Implementation 16 May 2025, EBA officially repealed on 15 May 2025 its [Guidelines on the specification of types of exposures to be associated with high risk](#), in light of the new Capital Requirements Regulation (CRR3). The move aims to provide legal clarity and align supervisory practices with the updated regulatory framework.

Background

Originally issued in March 2019, the Guidelines were mandated under Article 128 of CRR and aimed to clarify which exposures should be classified as “high risk” for capital adequacy purposes. However, under the revised CRR3, the high-risk exposure class has been removed. Article 128 now refers exclusively to subordinated debt exposures, rendering the original Guidelines obsolete. The repeal reflects the evolution of EU prudential regulation

EBA updates monitoring report on LCR and NSFR amid changing liquidity dynamics

EBA released on 14 May 2025 an updated [Report](#) on the monitoring of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) across the EU, reflecting lessons learned from the March 2023 [banking turmoil](#). The update comes in response to shifts in the interest rate environment, evolving deposit behaviors, and emerging liquidity risk concentrations, all of which have underscored the need for enhanced supervisory scrutiny.

Key highlights:

- ☐ Reverse repo treatment in LCR: The Report clarifies how LCR inflows from open reverse repos (without a 30-day maturity) should be recognised, building on [Q&A 2024 7053](#). Two approaches are addressed:
 - Based on a trigger event terminating the transaction.
 - Based on historical behavioral analysis.
 - ☐ Operational deposits: Insights are provided into recent trends, including:
 - An increase in operational deposits.
 - A decline in excess operational deposits.
 - Impact of rising interest rates on deposit segmentation.
 - Updated interpretation of the trade cycle and material penalties on early withdrawals of retail term deposits, supplementing the [EBA's 2019 guidance](#).
 - ☐ NSFR addendum: A new [addendum to the 2023 Report](#) on interdependent assets and liabilities offers additional guidance on:
 - Indirect client clearing activities.
 - Scenarios where affiliated institutions, not Institutional Protection Schemes (IPS), are involved.
-  Legal and regulatory context:
- LCR has been fully applicable in the EU since January 2018 at a 100% minimum requirement.
 - NSFR has been mandatory since 28 June 2021.
 - The EBA is mandated under Article 428f(3) CRR to monitor interdependent assets/liabilities and advise the EU Commission on whether regulatory adjustments are needed.

Banking & Finance (6)

(continued)

EBA repeals guidelines on high-risk exposure classification

EBA updates technical standards to streamline resolution planning reporting

Next steps:

- ✓ Continued monitoring of liquidity requirements considering the current macro-financial environment.
- ✓ A further assessment is being conducted to determine whether amendments to regulatory reporting are necessary to enhance the oversight of liquidity risks.

Background: This is the latest in a series of monitoring reports published by the EBA in 2019, 2021, and 2023, alongside the dedicated 2023 report on NSFR interdependencies.

Following CRR3 Implementation 16 May 2025, EBA officially repealed on 15 May 2025 its [Guidelines on the specification of types of exposures to be associated with high risk](#) (Guidelines), in light of the new Capital Requirements Regulation (CRR3). The move aims to provide legal clarity and align supervisory practices with the updated regulatory framework.


Background

Originally issued in March 2019, the Guidelines were mandated under Article 128 of CRR and aimed to clarify which exposures should be classified as “high risk” for capital adequacy purposes. However, under the revised CRR3, the high-risk exposure class has been removed. Article 128 now refers exclusively to subordinated debt exposures, rendering the original Guidelines no longer applicable. The repeal reflects the evolution of EU prudential regulation.

EBA published on 7 May 2025 an updated [final draft of the Implementing Technical Standards \(ITS\) on resolution planning reporting](#), marking a major step toward a more harmonised, proportionate, and cost-efficient framework across the EU. This revision overhauls the ITS on information provision for resolution plans, reflecting recent developments in crisis preparedness and resolution policy, while easing compliance through the removal of redundant data and a tailored approach based on institutional size and complexity.

Key enhancements:

- ✓ **Full harmonisation:** Avoids overlapping data requests by consolidating and aligning reporting requirements.
- ✓ **Modular approach (core-plus-supplement):** Scales reporting to institution-specific characteristics (e.g. size, complexity).
- ✓ **Streamlined data points:** Removes low-value or duplicative items, especially those covered by MREL/TLAC, CoRep, and FinRep.
- ✓ **Proportionality embedded:** Smaller institutions benefit from reduced reporting burdens.
- ✓ **Cost reduction:** Eliminates parallel reporting to lower administrative overhead.

 **Next steps:** These ITS will repeal EU Commission Implementing Regulation (EU) 2018/1624. In Q4 2025, the EBA will publish a technical package—including the Data Point Model (DPM), validation rules, and taxonomy—to support digital implementation via its IT platform. Updated templates and instructions will be available on the EBA website.

Banking & Finance (7)

CRR: new delegated regulations refine SA-CCR and market risk rules

ECB delays TARGET access for Non-Bank PSPs

Two Commission delegated regulations amending key Regulatory Technical Standards (RTS) under the Capital Requirements Regulation (CRR) have been published in the Official Journal:

✓ **Call/put options - SA-CCR**

[Regulation \(EU\) 2025/855](#) updates the supervisory delta formula for call and put options linked to commodity risk, aligning with Article 279a(3) CRR under the Standardised Approach for Counterparty Credit Risk (SA-CCR).

📅 Enters into force on **25 May 2025**

✓ **Market risk framework**

[Regulation \(EU\) 2025/878](#) revises RTS on:

- ❑ Back-testing and P&L attribution under the internal model approach,
- ❑ Modellability assessment for risk factors, and
- ❑ FX and commodity risk in the non-trading book.

The updates aim to ensure consistency with CRR3, eliminate duplication (e.g. removing aggregation formulas now integrated in CRR3), and strengthen oversight of third-party data reliance and translation risk.

📅 Enters into force on **28 May 2025**

ECB [postponed](#) the amendment (ECB/2025/2) to the TARGET guideline that would allow non-bank Payment Service Providers (PSPs) to access TARGET services. The delay stems from slower-than-expected transposition of necessary changes to the Settlement Finality Directive (SFD) and Payment Services Directive (PSD2) across some euro area countries.

✓ The postponement aims to mitigate legal risks related to PSP eligibility for:

- ❑ T2 (real-time gross settlement for large-value payments)
- ❑ TIPS (instant retail payments).

📅 The amendment is now expected to enter into force in October 2025.

Digital assets

IOSCO publishes final reports on influencers, imitative trading & digital engagement

As part of the third wave of its roadmap for retail investor online safety, IOSCO released on 19 May 2025 final reports on:

- [Finfluencers](#)
- [Online Imitative Trading Practices](#) (copy, mirror & social trading)
- [Digital Engagement Practices](#) (DEPs)

Key highlights of the report include:

✓ Scope & risks:

- **Finfluencers:** Examines benefits and pitfalls of social-media influencers' investment content; identifies gaps for unregistered advisors and proposes good practices for regulators, platforms and influencers.
- **Imitative trading:** Assesses automated “copy/mirror” models, warning that retail users may unknowingly follow high-risk strategies misaligned with their objectives. Calls for enhanced disclosures and investor education.
- **DEPs:** Reviews platform features (gamification, notifications, chatbots) that shape investor behaviour, stressing the need for clear, balanced disclosures and safeguards against manipulative design.

✓ Good practices:

Each report sets out globally aligned recommendations for:

- **Regulators** — supervisory frameworks, registration requirements and monitoring protocols.
- **Market intermediaries** — platform design, transparency measures, and risk warnings.
- **Practitioners & influencers** — ethical conduct guidelines, disclosure standards, and steps to ensure content accuracy.

Context:

Launched in November 2024, the roadmap comprises five waves aimed at protecting retail investors amid rapid digitalisation of financial services. These three reports reinforce IOSCO's commitment to balancing innovation with robust investor safeguards.

📅 Next steps:

- IOSCO members are encouraged to adopt the proposed good practices and integrate them into supervisory regimes.
- Subsequent initiatives will explore regulatory approaches to neo-brokerage models, fractional asset offerings, and broader digital finance trends.



Digital assets

Global action against online financial scams: IOSCO's call to digital platform providers

In response to the rising threat of online investment scams targeting retail investors, IOSCO issued on 21 May 2025 a strong [call to action](#) for platform providers to play a more active role in preventing financial misconduct on their platforms. With the digitalisation of finance creating both access and vulnerability, IOSCO's message is clear: preventing fraud is a shared responsibility.

Key measures recommended include:

- ❑ **Due diligence:** Platforms should verify advertisers using IOSCO's I-SCAN database to screen for unlicensed entities or those subject to regulatory warnings.
- ❑ **User compliance:** Investment scam content must be swiftly removed in accordance with platform terms of service.
- ❑ **Internal safeguards:** Platforms should build and continuously update detection tools to identify fraudulent ads or behavior.
- ❑ **Legal awareness:** Full compliance with applicable local laws is crucial, especially in multi-jurisdictional operations.
- ❑ **Regulatory engagement:** Ongoing communication with financial regulators is essential for information sharing and action.

This initiative follows IOSCO's launch of the I-SCAN global alert system in March 2025, aimed at flagging fraudulent financial activity across jurisdictions. By joining this effort, platforms can protect retail investors, uphold public trust, and contribute to fairer financial markets worldwide.



Securities & Markets (1)

ESMA issues technical advice on market abuse and SME growth markets under the Listing Act

ESMA published on 7 May 2025 its [technical advice](#) to the EU Commission in support of the Listing Act, which aims to simplify listing requirements, improve access to public capital markets for EU companies, and strengthen market integrity.

Key areas of advice include:

Under the Market Abuse Regulation (MAR):

- ❑ Protracted processes: clarification of key points triggering the obligation for public disclosure;
- ❑ Delayed disclosure: clear identification of scenarios where delaying disclosure is not permitted;
- ❑ Cross-Market Order Book Mechanism (CMOB): guidance on identifying trading venues with significant cross-border activity.

Under the Market in Financial Instruments Directive (MiFID):

- ❑ Review of criteria and requirements for Multilateral Trading Facilities (MTFs) and their classification as SME Growth Markets.

 Next steps:

The EU Commission is expected to adopt the relevant delegated acts based on ESMA's advice by July 2026.

ESMA seeks feedback on the retail investor journey under MiFID II

ESMA launched on 21 May 2025 a [Call for Evidence](#) (CfE) to gather stakeholder feedback on the retail investor experience under MiFID II, as part of ongoing efforts to simplify regulation and reduce burdens while maintaining robust investor protection.

Focus areas include:

- ❑ Retail market trends, including the popularity of speculative products among younger investors and the role of social media;
- ❑ Application of MiFID II requirements, particularly regarding disclosures, and suitability and appropriateness assessments;
- ❑ Investor experience under the European crowdfunding framework and how to balance protection with enabling informed risk-taking.
- ❑ To support broad engagement, ESMA published a multilingual [summary of the CfE](#) to facilitate participation from retail consumers and their representatives.

 Next steps:

Responses are invited by 21 July 2025 from all relevant stakeholders, including firms, trade bodies, and consumer organisations. Feedback will inform ESMA's assessment of whether regulatory adjustments are needed to better support retail participation in capital markets.

Securities & Markets (2)

ECON committee endorses move to T+1 settlement cycle under revised CSDR

Benchmarks Regulation amendments published in Official Journal, effective from January 2026

MiFIR review: new delegated regulation on OTC derivatives reference data

The European Parliament's Economic and Monetary Affairs (ECON) Committee adopted on 20 May 2025 its [report on the EU Commission's proposal to amend the Central Securities Depositories Regulation \(CSDR\)](#), aiming to shorten the settlement cycle for EU transactions in transferable securities from two days (T+2) to one day (T+1). The text will now move to negotiations with the EU Council, which has already established its position. Once adopted, the new T+1 settlement rules are set to apply from 11 October 2027.

[Regulation \(EU\) 2025/914](#) amending the Benchmarks Regulation (EU) 2016/1011 was published in the Official Journal. The revised framework clarifies the scope of the rules, adjusts requirements for third-country benchmark administrators, and refines reporting obligations.

Key changes include:

✓ **Reduced scope:** EU administrators of non-significant benchmarks are removed from the framework, easing regulatory burdens.


• **Targeted application:** only critical and significant benchmarks remain in scope.

✓ **Voluntary opt-in:** administrators outside the framework can choose to apply the rules under specific conditions.

• **Enhanced oversight:** ESMA's competence is expanded, particularly over ESG-related benchmarks.

✓ **Mandatory oversight:** administrators of EU Climate Transition and Paris-Aligned Benchmarks must be registered, authorised, recognised, or endorsed.

✓ **FX exemption:** a dedicated regime is introduced for spot foreign exchange benchmarks.

 The regulation enters into force on **8 June 2025** and applies from **1 January 2026**.

The [Commission Delegated Regulation \(EU\) 2025/1003](#), detailing identifying reference data for OTC interest rate swaps and credit default swaps, has been published in the Official Journal.

The Regulation supports MiFIR transparency requirements under Articles 8a(2), 10, and 21, ensuring consistent data use for pre- and post-trade transparency obligations.

 It will enter into force on 11 June 2025.

Securities & Markets (3)

EU Commission unveils single market strategy and proposes new category for small mid-caps

The EU Commission presented its [Single Market Strategy](#), alongside the [Omnibus IV](#) simplification package. A key element is the creation of a new Small Mid-Caps (SMCs) category—companies with fewer than 750 employees and either ≤€150 million in turnover or ≤€129 million in total assets—to support their growth beyond SME status.

As part of this initiative, legislative proposals to amend MiFID II and the Prospectus Regulation have been introduced.

Key proposals include:

- ✓ Allowing SMEs and SMCs to benefit from simplified listing via SME growth markets.
- ✓ Extending EU Growth issuance prospectus benefits to SMCs.
- ✓ Introducing a prospectus exemption for public offers of securities resulting from actions by EU or equivalent non-EU resolution authorities.

These reforms aim to reduce regulatory burdens and improve capital market access for growing companies.

Sustainable Finance

ESMA launches consultation on draft RTS for ESG rating providers

ESMA published on 2 May 2025 a [Consultation Paper](#) on the draft Regulatory Technical Standards (RTS) under the [ESG rating regulation](#). The proposed RTS set out key requirements for ESG rating providers, including:

- ☐ Authorisation and recognition procedures, detailing the information to be submitted in applications;
- ☐ Conflict of interest safeguards, especially for providers engaged in ancillary activities beyond ESG ratings;
- ☐ Transparency obligations, outlining the disclosures to be made to the public, rated entities, and users of ESG ratings.



Next steps:

The consultation is open until 20 June 2025. ESMA intends to finalise the RTS and submit them to the EU Commission by October 2025.



Who should respond:

Entities planning to register as ESG rating providers, as well as financial market participants, issuers, and users of ESG ratings, are strongly encouraged to contribute to the consultation.

IOSCO sets out key considerations to strengthen sustainable bond markets

IOSCO published on 21 May 2025 its [Sustainable Bonds Report](#), analysing the growth of green, social, and sustainability-linked bonds, with total issuance exceeding USD 1.1 trillion in 2024. The report sets out five key considerations to strengthen market integrity, promote transparency, and enhance investor protection as global interest in sustainable finance continues to rise. The report outlines five key considerations to enhance investor protection and market integrity:

✓ Clarify regulatory frameworks and align with global standards

– Ensure existing or new regulatory approaches demonstrate alignment with internationally accepted principles (such as those from ICMA or the EU) to foster consistency, support investor confidence, and enhance cross-border market participation.

✓ Provide consistent guidance on sustainable bond categories

– Establish and promote clear, globally aligned definitions and criteria for green, social, sustainability, and sustainability-linked bonds to reduce market confusion and potential greenwashing.

✓ Strengthen transparency and issuer disclosures on sustainability goals

– Require issuers to report regularly and credibly on their progress toward stated sustainability objectives or Sustainability Performance Targets (SPTs), thereby promoting accountability and enabling informed investment decisions.

✓ Promote credible, independent external reviews

– Encourage the use of qualified third-party verifiers and reviewers (e.g., second-party opinion providers or assurance providers) to ensure the credibility and integrity of sustainability claims, mitigating potential conflicts of interest.

✓ Increase awareness through education and capacity building

– Support targeted outreach, education, and training for issuers, investors, intermediaries, and regulators to improve understanding of sustainable bonds and strengthen participation in sustainable finance markets, especially in emerging economies.

Sustainable Finance

EU Commission launched SFDR review – call for evidence

The EU Commission launched on 2 May 2025 a [call for evidence](#) to support its review of the Sustainable Finance Disclosure Regulation (SFDR). The initiative aims to simplify the framework, improve usability, and reduce ESG reporting burdens on financial market participants while enhancing legal clarity and coherence across the EU sustainable finance framework.

Key objectives include:

- ✓ Reducing complexity and reporting obligations
- ✓ Preventing greenwashing
- ✓ Aligning with CSRD and EU Taxonomy
- ✓ Considering simplified reporting for SMEs



Feedback deadline was 30 May 2025 with legislative proposal expected during Q4 2025.

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)



Main Contacts

Eleni Neocleous

Board Member

Risk and Regulatory, Risk Consulting

T: + 357 22 209 023

E: eneocleous@kpmg.com

Eleni Poyiadji

Principal, MiFID and AML expert

Risk and Regulatory, Risk Consulting

T: + 357 22 209 248

E: epoyaji@kpmg.com

Marie-Hélène Angelides

Senior Associate, Asset Management
expert

Regulatory Compliance, Risk Consulting

T: + 357 22 209 227

E: mangelides@kpmg.com



kpmg.com.cy

©2025 KPMG Limited, a Cyprus limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Document Classification: KPMG Public