

Regulatory Insights

Financial Services

NOVEMBER 2025

Anti-Money Laundering

FATF publishes new guidance to strengthen global criminal asset recovery

On 4 November 2025, the Financial Action Task Force (FATF) published new guidance and best practices aimed at strengthening global efforts to recover criminal assets.

Despite international initiatives, recent figures from Interpol and UNODC reveal that only a small fraction of criminal proceeds are confiscated. FATF assessments further show that over 80% of jurisdictions operate at low or moderate effectiveness in asset recovery.

To address this gap, FATF released its [Asset Recovery Guidance and Best Practices Handbook](#), underscoring that depriving criminals of their gains is as critical as prosecution. Removing the financial incentive for crime is key to dismantling criminal networks, terrorist groups, and fraud schemes worldwide.

Key highlights

- Scope of the guidance: Covers financial investigations, swift asset securing, safeguarding rights, and compensating victims with recovered funds.
- Real world examples: The handbook includes over 85 case studies from the FATF Global Network:
 - United States: Blockchain analysis traced over USD 400 million in illicit transactions, admitted as evidence in court. A fund from confiscated assets helped 40,000 victims recover 91% of their losses.
 - Switzerland: Over CHF 313 million confiscated, with a multi-stakeholder fund benefiting citizens impacted by large-scale corruption.
 - Mongolia: Income from a confiscated London apartment now funds an orphanage serving 300+ children.

Purpose and audience

- Supports implementation of FATF's 2023 Recommendations on asset recovery.
- Provides practical guidance for policymakers, law enforcement, prosecutors, judges, justice or foreign affairs ministries, and asset managers.
- Also useful for trainers, technical assistance providers, the private sector, and civil society.

Next steps

FATF urges jurisdictions to prioritise asset recovery and leverage the guidance to protect the global financial system while improving outcomes for victims and communities.

The handbook's eight chapters target different audiences, offering actionable tips and techniques for every stage of the asset recovery process.

Artificial intelligence

EU Parliament maps framework for AI in Finance

On 11 November 2025, the European Parliament's Economic and Monetary Affairs Committee (ECON) released [recommendations](#) on Artificial Intelligence's role in financial services, indicating Europe's intent to foster AI innovation while maintaining robust consumer protections and financial stability.

The committee acknowledges AI's transformative potential, from automated compliance monitoring to sophisticated portfolio management, while recognising that unclear or overlapping regulations could hinder innovation. Their proposed solution is a coordinated approach that streamlines rules without weakening essential safeguards.

Regulatory clarity ahead

The European Commission will develop practical guidance in partnership with supervisory authorities and national regulators, helping firms understand how existing financial services laws apply to AI systems. This should reduce uncertainty around compliance obligations, particularly for risk assessment and reporting requirements.

Innovation-friendly framework

Expect initiatives to lower barriers for AI-driven financial firms, including streamlined licensing and support for cross-border expansion. The report backs AI-specific regulatory sandboxes and innovation hubs, safe spaces to test new products while maintaining market integrity.

Strategic investment

AI innovation is positioned as central to Europe's Savings and Investments Union, with calls to strengthen venture capital funding for financial technology startups.

Smart oversight

Rather than prescriptive, one-size-fits-all rules, the committee favors continuous monitoring to identify gaps or duplications in current legislation. European Supervisory Authorities will play a key role in adapting oversight as AI deployment evolves.

Next steps

The resolution now advances to the Council, the Commission, and Member State governments for review. Although it does not constitute binding legislation, it sends a clear signal on the future direction of EU policy.

Asset Management (1)

Distribution fees identified as key cost driver in ESMA's UCITS cost assessment

ESMA released on 6 November 2025 its first comprehensive [assessment of the total costs borne by investors in UCITS and AIFs](#) across the EEA. A key finding of the report is the significant impact of distribution costs, which represent approximately 48% of the total costs associated with investing in UCITS. ESMA notes that these elevated costs are largely attributable to the longstanding predominance of credit institutions and investment firms in fund distribution across many Member States. By comparison, digital distribution channels, such as neo-brokers providing execution-only services, tend to offer considerably lower cost structures.

The report further highlights the role of inducements in shaping ongoing investor costs. In cases where inducement arrangements exist between the distributor and the UCITS manufacturer (i.e., non-independent advice), such payments can account for up to 45% of ongoing charges, underscoring ESMA's continued focus on transparency and investor protection.

This analysis draws on ESMA's dedicated ad-hoc data collection and provides timely input into the ongoing discussions on the Retail Investment Strategy (RIS) and the broader debate on inducement models, particularly in the context of enhancing retail investor participation in EU capital markets.

ESMA identifies measures to strengthen Depositary supervision across the EU supervisory convergence

ESMA on 17 November 2025, published the findings of a [peer review assessing the supervision of depositaries](#), with a particular focus on their oversight and safekeeping duties.

The review concludes that while core supervisory frameworks are in place across jurisdictions, there are significant divergences in the depth, frequency, and maturity of supervisory approaches among National Competent Authorities (NCAs). Some NCAs have implemented robust and detailed supervisory practices, whereas others exhibit notable gaps requiring improvement.

ESMA also identified several cross-cutting issues:

- Supervisory engagement should be more frequent and risk-based, particularly given the concentration of depositary services in certain markets and the potential systemic relevance of these entities.
- Concerns persist regarding supervisory scrutiny of delegation arrangements, especially where depositaries entrust material tasks to third parties. ESMA reiterates that depositaries must perform core control functions autonomously and remain responsible for effective oversight.
- The peer review covered supervisory and enforcement practices in five jurisdictions, Czechia (CNB), Ireland (CBol), Italy (Bank of Italy), Luxembourg (CSSF), and Sweden (SFSA), across key areas of depositary activity.

■ Next steps

Peer reviews support supervisory convergence by promoting consistent and effective oversight practices across the EU and reinforcing a level playing field among NCAs. The findings are particularly relevant in the context of ongoing discussions regarding the role of the investment management sector in EU capital markets.

Asset Management (2)

IOSCO publishes consultation report on valuing Collective Investment Schemes

IOSCO published on 17 November 2025 a [Consultation Report on valuing Collective Investment Schemes](#) (CIS). The report seeks feedback from IOSCO members and market participants on a consolidated set of updated recommendations, which will revise [IOSCO's 2007 Principles for the Valuation of Hedge Fund Portfolios](#) and [2013 Principles for the Valuation of Collective Investment Schemes](#).

Importance of robust valuation practices

Sound valuation practices are fundamental to effective asset management. Accurate asset valuations:

- Ensure the Net Asset Value (NAV) reflects true market value, protecting investors during transactions;
- Support informed asset allocation and fund selection decisions;
- Enable reliable financial and performance reporting;
- Determine the fees paid to CIS service providers.
- Improper valuations can result in investors overpaying or receiving less for their shares, ultimately reducing returns and eroding confidence in the fund.

Drivers for the update

Although the 2007 and 2013 Principles have been widely adopted, IOSCO has identified a clear need for revision due to:

- The growing share of less liquid and illiquid assets, including private assets, held by CIS;
- Increased retail investor participation in such schemes;
- Developments in market practice and valuation methodologies;
- Lessons learned from periods of market volatility, which highlighted ongoing valuation challenges.

Key areas of revision

The Consultation Report proposes 13 updated recommendations, focusing on:

- Oversight arrangements;
- Governance under stressed market conditions;
- Management of conflicts of interest;
- Determination of fair value;
- Backtesting procedures;
- Use of third-party valuation service providers;
- Addressing stale valuations;
- Record-keeping standards.

Next steps

The consultation period closes on 2 February 2026. The final report is expected to be published between the second and third quarters of 2026.

Asset Management (3)

European Commission adopts Final RTS on Liquidity Management Tools under AIFMD II and UCITS

On 17 November 2025, the EU Commission adopted the final Regulatory Technical Standards (RTS) on Liquidity Management Tools (LMTs), supplementing both [AIFMD II](#) and the [UCITS Directive](#).

This follows ESMA's draft RTS released in April 2025, which formed part of the broader EU effort to harmonise liquidity risk management across fund structures.

The RTS introduce harmonised minimum requirements for the design, calibration, activation and disclosure of LMTs, ensuring consistent application across the EU fund market and strengthening investor protection.

Key changes in the final RTS

Redemption gates (AIFs only)

The final RTS provide significantly more flexibility for AIFs in determining when redemption gates may be activated. Activation thresholds may now be calibrated:

- At fund level, based on:
 - total net or gross redemption orders for a dealing date or period, expressed as:
 - a proportion of NAV,
 - a monetary amount,
 - a percentage of liquid assets, or
 - a combination of the above.
- At investor level, based on:
 - the individual investor's gross redemption orders expressed as:
 - a percentage of that investor's holdings, or
 - a proportion of the fund's NAV.
- Combination gates (fund-level + investor-level) are expressly permitted.
- UCITS funds remain more restricted, as activation thresholds may only be based on total redemption orders or a proportion of NAV.

Redemption fees

The draft RTS required redemption fees to reflect both explicit and implicit transaction costs.

The final RTS narrow this requirement:

- Explicit transaction costs must be included.
- Implicit transaction costs (e.g., bid-ask spreads, market impact) must only be included where appropriate to the fund's investment strategy and estimated on a best-efforts basis.

The same adjustment appears in the sections on:

- swing pricing
- dual pricing
- anti-dilution levies

This provides greater flexibility, especially for funds investing in less-liquid asset classes.

Asset Management (4)

■ Redemptions in kind

The RTS now acknowledge that redemptions in kind may be executed indirectly through intermediaries, reflecting practical custody and settlement constraints.

■ Side Pockets

The final RTS introduce two notable conditions:

- ❑ Side pocket share classes must be closed to subscriptions, repurchases and redemptions.
- ❑ Both the side pocket and the main fund must continue to be managed in line with the fund's stated investment strategy.

Next steps and transitional periods

■ Scrutiny & publication

- ❑ A 3-month scrutiny period by the European Council and European Parliament is now underway.
- ❑ The RTS are expected to be published in the Official Journal in Q1 2026.

■ Application timeline

- ❑ From 16 April 2026 – RTS apply to all new funds (constituted on or after this date).
From 16 April 2027 – RTS apply to existing funds, after a 12-month transitional period.

Funds constituted before 16 April 2026 may opt in early (from 16 April 2026), provided their AIFM/UCITS ManCo notifies its competent authority.



Banking & Finance (1)

ECB sets
supervisory
priorities for
2026–2028

The European Central Bank (ECB) released its supervisory [priorities for 2026–2028](#), outlining where it will focus its oversight of significant EU credit institutions. The priorities reflect a challenging environment marked by heightened geopolitical tensions, macro-financial uncertainty and rapid digitalisation across the banking sector.

At a high level, the ECB's agenda centres on two themes:

1. strengthening banks' resilience to geopolitical and macro-financial risks, and
2. enhancing operational resilience through more robust ICT capabilities.

To support these aims, the ECB has set strategic objectives and an extensive programme of supervisory activities, summarised below.

Priority 1 – Building resilience to geopolitical and macro-financial risks

- Ensuring prudent risk-taking and sound credit standards
- Thematic review of credit underwriting standards, with a focus on new lending and banks' mitigation plans for future credit losses.
- Targeted review of loan pricing practices.
- Targeted On-Site Inspections (OSIs) covering loan origination and underwriting frameworks.
- Strengthening capital adequacy and CRR 3 implementation
- Targeted reviews and OSIs on the calculation of risk-weighted assets under the standardised approach for credit risk.
- Targeted reviews of the business indicator component used to determine operational risk capital requirements.
- Advancing Climate and Nature-related (C&N) risk management
- Follow-up work on banks' remediation of findings from the 2022 climate risk stress test and thematic review.
- Thematic review of banks' transition plans under CRD 6 ahead of the 11 January 2026 implementation deadline.
- Horizontal assessment of banks' compliance with ESG Pillar 3 disclosure requirements.
- In-depth assessment of physical risk frameworks
- Targeted OSIs on C&N risk management, either standalone or integrated into broader risk reviews.

Priority 2 – Strengthening operational resilience and ICT capabilities

- Enhancing operational risk management frameworks
- Follow-up on remediation actions for material weaknesses in ICT security, cyber resilience and outsourcing.
- Cybersecurity and third-party risk OSIs in line with DORA.
- Threat-led penetration testing to identify vulnerabilities.

Banking & Finance (2)

(continued)

- Targeted reviews of ICT change management.
- Thorough review of cloud dependency and operational resilience measures.
- Addressing deficiencies in risk reporting and data systems (RDARR)
- System-wide supervisory reviews to monitor compliance with risk data aggregation and reporting expectations.
- Targeted OSIs where further assessment or remediation of severe findings is required.
- Supervising banks' digital and AI strategies
- Horizontal workshops with selected banks to better understand use cases for generative AI.
- Continued cooperation with AI Act market surveillance authorities and the European Banking Authority.

! What does this mean for banks?

The ECB's 2026–2028 priorities make it clear that enhancing financial stability and operational resilience is a key objective. Banks will need to pay close attention to geopolitical risks, climate-related challenges, and digital resilience, and consider how these areas affect their risk management, governance, and compliance.

These priorities also come at a time of increased ECB enforcement, including penalties for breaches of EU prudential rules and failures to meet supervisory expectations, particularly around climate-related risks. SSM banks should act early and proactively to align with these priorities, helping to protect long-term stability and reduce the risk of regulatory issues.

EU subsidiaries of non-EU banks maintain stable market share at 9.8%

On 3 November 2025, EBA published two reports analysing the [market share of EU subsidiaries of non-EU](#) (third-country) banking groups, as well as the [assets and liabilities of EU banks in foreign currencies](#).

- Key findings on the market share of third-country bank subsidiaries
- As of December 2024, EU subsidiaries of third-country banking groups accounted for 9.8% of the total EU banking assets, slightly down from 10.2% in December 2023.
- Their presence is more pronounced in specific segments: 29% of derivatives, 8% of loans, and 6% of debt securities. The decline mainly reflects reduced shares in loans and derivatives, particularly among subsidiaries linked to the United States and the United Kingdom. Subsidiaries associated with China remained stable, while those linked to Japan and Switzerland increased their market presence.
- Subsidiaries reported that two-thirds of their assets are held with credit institutions and other financial corporations, and 86% of total assets are located outside the jurisdiction of the subsidiary, highlighting the international nature of their operations.
- Profit & Loss Contribution
- Subsidiaries of third-country banks accounted for:
 - 6% of interest income
 - 2% of dividend income

Banking & Finance (3)

(continued)

- 10% of fee and commission income
- 12% of other operating income
- They showed particularly high market shares in specialised fee income activities:
 - Commodities: 65%
 - Fiduciary transactions: 48%
 - Central bank administrative services for collective investment: 30%
 - Corporate finance: 29%
 - Custody: 24%
 - Foreign exchange: 19%
- EU Banks' foreign currency exposure & funding
 - EU/EEA banks hold nearly 32% of exposures in foreign currencies and receive 21.1% of funding in foreign currencies, up from 28.4% and 20.5%, respectively, in December 2023.
 - US dollar exposures represent 23% of total exposures, with 13.1% of total funding in USD, up from 19.3% and 12.4% in 2023.
 - More than 75% of foreign currency funding comes from unsecured wholesale and repo markets. US dollar funding increased notably for repo (28%) and unsecured wholesale (18.3%) funding. Subsidiaries are used to access repo and retail funding in foreign currencies.

Net Stable Funding Ratio (NSFR)

EU banks' NSFR buffers remain comfortably above minimum requirements, both overall and for major currencies. Exceptions were noted for the Norwegian krone and Japanese yen.

Non-EU entities were identified based on the country where their ultimate parent is located. The EBA's analysis drew on several data sources, including supervisory reports and FINREP templates. While a few third-country subsidiaries report on a consolidated group basis, most operate individually and submit their own FINREP reports.

EBA launches public consultation on authorisation of Third-Country Branches

On 3 November 2025, EBA also launched a [public consultation on Guidelines for the authorisation of Third-Country Branches](#) (TCBs) under the Capital Requirements Directive (CRD). These Guidelines are part of the EU's new framework for TCBs, aiming to harmonise access to the EU market and ensure consistent application of the regime.

Key points of the draft guidelines

- Define the content, assessment, templates, and forms required for TCB authorisation applications.
- Set out the authorisation process for competent authorities and third-country head undertakings.
- Require a non-opposition statement from the third-country competent authority of the head office, ensuring the safety and soundness of the TCB establishment.

Banking & Finance (4)

(continued)

■ Consultation process

- Responses can be submitted via the EBA consultation page until **3 February 2026**.
- A public hearing will be held via conference call on Tuesday 10 December 2025, 12:00–13:00 CET.

■ Legal basis & background

- The Guidelines are developed under Article 48c(8) of Directive 2013/36/EU, setting out information, assessment criteria, and processes for TCB authorisation.
- They clarify how information from prior authorisation procedures can be relied upon by competent authorities.
- The Guidelines align with other regulatory initiatives supporting the new TCB regime, including:
 - ✓ [Draft Guidelines on capital endowment instruments](#)
 - ✓ [Draft Regulatory Technical Standards \(RTS\) on booking arrangements](#)
 - ✓ [Draft Implementing Technical Standards \(ITS\) on reporting requirements](#)
 - ✓ [Draft Guidelines on internal governance and](#)
 - ✓ [RTS on supervisory colleges for third-country branches](#)
 - ✓ [Guidelines on cooperation between prudential supervisors, AML/CFT supervisors, and FIUs](#)

■ Background: New TCB regime

Directive (EU) 2024/1619, amending Directive 2013/36/EU, introduces a minimum harmonisation framework for EU branches of third-country credit institutions. It covers:

- Authorisation and supervisory practices
- Prudential requirements (booking arrangements, capital endowment, liquidity, internal governance)
- Common reporting requirements.

On 4 November 2025, EBA updated its Mapping and Signposting tools to reflect the latest changes in Pillar 3 disclosures and supervisory reporting (Reporting Framework v4.0). The Time Traveller platform has also been enhanced to align with recent regulatory updates.

Key points:

- **Mapping tool:** Shows how disclosure data matches supervisory reporting requirements. Updates reflect CRR3 changes and industry feedback.
- **Signposting tool:** Helps banks identify which reporting templates apply to them. Updated to reduce reporting complexity and costs.
- **Time Traveller tool:** Provides templates and instructions for specific reference dates. Updated for the latest reporting standards and will continue to be refreshed.

These updates aim to help institutions report accurately and efficiently while keeping up with new regulatory requirements.

EBA updates mapping and signposting tools

Banking & Finance (5)

EBA publishes final guidelines on environmental scenario analysis

EBA released on 5 November 2025 its final [Guidelines on environmental scenario analysis](#), complementing its existing ESG risk management guidance. The Guidelines set out how banks should conduct environmental scenario analysis to better assess and manage environmental risks.

Key Points:

- Forward-looking risk assessment: Helps banks understand both short-term financial impacts and longer-term implications of environmental risks.
- Two pillars:
 - Integration into stress testing: Embeds environmental risks into existing stress-testing frameworks to ensure capital and liquidity adequacy.
 - Resilience analysis: Evaluates medium- to long-term effects on business models, strategies, and risk profiles.
- Together, these pillars support consistent, forward-looking risk management across the EU banking sector.

The Guidelines will take effect on **1 January 2027**.

The Guidelines on environmental scenario analysis form part of the [EBA's roadmap on sustainable finance](#) for the integration of ESG risks into the prudential framework and fit within the broader [roadmap on the implementation of the EU banking package](#).

Competent authorities show progress in supervising CVA Risk

On 6 November 2025, EBA published a [follow-up Peer Review Report](#) on how competent authorities supervise the exclusion of certain third-country non-financial counterparties from Credit Valuation Adjustment (CVA) risk. The Review shows that authorities continue to assess CVA risk effectively, using different but appropriate approaches that meet regulatory and SREP expectations. Since the initial 2023 Report, all authorities have made progress in strengthening their CVA assessments and implementing the recommended follow-up actions.

■ The follow-up assessment again looked at the same four EU competent authorities [reviewed in 2023](#). While each authority improved its practices, only one authority has taken concrete steps to reassess compliance with the exclusion [Regulatory Technical Standard](#) (RTS). As a result, only that authority's assessment has been upgraded to "fully applied". The remaining three continue to be rated "largely applied".

■ Legal basis and background

This follow-up review was carried out under Article 34 of the EBA's Peer Review methodology (EBA/DC/2020/327), which requires a follow-up report two years after an initial review. The report evaluates the adequacy and effectiveness of the actions taken by each authority to address the measures identified in the original peer review.

Banking & Finance (6)

EBA calls on firms using ISDA SIMM to seek authorisation

On 7 November 2025, EBA launched a data-collection exercise, through national supervisors, to identify all EU firms that must apply for authorisation to use the ISDA Standard Initial Margin Model (SIMM).

■ What is ISDA SIMM?

ISDA SIMM is an industry-standard model used worldwide to calculate the initial margin required for non-cleared derivatives. It provides a consistent and transparent way to measure risk and determine the collateral firms must exchange.

■ What firms need to do ?

Any financial or non-financial counterparty that uses ISDA SIMM, either directly or through a service provider, must apply to its national competent authority for permission to use the model, as required under EMIR. This follows the EBA's no-action letter of December 2024, which temporarily allowed continued use of ISDA SIMM while the new authorisation regime is being set up.

National authorities will collect information on these firms during the first half of 2026. This information will be used to onboard firms into the EBA's validation system before they submit their formal applications in the second half of 2026.

Important:

Firms that do not apply for validation will lose the right to use ISDA SIMM until their status is regularised. The EBA plans to publish a list of validated firms at the end of 2026.

EBA launches consultation on guidelines for supervisory independence

On 12 November 2025, EBA opened a [consultation on new Guidelines on supervisory independence](#) for competent authorities under the Capital Requirements Directive (CRD). These Guidelines aim to strengthen safeguards against conflicts of interest and ensure strong, unbiased supervision across the EU.

■ What do the draft Guidelines cover?

The proposed rules further clarify how competent authorities should protect their independence, including:

- ❑ Appointment rules for members of their management bodies, including how to calculate the CRD's 14-year maximum term;
- ❑ Common requirements to prevent conflicts of interest, such as declarations of interest, limits on trading financial instruments, procedures for selling or disposing of holdings, and cooling-off periods for staff and board members.

These measures aim to harmonise practices across the EU and ensure consistent, high-quality supervision.

■ Consultation details

- ❑ Stakeholders can submit comments through the EBA's consultation page until 23 January 2026.
- ❑ A virtual public hearing will be held on 3 December, 14:30–16:00 (Paris time).

Banking & Finance (7)

(continued)

EBA publishes final technical package for reporting framework 4.2, completing transition to DPM 2.0

The draft Guidelines build on existing EU and international standards and/or principles on the management of risks of supervisory independence and conflicts of interest, including the [joint European Supervisory Authorities' criteria on the independence of supervisory authorities of 25 October 2023 \(JC 2023 17\)](#).

On 25 November 2025, EBA released the final technical package for reporting framework v4.2, marking a major milestone in the EU's shift to the DPM 2.0 data model and the modernisation of supervisory reporting. Version 4.2 will apply from December 2025.

What's in the final package?

The package includes updated validation rules, the Data Point Model (DPM) and XBRL taxonomies supporting several key reporting requirements:

- Full rollout of DPM 2.0: All modules, except DORA, scheduled for v4.3, have been updated to the new semantic glossary to ensure consistent, clearer reporting.
- Instant Payments reporting: ITS under the SEPA Regulation, allowing PSPs to report charges and rejected transactions to NCAs, now integrated into v4.2 (previously planned for v4.1).
- Resolution planning: Major updates to the ITS to improve data quality for resolution authorities.
- Operational risk (COREP OF): New requirements aligned with CRR3/CRD6, focusing on operational risk own funds.
- MREL decisions: Revised ITS for transmitting MREL decisions to the EBA.
- Supervisory benchmarking (market risk): Data collection narrowed to banks using the alternative standardised approach (ASA).

Next steps

With this release, the EBA concludes the transition to DPM 2.0 and the new glossary, following the roadmap published in June 2024.

The FAQs first issued in December 2024 have also been updated with further clarifications on DPM 2.0, including template-structure changes not linked to remodelling.

The EBA may publish a limited "hotfix" update during the week of 5 January 2026 to address any critical issues identified during early implementation.

EBA publishes Q2 2025 MREL dashboard press release

On 26 November 2025, EBA released its [semi-annual MREL Dashboard for Q2 2025](#), providing updated data on banks' progress in meeting the minimum requirement for own funds and eligible liabilities (MREL) and on the state of resolution planning across the EU.

The dashboard covers 304 EU banks designated for resolution and includes information reported by both banks and resolution authorities.

Banking & Finance (8)

(continued)

Key findings as of 30 June 2025

- Average MREL requirements (including CBR):
 - G-SIIs: 28.9% of RWAs
 - Top-Tier/Fished banks: 28.5%
 - Other banks: 24.3%
- Subordination requirements:
 - G-SIIs: 21.5% of RWAs
 - Top-Tier/Fished banks: 22%
- How banks meet MREL:
 - Banks rely mainly on own funds (approx. 20–22% of RWAs across categories).
 - For eligible liabilities:
 - G-SIIs and Top-Tier/Fished banks: mostly senior non-preferred debt (7.7–8.2% of RWAs).
 - Other banks: more dependent on senior unsecured debt (5.8% of RWAs).
- Upcoming maturities:
 - Around €221 billion of MREL instruments will become ineligible by June 2026 due to residual maturity under one year, representing 16–21% of eligible liabilities (excluding own funds).
 - Additional rollover details are available in the [EBA's Risk Assessment Report](#).
- Resolution strategies:
 - Bail-in remains the dominant strategy by RWA coverage (94%).
 - By number of decisions, bail-in (52%) and transfer strategies (48%) are broadly balanced, reflecting a preference for transfers for smaller banks.

Background

- MREL ensures institutions have enough loss-absorbing capacity to execute their preferred resolution strategy.
- Under the BRRD, banks were expected to meet MREL by 1 January 2024, with limited exceptions for strategy changes or extensions.
- “Top-Tier” banks have resolution-group assets above €100 billion, while “Fished” banks are smaller institutions that resolution authorities have ‘fished out’ as potentially systemic despite their lower balance-sheet size.

EU Commission
seeks feedback
on Basel III
Market Risk
Rules

On 6 November 2025 the European Commission launched a [targeted consultation](#) on the [Fundamental Review of the Trading Book](#) (FRTB), part of Basel III, which updates how banks measure market risk to better match capital requirements with actual trading risks.

All other Basel III rules have applied in the EU since 1 January 2025, but the FRTB implementation has been postponed to 1 January 2027 to align with delays and differences in other major jurisdictions. Ensuring a level playing field in banks’ trading activities remains a top priority.

Banking & Finance (9)

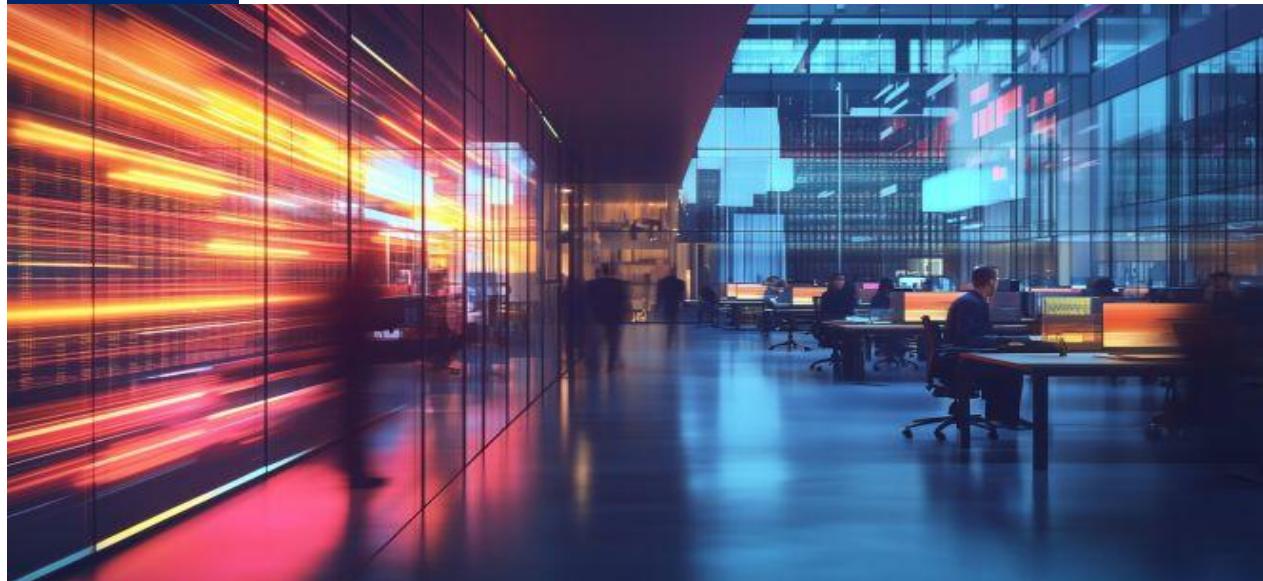
(continued)

Next steps

The consultation, open until 6 January 2026, focuses on two main areas:

- Aligning the EU framework with international developments, adjusting rules where other major jurisdictions have already implemented or plan to implement deviations.
- Introducing a targeted “multiplier”, an adjustment mechanism designed to neutralise any potential negative effects on banks’ capital, while remaining straightforward, risk-sensitive, and easy to implement and supervise.

The goal is to help EU banks apply FRTB rules efficiently, reduce costs, and maintain competitiveness until global standards are fully aligned.



Digital assets & finance (1)

IOSCO publishes final report on financial asset tokenization

On 11 November 2025, IOSCO published its [Final Report on the tokenization of financial assets](#). The report examines how Distributed Ledger Technology (DLT) is being used to deliver services and tokenize financial assets, highlighting both the opportunities and regulatory challenges this innovation brings.

Tokenization can enhance efficiency and transparency in capital markets. However, it also introduces new risks, or amplifies existing ones, that regulators must address to protect investors and ensure market integrity.

The report aims to build a shared understanding among IOSCO members regarding:

- How tokenization is being adopted across capital markets;
- Potential implications for investor protection and market integrity;
- Guidance for regulators on effective policy responses.

Key insights from the Report

- Market adoption: Tokenization is growing but still nascent. While commercial interest is rising, adoption is limited due to interoperability challenges and the lack of credible settlement assets.
- Efficiency gains: Tokenization can shorten settlement cycles and improve collateral mobility, yet many market participants continue to rely on traditional infrastructure for trading and post-trade processes.
- Evolving risks: Legal uncertainty, operational vulnerabilities, and cyber risks resemble existing risk categories but manifest differently under DLT, necessitating tailored risk controls.
- Regulatory approaches: Practices vary across jurisdictions. Some regulators rely on existing frameworks, while others have issued new guidance, sandbox programs, or bespoke requirements.

Regulatory guidance

Consistent with the principle of “same activities, same risks, same regulatory outcomes”, IOSCO encourages regulators to apply its [Policy Recommendations for Crypto and Digital Asset Markets](#) and [Policy Recommendations for Decentralized Finance](#) when addressing tokenized financial assets.

Methodology

The report, developed by IOSCO’s Fintech Task Force (FTF), draws on:

- Analyses of commercial use cases such as tokenized money market funds and tokenized fixed income instruments;
- Extensive stakeholder engagement through industry and academic roundtables;
- Comprehensive evaluation of market practices, regulatory approaches, and challenges in financial asset tokenization.

Digital assets & finance (2)

ECB Governing Council advances Digital Euro Project

The ECB Governing Council moved to the [next phase](#) of the digital euro project, following the successful conclusion of the preparation phase launched in November 2023. This phase focuses on technical readiness for a potential first issuance in 2029.

Assuming the Regulation establishing the digital euro is adopted in 2026, pilot exercises could begin in mid-2027. The digital euro aims to complement cash, preserve citizens' privacy, strengthen Europe's monetary sovereignty, and foster innovation and competition in payments.

 Key focus areas include:

- Developing technical foundations and piloting the system.
- Engaging with payment providers, merchants, and users to refine the rulebook.
- Supporting the legislative process with technical input.

The preparation phase delivered a draft rulebook, selected system providers, ran an innovation platform, and confirmed the digital euro's potential to enhance competition in payments. Development costs are estimated at €1.3 billion until first issuance, with annual operating costs of around €320 million thereafter. Safeguards such as holding limits will mitigate financial stability risks.

ECB leaders emphasise that the digital euro will future-proof Europe's monetary system, ensuring the benefits of cash are available in the digital era while enabling innovation and resilience in payments.

ECON Committee publishes draft reports on digital euro proposals

The European Parliament's Committee on Economic and Monetary Affairs (ECON) published on 3 November 2025 three draft reports proposing amendments to the European Commission's legislative package on the establishment of the digital euro. Together, the reports aim to create a comprehensive legal framework governing the issuance, use, and coexistence of a digital euro alongside physical cash.

The [first draft report](#) proposes amendments to the regulation establishing the digital euro as a central bank digital currency, setting out its governance structure and operational principles. The [second report](#) introduces limited procedural amendments to the regulation concerning the provision of digital euro services by payment service providers in Member States whose currency is not the euro. The [third draft report](#) proposes amendments to the regulation on the legal tender status of euro banknotes and coins, reinforcing the mandatory acceptance and continued availability of cash to ensure it remains a viable payment option alongside the digital euro.

Digital operational resilience framework

ESAs designate Critical ICT Third-Party Providers under DORA

The ESAs published on 18 November 2025 the first list of designated Critical ICT Third-Party Providers (CTPPs) under the Digital Operational Resilience Act (DORA), marking an important step in the rollout of the new EU [oversight framework for ICT risk..](#)

Designated CTPPs

The list includes [19 ICT service providers](#) offering a wide spectrum of services, from core infrastructure to business applications and data services, to financial entities of all types and sizes across the EU. The ESAs emphasise that these providers play a *pivotal role* in supporting critical or important functions within the financial ecosystem.

Designation process (Article 31 DORA)

The ESAs followed the formal methodology set out in Article 31 of DORA, applying a structured, multi-phase assessment:

■ Data collection:

Information was gathered from the Registers of Information maintained by financial entities, detailing contractual arrangements with ICT third-party providers.

■ Criticality assessment:

In cooperation with NCAs across banking, insurance, pensions, and securities markets, the ESAs assessed:

- systemic importance of the provider,
- reliance on the provider for critical or important functions,
- substitutability of the services provided.

■ Right to be heard:

Providers preliminarily assessed as critical were formally notified and given the opportunity to submit a reasoned statement. Final decisions were adopted following review of all relevant information.

■ Next steps

The designation triggers the application of the DORA Oversight Framework, under which the ESAs will directly supervise CTPPs to ensure robust ICT risk management, governance and operational resilience.

The ESAs will continue engaging with CTPPs through upcoming oversight examinations, focusing on the adequacy of their risk controls and the resilience of the services delivered to financial entities.



Securities & Markets (1)

Cyprus completed the national transposition of the MiFID III-related amendments

On 17 October 2025, [Law 183\(I\)/2025](#) was published in the Official Gazette of the Republic of Cyprus, amending the Investment Services and Activities and Regulated Markets Law of 2017. The Law transposes [Directive \(EU\) 2024/790](#) into national legislation, amending provisions of MiFID II (Directive 2014/65/EU).

1. Higher scrutiny on recorded communications

Investment firms must now demonstrate active monitoring of all communications channels, not just record them.

- Expanded coverage includes voice, chat, video, email, messaging apps (WhatsApp, Teams, etc.), and mobile devices.
- Firms must implement AI-enabled tools for behavioral analysis, pattern recognition, and cross-channel conversation tracking.
- Complete audit trails required with strict controls on unauthorised platforms.
- Regulators expect firms to identify and respond to misconduct signals proactively across all communication channels.

2. Stricter inducements and conflicts of interest rules

- Greater transparency required in pricing and client advice.
- Enhanced oversight of sales behavior and inducement practices.
- Firms must ensure inducements genuinely enhance service quality and act in clients' best interests.
- Closer scrutiny on conflicts of interest across all investment services.
- Investment firms must strengthen compliance frameworks around client advice and product recommendations.

3. Tightening of off-channel communication controls

- Firms are expected to implement full capture and monitoring across all communication channels, including any personal devices used for work-related exchanges.
- Strict controls required on unauthorised platforms.
- Firms must ensure employees cannot conduct business communications outside monitored channels.
- Compliance requirement: complete and secure audit trails across all platforms where business communications occur.

4. AI-Powered surveillance becomes standard

- Traditional sampling methods are no longer sufficient.
- Regulators expect AI tools for transaction monitoring, behavioral analysis, and risk profiling.
- Automated systems must flag potential compliance violations immediately.
- Pattern recognition required across multiple data sources.

Securities & Markets (2)

(continued)

5. Retention and retrieval requirements strengthened

Five-year retention period remains, but firms must ensure:

- Rapid, end-to-end retrieval and traceability.
- Secure, tamper-proof storage.
- Communications are closely linked to trade data for regulatory inspections.

6. Simplified reporting – best execution focus

- [RTS 27 and RTS 28](#) reports abolished: Investment Firms no longer required to generate these standardised reports.
- Best execution reports under these standards are phased out, but firms must still demonstrate best client execution using their own data.
- Abolishing standardised reports does not reduce oversight. Investment firms must maintain robust internal evidence of transparent client treatment and best execution practices.

7. Payment For Order Flow (PFOF) banned

- Cyprus law now fully aligns with the EU-wide prohibition on PFOF.
- Clear ban ensures transparency and fair treatment in order execution.
- Firms cannot receive compensation for directing client orders to specific execution venues.

8. Updated definitions and market operations

- Systematic Internalisers (SI): quantitative tests removed; qualitative requirements for equity instruments remain, with possible "opting in" as SI.
- Multilateral Trading Facilities (MTFs): updated operational standards.
- Position limits and management controls: refined for commodity derivatives and emission allowances.
- Operating conditions for regulated markets now include provisions for trading halts, tick sizes for dual-listed shares, and tighter alignment with emergencies and market conditions.

These developments align Cyprus with the broader EU effort to simplify and clarify the MiFID/MiFIR framework while promoting consistent supervisory practices across Member States.

IOSCO
publishes final
report on the
Single-Name
Credit Default
Swaps Market

On 21 November 2025, IOSCO released its [Final Report on the Single-Name Credit Default Swaps \(CDS\) Market](#), prepared at the request of the Financial Stability Board (FSB). The report provides an in-depth assessment of the structure, transparency, and resilience of the single-name CDS market, a critical segment of global financial markets.

■ Context and focus of the Report

The analysis was prompted by market events affecting the banking sector in March 2023, which raised concerns about the functioning

Securities & Markets (3)

(continued)

of the single-name CDS market and its potential role in amplifying stress.

■ Drawing on:

- A survey of IOSCO member jurisdictions,
- A review of academic and industry literature, and
- Engagement with market participants,

the Report evaluates the current state of post-trade transparency, explores options to enhance it, and assesses the potential benefits and drawbacks of these measures.

■ Key observations

- The single-name CDS market remains highly illiquid, involving a limited number of intermediaries.
- Post-trade transparency frameworks differ significantly across jurisdictions, limiting supervisory visibility and market understanding.
- Measures to enhance transparency could support market integrity, although certain approaches may raise concerns around liquidity or information leakage.

■ Alignment with ESRB findings

IOSCO's publication coincides with the release of the European Systemic Risk Board (ESRB) [report](#) on the same topic.

- The ESRB focuses on EU market microstructure.
- IOSCO focuses on global legislative and regulatory frameworks and the lessons learned from the March 2023 turmoil.
- Both reports reach similar conclusions:
- The single-name CDS market is concentrated and illiquid.
- Greater post-trade transparency is recommended to improve market functioning and resilience.

EU announces
new steps to
improve
retirement
savings

On 20 November 2025, the European Commission announced a [new package of measures](#) to help citizens build better retirement income through improved supplementary pensions. These measures are intended to add to public pensions, not replace them, and to make saving for the future simpler and more effective for everyone.

As Europe's population ages and career paths become more varied, many people may need additional savings on top of their state pension.

Supplementary pensions can play a key role in providing greater financial security in retirement, particularly for groups facing lower pensions, for example, women, who currently experience a 24.5% pension gap compared with men.

Stronger supplementary pension schemes can also help direct long-term private savings into the European economy, supporting growth and job creation.

Securities & Markets (4)

(continued)

Key measures in the package

■ Easier access to supplementary pensions

The Commission recommends that Member States consider auto-enrolment, where workers are automatically signed up to a supplementary pension but can opt out at any time.

■ Clearer information for citizens

Countries are encouraged to develop [pension tracking tools](#) that give people a simple overview of all their pension rights in one place, as well as national dashboards to help policymakers monitor pension systems.

■ Better performance of workplace pensions

[Updates to the IORP II Directive](#) aim to lower costs, improve efficiency, and support more diversified investments, including in equity, helping savers achieve better long-term returns.

■ A more attractive Pan-European Personal Pension (PEPP)

A new, [low-cost Basic PEPP](#) will make it easier for people to save across borders. More flexible versions will also be available for those seeking advice or additional guarantees.

■ Clearer investment rules

The Commission has clarified the prudent person principle, guiding how pension funds invest so they can diversify more effectively and deliver stronger long-term results.

Next steps

The proposed legislative changes will now be discussed by the European Parliament and EU Member States. The Commission will also monitor how countries put the recommendations into practice.

MiFIR Review: RTS and ITS relating to the creation of consolidated tapes published in Official Journal

The following Level 2 measures setting out Regulatory and Implementing Technical Standards (RTS/ITS) relating to the creation of consolidated tapes under the Markets in Financial Instruments Regulation (MiFIR) have been published in the Official Journal:

- [Commission Delegated Regulation \(EU\) 2025/1143](#) on the authorisation and organisational requirements for Approved Publication Arrangements (APAs) and Reporting Mechanisms (ARMs), and the authorisation requirements for Consolidated Tape Providers (CTPs);
- [Commission Delegated Regulation \(EU\) 2025/1155](#) on the input and output data of consolidated tapes, the synchronisation of business clocks and the revenue redistribution by CTPs for shares and exchange-traded funds;
- [Commission Delegated Regulation \(EU\) 2025/1156](#) on the obligation on market operators, investment firms operating a trading venue, APAs, CTPs and systematic internalisers to provide market data on a reasonable commercial basis;

Securities & Markets (5)

(continued)

EU adopts new reporting rules for Investment Firms

CPMI-IOSCO review finds gaps in FMIs' Management of General Business Risk

IOSCO publishes Final Report on Pre-Hedging

- [Commission Implementing Regulation \(EU\) 2025/1157](#) on the standard forms, templates and procedures for the authorisation of APAs, ARMs and CTPs; and
- [Commission Delegated Regulation \(EU\) 2025/1246](#) amending the RTS laid down in Delegated Regulations (EU) 2017/583 and (EU) 2017/587 (RTS 1 and 2) as regards transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and equity instruments under MiFIR.

The five regulations entered into force on **23 November 2025**.

On 31 October 2025, the European Commission published Commission [Implementing Regulation \(EU\) 2025/2159](#) in the Official Journal of the European Union. The Regulation, which amends the technical standards on supervisory reporting and disclosures for investment firms, is based on draft technical standards submitted by the [European Banking Authority](#) (EBA) and entered into force on **20 November 2025**.

The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organisation of Securities Commissions (IOSCO) published on 7 November 2025 a [new report](#) reviewing how Financial Market Infrastructures (FMIs) are implementing PFMI Principle 15 on general business risk. The assessment covered 34 FMIs across 27 jurisdictions, based on work conducted in 2023–24.

The review identifies several key areas where FMIs face challenges, including:

- determining the appropriate level of Liquid Net Assets Funded by Equity (LNAFE) to cover potential general business losses and support recovery or orderly wind-down plans;
- ensuring LNAFE are maintained in addition to resources for other categories of risk;
- strengthening recovery and wind-down planning for general business risk; and
- establishing credible plans to raise additional equity in the event of capital shortfalls.

The report also highlights concerns about FMIs' ability to fully identify, monitor and manage sources of general business risk.

Overall, the findings indicate that FMIs should prioritise enhancing their resilience to general business losses. The report also notes variations in implementation across FMIs, which may result in differing levels of resilience.

On 3 November 2025, IOSCO published its long-awaited [Final Report on pre-hedging](#), aimed at bringing greater clarity and consistency to the practice across jurisdictions, markets and execution types. Pre-hedging, already addressed in the FX Global Code, the Global Precious Metals Code and the FICC Large Trades Standard, allows dealers to hedge anticipated client orders to manage risk and support pricing, but has long attracted differing and strongly held views across the market.

Securities & Markets (6)

(continued)

The report provides IOSCO's final definition of pre-hedging, now more closely aligned with existing industry codes. Notably, IOSCO has added an explicit requirement that pre-hedging must be undertaken with the intention of benefiting the client, clarified that it may relate to more than one anticipated client transaction, and confirmed that it must involve the same or related instruments.

IOSCO also sets out a series of recommendations for dealers. These include limiting pre-hedging to genuine risk-management purposes; acting fairly and honestly towards clients; minimising market impact; and maintaining market integrity. Dealers are also encouraged to strengthen policies, controls and governance arrangements, including clear client disclosures, consent processes, monitoring and surveillance, information-barrier controls and appropriate record keeping.

While IOSCO's recommendations are not binding, regulators such as the European Commission, ESMA and the UK FCA will decide whether and how to adopt the framework. Firms may wish to review their existing pre-hedging practices, including client disclosures, consent mechanisms and internal controls, considering the new guidance.

IOSCO launches Consultation on Secondary Market Disclosure Recommendations

On 3 November 2025, IOSCO issued a [consultation](#) on its proposed Recommendations for Secondary Market Disclosure, inviting comments from all interested stakeholders, including listed entities, exchanges, investors, and market participants. Feedback is sought on all aspects of the proposals, as well as on any related issues that may influence their future development.

The proposals aim to provide a coherent disclosure framework for jurisdictions that are establishing or reviewing securities regulations related to periodic and event-driven disclosures by listed entities in the secondary markets. IOSCO also offers guidance to listed entities and trading venues on how to consider and implement high-quality disclosure practices.

A separate document accompanies the consultation, setting out Recommendations for Sustainability-Related Secondary Market Disclosures for regulators shaping sustainability reporting requirements in periodic disclosures.



Foreign Direct Investment in Cyprus

Cyprus adopts new FDI Screening Law

Cyprus enacted the Law on the Establishment of a Framework for the Screening of Foreign Direct Investments, 194(I)/2025 (the “Law”), establishing a national FDI screening regime aligned with EU Regulation 2019/452. Published on 14 November 2025, the Law shall take effect on **2 April 2026**. It introduces a formal mechanism for reviewing foreign investments that may affect national security or public order. You can read the full text here: [Official Gazette – Law 194\(I\)/2025 \(PDF\)](#).

Who is considered a Foreign Investor?

The regime applies to:

- individuals who are not nationals of an EU/EEA Member State or Switzerland; and
- companies formed outside those jurisdictions, including those ultimately controlled (≥25%) by such persons.

When is notification required?

A filing with the Ministry of Finance is mandatory before completion when all of the following conditions are met:

- Value: the investment reaches €2 million or more, either in a single transaction or aggregated over 12 months;
- Sector: the target operates in a strategic sector;
- Control: the investment results in the acquisition of at least 25% of shares/voting rights, a rise to 25% or 50%, or involves an investor that is itself 25% owned or controlled by a third-country investor.

Certain transactions involving ships are excluded, other than FSRUs.

Which sectors are covered?

The strategic sectors include:

- Energy; transport; water and food supply; education and tourism; telecommunications and digital networks; data infrastructure and cybersecurity; AI and advanced technologies; defence and dual-use goods; health and biotech; financial-market and payment systems; and real estate crucial to these activities.

How will screening operate?

The Ministry of Finance will first decide, within 20 working days of a complete filing, whether a transaction requires full review.

If it does, a 65-working-day assessment period applies. Deadlines pause if further information is requested.

The authority may approve, approve with conditions, prohibit, or require unwinding of a completed transaction. Approval is valid only upon written confirmation.

The review may consider, among other factors:

- potential impact on security, public order or essential services;
- investor ownership structure;
- compliance with EU sanctions and regulatory rules;
- the investor's behaviour or record in other jurisdictions.

Foreign Direct Investment in Cyprus

(continued)

- Post-completion powers
- Non-notifiable investments may still be examined within 15 months if concerns arise.
- Investments that should have been notified but were not may be reviewed for up to five years.

□ ■ Penalties

Administrative fines may be imposed on investors or persons controlling the investment for failure to notify, provide information, or comply with conditions. Decisions must be reasoned and subject to the right to be heard.

■ Why it matters

With this law, Cyprus joins the EU-wide network of FDI screening authorities, enhancing oversight of sensitive assets while providing clearer procedures and greater legal certainty for foreign investors.

Additional implementing measures are expected prior to April 2026.



Sustainability (1)

EU Commission proposal on SFDR 2

On 20 November 2025, the European Commission (EC) released its long-awaited [proposal](#) to overhaul the Sustainable Finance Disclosure Regulation (SFDR). Acknowledging persistent shortcomings in the current regime, the reform, commonly referred to as **SFDR 2.0**, aims to simplify sustainability disclosures, ease compliance burdens and improve investor understanding and comparability of sustainable products.

Key proposed changes

New product categorisation regime

SFDR 2.0 replaces the current Article 6/8/9 disclosure-based system with a three-category product regime, each with prescribed eligibility criteria:

- Article 7 (Transition)** – Products supporting a credible path toward environmental or social transition.

- Article 8 (ESG Basics)** – Products that integrate ESG factors beyond pure risk management but without a defined sustainability objective.

- Article 9 (Sustainable)** – Products pursuing an explicit sustainability objective.

Common requirements across all categories

- Minimum 70% investment commitment aligned with the product's stated objective.

- Mandatory exclusions mirroring those applicable to Climate Transition Benchmarks and Paris-Aligned Benchmarks.

- Defined list of eligible investment types tailored to each category.

These categories are meant to replace the current *de facto* SFDR "labels", introducing clearer and stricter criteria. Products outside the Article 7/8/9 regime would be prohibited from using sustainability-related terms in their names or marketing materials, though limited ESG-related information could still be provided.

Streamlined disclosure framework

The EC proposes a substantial simplification of product-level disclosures:

- Pre-contractual, website and periodic disclosures will remain, but in streamlined form.

- New templates will be significantly shorter, capped at two pages, with further detail to be set out in delegated acts.

- Website disclosures may cross-refer to these templates via weblinks.

Requirements being removed

- Entity-level Principal Adverse Impact (PAI) disclosures would be eliminated entirely.

Note: PAI disclosures remain at product level, as reflected in the formal proposal.

- Removal of the requirement to publish in remuneration policies how they align with sustainability risk.

- Removal of mandatory taxonomy-alignment disclosures for all products (taxonomy reporting becomes optional, except for transition/sustainable products with environmental objectives).

Sustainability (2)

(continued)

- Removal of the Do No Significant Harm (DNSH) criteria from the SFDR framework. The proposal repeals Commission Delegated Regulation (EU) 2022/1288, which contains the regulatory technical standards detailing the content and presentation of DNSH-related disclosures.

■ Requirements retained

Firms must continue to disclose how they integrate sustainability risks. Article 7/8/9 products remain subject to pre-contractual and periodic reporting, albeit in a simplified format.

■ Exemptions and scope adjustments

- Portfolio management and investment advice services are removed from the scope, on the basis that these do not manufacture the underlying financial products.
- No broad grandfathering is included: existing Article 8/9 products will need to transition into the new Article 7/8/9 categories or cease using sustainability-related claims.

■ Additional measures

SFDR 2.0 seeks to strengthen investor protection and limit greenwashing through:

- Stricter controls on sustainability-related naming and marketing, tied directly to Article 7/8/9 eligibility.
- Alignment with the EU Taxonomy and CSRD, including a safe-harbour provision deeming products with at least 15% taxonomy-aligned investments to meet part of the 70% contribution threshold.
- New transparency obligations regarding the use of data, third-party sources and estimates, requiring formalised and documented methodologies.

■ Next steps

The proposal will now be reviewed by the European Parliament and the Council, each of which will adopt its negotiating position before entering triologue discussions. The revised framework is unlikely to apply before late 2027 or 2028.

European Parliament adopts position on Omnibus I Simplification Package

On 13 November 2025, the European Parliament adopted its [plenary position](#) on the Omnibus I simplification package after months of intense negotiations. The proposal makes several changes aimed at reducing compliance burdens, especially for smaller companies.

Negotiations on Changes to Sustainability Reporting (CSRD) and Due Diligence Rules (CSDDD) have been challenging. Different political groups have different priorities for EU sustainability laws, causing delays and disagreements.

■ Key changes proposed

1. CSRD - Who needs to report?

Parliament wants:

EU companies: 1,750 employees (average) + €450 million turnover

Non-EU companies: €450 million EU turnover + large EU presence

Council wants:

EU companies: 1,000 employees + €450 million turnover

Sustainability (3)

(continued)

➡️ Parliament's thresholds would exclude more mid-sized companies from CSRD reporting requirements. This means fewer companies would need to comply compared to the original proposal.

2. CSDDD - Much higher thresholds

Both Parliament and Council agree:

EU companies: 5,000 employees + €1.5 billion global turnover

Non-EU companies: €1.5 billion EU turnover

Compare to current rules:

EU companies: 1,000 employees + €450 million turnover

➡️ Only the largest companies with extensive supply chains would need to comply. Most mid-sized companies would be excluded.

3. Simpler reporting standards

Parliament's position:

Sector-specific standards become voluntary (not mandatory).

Less detailed reporting required.

New digital portal with free templates and guidance.

➡️ Companies get more flexibility and simpler disclosure requirements.

Less time and cost spent on complex sustainability reports.

4. Protection for small suppliers

CSRD Protection: Large companies cannot demand information from smaller suppliers beyond what voluntary standards require.

CSDDD Protection: Large companies must use information they already have and only request additional data from small suppliers as a last resort.

➡️ Small businesses in supply chains won't be overwhelmed with reporting requests from larger customers. This is a major relief for SMEs.

5. Risk based due diligence

Parliament's approach: Focus due diligence efforts based on actual risks, not blanket requirements for all suppliers.

Parliament also wants to: Remove mandatory transition plan requirements.

Council's approach: Keep transition plan requirements but make them easier to meet.

➡️ These are still under negotiation. The final approach to value chain due diligence remains uncertain.

6. National vs EU liability

Parliament's position: Companies breaking due diligence rules would face liability under national laws, not EU-wide rules. They must fully compensate victims for damages.

➡️ Different enforcement approaches across EU countries, which could create inconsistencies but reduces centralized compliance complexity.

Sustainability (4)

(continued)

EU Commission adopts “Quick Fix” amendments to Sustainability Reporting

EU Commission issues calls for evidence on the EU Taxonomy Climate and Environmental Delegated Acts

Next steps

Negotiations between the European Commission, Council, and Parliament commenced on 18 November 2025, with a target of reaching a final agreement by the end of 2025.

- Status: No agreement yet; differences remain on scope, thresholds, and due diligence requirements.
- Implications for companies: Preparations under the current CSRD and CSDDD frameworks should continue.
- Recommendation: Monitor developments closely, but do not delay compliance activities, as further delays may necessitate revisions to implementation plans.

The EU Commission adopted on 10 November 2025 [Delegated Regulation \(EU\) 2025/1416](#) introducing targeted “quick fix” amendments to the first set of European Sustainability Reporting Standards (ESRS). The changes aim to reduce the reporting burden and provide more certainty for companies required to start reporting for financial year 2024 (so-called “wave one” companies).

Under the current ESRS, wave one companies could omit certain information, such as the anticipated financial effects of some sustainability-related risks. The quick fix, effective from financial year 2025, allows companies to continue omitting the same information for 2025 and 2026, meaning no additional reporting is required compared to 2024.

Additionally, for 2025 and 2026, wave one companies with more than 750 employees will benefit from most of the phase-in provisions currently available only to smaller companies (up to 750 employees).

This amendment was needed because wave one companies were not covered by the “stop-the-clock” Directive, which delayed reporting requirements for wave two and wave three companies (those reporting from 2025 and 2026) by two years.

Meanwhile, the Commission is preparing a broader review of the ESRS, expected to be completed by 2027. The review aims to simplify data requirements, clarify unclear provisions, and improve alignment with other legislation.

On 7 November 2025, the European Commission launched a call for evidence on the review of the EU Taxonomy [Climate](#) and [Environmental](#) Delegated Acts.

While the Taxonomy Regulation sets the overall framework, the delegated acts define the technical criteria for determining which economic activities qualify as environmentally sustainable. These criteria cover six EU objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Circular economy
- Pollution prevention and control
- Biodiversity

Sustainability (5)

(continued)

IOSCO issues final report on ESG Benchmarks

The Commission is reviewing the criteria to make them easier to apply in practice, while keeping them robust and credible. Possible amendments include clarifying definitions, simplifying compliance requirements, removing duplications, and aligning with related EU rules.

Next steps

The consultation is open for four weeks until 5 December 2025. The Commission is planning to adopt the two Delegated Acts in Q2 2026.

IOSCO published on 3 November 2025 its [final report](#) on ESG indices used as benchmarks, highlighting how their reliance on qualitative, forward-looking and sometimes inconsistent ESG data creates vulnerabilities not typically seen in traditional financial benchmarks. While IOSCO's Principles for Financial Benchmarks remain broadly applicable, the report stresses that ESG benchmarks require proportional application of those principles and additional safeguards to reflect the evolving nature of ESG methodologies.

Key areas for improvement include stronger governance and oversight of ESG data, greater transparency on methodologies and data limitations, clearer disclosure of expert judgment and forward-looking inputs, and enhanced internal controls to manage the higher risk of error in non-financial and self-reported data.

The report also encourages regulators to consider whether supervisory frameworks need to be adapted to address the specific risks posed by ESG benchmarks.



Glossary

AIF Alternative Investment Fund (EU)	RTS Regulatory Technical Standards
AIFMD Directive 2011/61/EU on Alternative Investment Fund Managers	SFDR Sustainable Finance Disclosure Directive
AIFMs Alternative Investment Fund Managers	UNODC United Nations Office on Drugs and Crime
AML/CFT Anti-Money Laundering/Countering the Financing of Terrorism	UCITS Directive directive 2009/65/EC on Undertakings for Collective investments in Transferable Securities
CSRD Corporate Sustainability Reporting Directive	UCITS Undertakings for Collective investments in Transferable Securities (EU)
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	

Main Contacts

Marios Lazarou

Board Member
Head of Advisory
T: + 357 22 209 033
E: Marios.Lazarou@kpmg.com.cy

Eleni Poyiadji

Principal, MiFID & AML expert, Risk Consulting
T: + 357 22 209 248
E: Eleni.Poyiadji@kpmg.com.cy

Chloe Karacosta

Senior Manager, DORA expert
Risk Consulting
T: + 357 22 207 475
E: Chloe.Karacosta@kpmg.com.cy

Eva Solomontos

Senior Manager, ESG expert
Risk Consulting
T: + 357 22 209 036
E: Eva.Solomontos@kpmg.com.cy

Marie-Hélène Angelides

Senior Associate,
Asset Management expert, Risk Consulting
T: + 357 22 209 227
E: Marie-helene.Angelides@kpmg.com.cy

Artemis Hadjivarnava

Principal, Capital Adequacy lead expert, Risk Consulting
T: + 357 22 209 147
E: Artemis.Hadjivarnava@kpmg.com.cy

Eleni Georgiou

Senior Manager, GDPR & AML expert, Risk Consulting
T: + 357 22 209 341
E: Eleni.Georgiou@kpmg.com.cy