

MiFID III: The new era



MiFID II Review Package (“MiFID III”)* ushers in a new era for financial markets in Cyprus and across the EU. The EU Directive was transposed into Cypriot law through Law 183(I)/2025 while the changes into the Regulation are directly applied to all EU Member States. These updates bring key reforms designed to boost market transparency, enhance investor protection, and sharpen the competitiveness of EU financial markets. From nearly banning controversial practices like Payment For Order Flow to introducing a comprehensive EU-wide Consolidated Tape, MiFID III represent a significant leap forward in modernizing the regulatory landscape.

Here’s a closer look at the key changes shaping the future of investment services and market operations:

Market Structure & Transparency:

- Revised and simplified definitions of Systematic Internalisers (“SIs”) and Multilateral Facilities have been introduced. In addition, the quantitative tests for determining SI status have been removed keeping only qualitative requirements or the choice to opt in to the SI regime voluntarily.
- The operating conditions for regulated markets have been updated to allow trading halts or trading constraints in emergency situations or when there is a significant price movement in a financial instrument on that market or a related market over a short period.
- Position limits and management controls in commodity derivatives and emission allowance derivatives have been updated.
- The frequency of position reporting by category of position holders has been amended from once per week to twice for trading venues where options are traded. For trading venues where options are not traded, the position reporting has been changed from daily to once per week.

- Introduction of an EU wide Consolidated Tape for shares, bonds, ETFs and OTC derivatives aiming to provide a single aggregated view of market prices that will increase transparency and reduce fragmentation.
- Adjustments to dark trading rules to support more transparent price formation. The double volume cap for trades executed under the reference price waiver or the negotiated trade waive has been replaced with a single volume cap set at 7%.
- The rules for Derivative Trading Obligation (“DTO”) are refined to better align with EMIR, clarify third-country trading and give ESMA more flexibility in assessing liquidity.

Investor Protection:

- Prohibitions of Payment For Order Flow (“PFOF”) to reduce conflicts of interest. This means that receiving compensation for sending orders to specific trading venues is now prohibited.
- It is important to note that ESMA is in the process of introducing new technical standards related to order execution rules under MiFID III. The official EU publication for the new technical standards is expected in early-mid 2026.

**Directive (EU) 2024/790 of the European Parliament and of the Council of 28 February 2024 amending Directive 2014/65/EU on markets in financial instruments and Regulation 2024/791 amending Regulation (EU) No 600/2014*



- The changes introduced under MiFID III strengthen investor protection by eliminating certain execution incentives and refocusing best execution obligations on qualitative outcomes rather than periodic reporting.
- Enhanced / more clear Product Governance requirements and stricter oversight of complex products.
- Stricter, more harmonised transaction reporting across jurisdictions aligned with global standards are employed. Changes mostly relate to the instruments subject to reporting, data fields and clarifications are provided in relation to the reporting firm.

Reporting & Record Keeping:

- Best execution periodic reporting obligations RTS 27 and RTS 28 are formally abolished.
- CIFs executing orders on behalf of clients related to financial instruments subject to trading obligations in accordance with Articles 23 and 28 of the Regulation (EU) No 600/2014 are required, following the execution of order, to inform clients of the place the order was executed.
- Record-keeping obligations are expanded to include omnichannel communications (voice, chat, video).

Supervisory & Enforcement Powers:

- MiFID III gives ESMA stronger powers to enforce transparency and data quality.
- More harmonized enforcement and penalties under MiFIR 2.

TIMELINE:

A significant part of MiFID III relies on Level 2 technical standards. ESMA is responsible for drafting Regulatory Technical Standards (“RTS”) and Implementing Technical Standards (“ITS”) which will be issued in waves via a multi-year implementation plan.

During the implementation phase, ESMA will be consulting the public in a number of consolidated consultation paper packages. The date for the entry into application of the Level 2 measures is subject to their adoption by the European Commission and approval by the European Parliament and the Council of the EU and, where needed, will also provide for an implementation period.

We will continue to closely monitor the upcoming publications and timeline of the RTS and ITS for which we will keep you posted for any significant developments.



How KPMG can support you?

Our regulatory advisory team provides tailored solutions to support investment firms and other institutions in navigating and complying with the latest EU regulatory requirements, including the MiFID III framework.

We can assist you in understanding and integrating these new requirements into your investment strategies and compliance frameworks. Specifically, our support includes:

- ✓ Conducting regulatory gap analysis or high level impact assessments aiming to assist regulated entities to plan ahead in terms of their compliance implementation schedule.
- ✓ Assisting with the implementation of necessary compliance measures, either these are policy-related, system-related or governance related matters.
- ✓ Providing advisory services on governance, reporting, and operational changes to align with evolving regulatory expectations.
- ✓ Provide customised ad-hoc support and clarifications on specific regulatory queries, providing clarity and insights on market practices.

For more information on how we can assist you in meeting these requirements, feel free to reach out to our team.

Contact us

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