

Regulatory Insights

Financial Services

DECEMBER 2025

Anti-Money Laundering

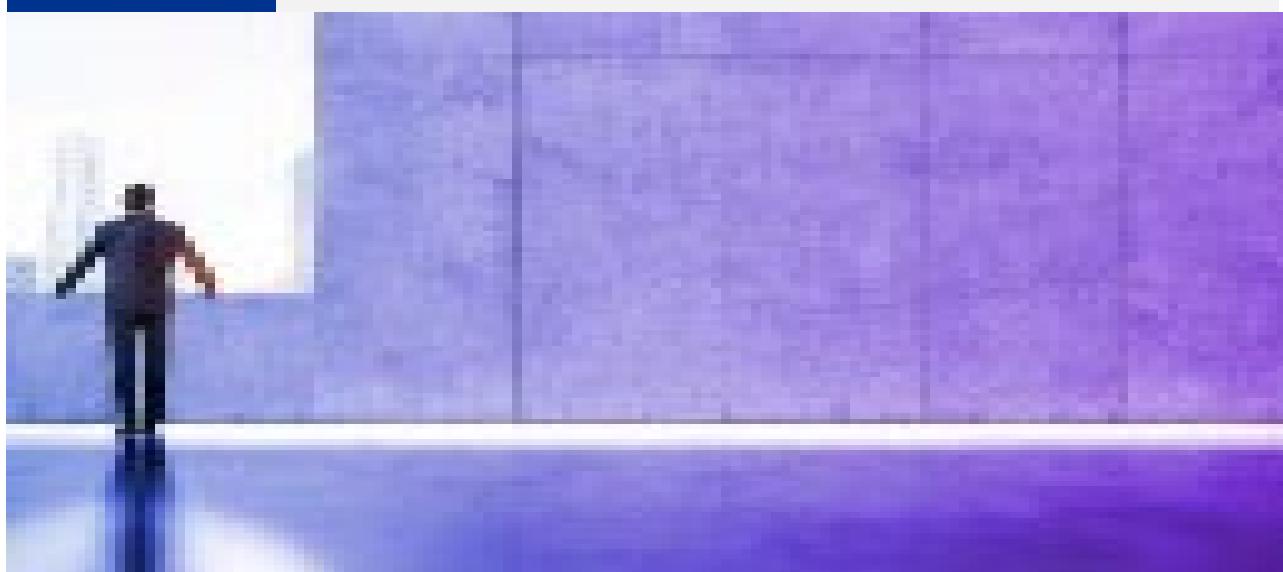
European Commission updates list of high-risk countries to strengthen the fight against financial crime

On 4 December 2025, the European Commission [updated its list of high-risk third-country jurisdictions](#) with strategic deficiencies in their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regimes. The update reflects decisions taken by the Financial Action Task Force (FATF) following its June and October 2025 plenary meetings and aligns the EU list with the FATF's "Jurisdictions under Increased Monitoring" (the so-called *grey list*).

Under the EU AML framework, obliged entities must apply enhanced due diligence measures to transactions involving jurisdictions on the list. These requirements are intended to safeguard the integrity of the EU financial system and mitigate financial crime risks.

As part of this update, the EU Commission has added Bolivia and the British Virgin Islands to the list of high-risk third countries. At the same time, it has removed Burkina Faso, Mali, Mozambique, Nigeria, South Africa and Tanzania, reflecting progress made in addressing the deficiencies identified by the FATF.

The update is adopted pursuant to Article 9 of the Fourth Anti-Money Laundering Directive, which requires the Commission to regularly review and amend the list of high-risk third-country jurisdictions. The revised list takes the form of a delegated regulation, which will enter into force following scrutiny by the European Parliament and the Council, provided no objections are raised within one month (extendable by a further month).



Asset Management (1)

ESMA reviews impact of Guidelines on ESG or sustainability related terms in fund names

On 17 December 2025, ESMA published [research](#) evaluating the impact of its fund naming guidelines on the use of ESG and sustainability-related terminology.

Key findings

- ❑ Consistency and alignment: The guidelines have improved alignment between fund names and their actual investment strategies, helping investors better understand product objectives.
- ❑ Investor protection: Reduced greenwashing risks by encouraging more accurate and transparent use of ESG terms.
- ❑ Fund responses: Analysis of nearly 1,000 shareholder notifications from 25 major EU asset managers (EUR 7.5 trillion AUM) found:
 - 64% of funds changed their name, often to avoid ESG terminology.
 - 56% updated investment policies to strengthen sustainability focus.
- ❑ **Fossil-fuel exposure:** Among 4,000 EU ESG-labelled funds (EUR 2 trillion AUM), funds with higher fossil fuel exposures were more likely to remove ESG terms, while those retaining ESG names reduced fossil fuel holdings more than others.

Next steps

- ❑ [Webinar](#): Findings will be presented on 20 January 2026 at 10:00 (registration by 19 January, 12:00).
- ❑ ESMA will continue monitoring fund naming trends and engaging with the EU Commission to support evidence-based ESG policymaking.

ESMA updates Guidelines on Liquidity Management Tools for UCITS and Open-Ended AIFs

On 18 December 2025, ESMA published its [Report](#) on amended Guidelines on Liquidity Management Tools (LMTs) applicable to UCITS and open-ended alternative investment funds (the Guidelines).

The amendments update the Guidelines originally published in April 2025 and are intended to align them with specific provisions of the Regulatory Technical Standards (RTS) on LMTs under the revised AIFMD and UCITS Directive, as adopted by the European Commission in November 2025.

The changes focus on two key areas.

1. Investor-Level redemption gates

The RTS under AIFMD expressly contemplate the use of investor-level redemption gates, notably in Recital 3 and Article 2. To reflect this, ESMA introduced a new paragraph 27a into the Guidelines. Under the amended Guidelines, managers of open-ended AIFs with no retail investors and a limited number of professional investors are expected to consider the use of investor-level redemption gates, either on a standalone basis or in combination with fund-level gates. The objective is to mitigate first-mover advantage and enhance overall liquidity risk management.

Asset Management (2)

(continued)

2. *Implicit transaction costs and Anti-Dilution Tools (ADT)*

The Guidelines have also been amended to address the treatment of implicit transaction costs in the context of Anti-Dilution Tools (ADTs).

Previously, the Guidelines required both explicit and implicit transaction costs associated with subscriptions, repurchases and redemptions to be included when estimating the cost of liquidity. However, the RTS take a more calibrated approach, requiring:

- Explicit transaction costs to be included in all cases; and
- Implicit transaction costs to be considered only where appropriate to the fund's investment strategy and estimated on a best-efforts basis.

The revised Guidelines now reflect this approach. In particular, paragraph 37 provides that implicit transaction costs, including any significant market impact of asset purchases or sales, should be taken into account only where appropriate, and on a best-efforts basis. These changes apply to both swing pricing and anti-dilution levies.

Next steps

The amended Guidelines will apply from the application date of the RTS on 16 April 2026.

- Funds established on or after 16 April 2026 will be required to comply from inception.
- Existing funds will benefit from a transitional period and must comply by 16 April 2027.



Banking & Finance (1)

EBA launches consultation on Prudential Requirements for Banking CSDs

On 3 December 2025, EBA opened a [public consultation](#) on draft amendments to the Regulatory Technical Standards (RTS) concerning prudential requirements for Central Securities Depositories (CSDs) and designated credit institutions providing banking-type ancillary services.

The proposed amendments reflect changes introduced by the CSDR Refit, notably allowing banking CSDs to provide certain services, such as cash accounts, to participants of other CSDs. The updates focus on assessing the limited impact of these arrangements on the risk profile of the banking CSD and ensure alignment with the Capital Requirements Regulation and the amended CSDR text.

Consultation details

- Deadline for submissions: 3 March 2026
- Public hearing: 12 January 2026, 14:00–15:00 CET ([register](#) by 9 January, 16:00 CET)

Background

Under Article 59(5) of CSDR, the EBA is mandated to define detailed frameworks for monitoring, managing, and reporting credit and liquidity risks, including intra-day exposures. Banking-type ancillary services include offering cash accounts, accepting deposits, and providing payment services, including cash and foreign exchange transactions, to participants in a securities settlement system.

EBA confirms strong capital and profitability for EU/EEA Banks amid geopolitical and operational risks

On 4 December 2025, EBA published its autumn 2025 [Risk Assessment Report](#) (RAR), confirming that EU/EEA banks remain robust in capital, liquidity, profitability, and asset quality. However, the EBA warns that geopolitical uncertainty, market volatility, and operational threats require continued vigilance. The report includes data from the 2025 EU-wide transparency exercise covering 119 banks across 25 countries, supplemented by the autumn 2025 [Risk Assessment Questionnaire](#) (RAQ).

Key findings

- Geopolitical & macroeconomic risks: Instability, trade tensions, and rising sovereign debt increase banks' vulnerability to external shocks, affecting funding markets and risk premiums.
- Operational risks: These remain high, driven by cyber threats, fraud, and legal exposure. Cyber-related operational disruptions persist. DORA is improving incident response, but third-party dependencies remain a challenge.
- Capital strength: EU/EEA banks maintain record-high capital ratios, underpinned by strong organic growth.
- Profitability: Despite declining net interest income, banks sustain profits through fee income, cost control, and digitalisation initiatives.
- Liquidity: Ratios remain above regulatory requirements, though buffers are increasingly invested in sovereign assets, heightening sensitivity to market volatility. Foreign currency and stablecoin exposure may create future funding challenges.

Banking & Finance (2)

(continued)

EBA publishes follow-up peer review on authorisation of Payment and E-Money Institutions

- Lending & asset quality: Mortgage lending and lending to non-EEA non-bank financial institutions drive asset growth. Non-performing loan ratios are low, but stage 2 loans are elevated in commercial real estate and SME segments, requiring close monitoring.

■ Outlook

The EBA emphasises that while EU/EEA banks remain strong, the combination of geopolitical, market, and operational risks calls for sustained risk management, governance, and scenario planning. Automation, digitalisation, and resilience measures will be critical for maintaining stability in a rapidly evolving environment.

On 5 December 2025, EBA released a follow-up to its [2023 Peer Review](#) assessing the authorisation of payment institutions and electronic money institutions under the revised Payment Services Directive (PSD2). The review covers 2022–2024 and evaluates how national supervisors have implemented the 2023 recommendations, focusing on authorisation processes, governance, internal controls, AML/CFT frameworks, and local substance requirements.

■ Key findings

- Progress observed: Supervisors have increased convergence and improved efficiency by providing clearer guidance, engaging earlier with applicants, and streamlining internal procedures.
- Remaining differences: Significant divergence persists in governance, internal control mechanisms, and assessment of local substance, creating risks of regulatory arbitrage and an uneven playing field across Member States.
- Application trends: Fewer applications were submitted compared to 2019–2022, reflecting market maturity and the end of Brexit-driven demand, though some jurisdictions saw increases.
- Authorisation timelines: The median process across the EEA now takes 9.5 months, with delays often due to incomplete or poor-quality applications.

■ EBA recommendations

The EBA encourages supervisors to continue addressing gaps and work toward greater convergence in governance and internal control frameworks to ensure a level playing field across the EU.

EBA publishes final Draft RTS on Real Estate Risk Weight Assessment

On 10 December 2025, EBA released its [final draft Regulatory Technical Standards \(RTS\)](#) updating the factors national authorities should consider when assessing the appropriateness of real estate risk weights. The review reflects the revised Capital Requirements Regulation (CRR3), which introduces a new EBA mandate for the Standardised Approach to credit risk.

■ Key points

- The draft RTS updates legal references to align with CRR3, ensuring consistency with the revised banking framework.
- The amendments maintain alignment with existing RTS under the Internal Ratings-Based (IRB) approach, particularly regarding minimum Loss Given Default (LGD) values for retail exposures secured by immovable property.

Banking & Finance (3)

(continued)

EBA updates
ITS validation
rules and
launches new
website location

The changes aim to simplify the framework and enhance regulatory consistency between the Standardised Approach and IRB methodology.

■ Legal basis and next steps

- Developed under Article 124(11) of CRR3, in cooperation with the European Systemic Risk Board (ESRB).
- The RTS specify the types of factors to be considered by national authorities when assessing the appropriateness of real estate risk weights.
- Final adoption will follow standard regulatory procedures, providing a harmonised approach across EU Member States.

On 12 December 2025, EBA published a revised list of validation rules under its Implementing Technical Standards (ITS) on supervisory reporting. The update highlights rules that have been deactivated due to inaccuracies or IT-related issues. Competent authorities and reporting institutions across the EU are reminded that data submitted under these ITS should not be validated against the deactivated rules.

■ Key updates

- Validation Package Components:
 - Micro taxonomy package
 - Data Point Model (DPM) validation rules deactivation scripts These are required from release 4.0 for each deactivation exercise to ensure consistent updates across the taxonomy and DPM.
- Hotfix for Reporting Framework 4.2:
A hotfix will be issued in January 2026. Any necessary updates to validation rules for release 4.2 will be included at that time; the current publication does not affect release 4.2.

■ New website location

The EBA has consolidated all validation rules and related technical documents (including the micro taxonomy package and DPM deactivation scripts) into a [dedicated section on its website](#).

- This centralised location improves accessibility and usability.
- Stakeholders are encouraged to update bookmarks and refer to the new location for the latest information on ITS validation rules.

On 12 December 2025, EBA also released its [final Regulatory Technical Standards](#) (RTS) on structural Foreign Exchange (FX) under the Capital Requirements Regulation (CRR). The standards aim to improve clarity, consistency, and supervisory convergence in the treatment of structural FX positions across the EU.

The final RTS retain the overall approach of existing EBA Guidelines while introducing targeted enhancements to create a more harmonised and transparent framework.

EBA publishes
final draft RTS
on structural
foreign
exchange

Banking & Finance (4)

(continued)

EBA-ECB joint report on payment fraud: strong authentication effective, but fraudsters adapting

■ Key features

- Maximum open position computation:
Institutions may consider only credit risk own funds requirements when determining the position that neutralises sensitivity to capital ratios, if credit risk is the main driver of ratio variability.
- Clarifications on risk positions:
Guidance on how institutions should exclude FX risk positions from own funds requirements.
- Policies for illiquid currencies:
Dedicated provisions for currencies that are illiquid in the market, including those subject to EU restrictive measures.

■ Legal basis

The RTS are developed under Article 104c of CRR (Regulation (EU) No 575/2013), which requires the EBA to specify:

- Which risk positions can be deliberately taken to hedge FX impacts on capital ratios.
- How to determine the maximum amount that can be waived for such positions.
- The criteria for an appropriate risk management framework regarding structural FX positions.
- The structural FX provision has historically been interpreted differently across EU jurisdictions. The RTS build on the EBA's 2020 Guidelines to ensure consistent application.

On 15 December 2025, EBA and the European Central Bank (ECB) published the 2025 edition of their [joint report on payment fraud](#), covering data from 2022 to 2024 across the European Economic Area (EEA).

■ Key findings

- ◆ Fraud rate stable but total losses rising:
 - Payment fraud remained around 0.002% of total transaction value in 2024.
 - Total fraud losses increased to €4.2 billion in 2024, up from €3.5 billion in 2023.
- ◆ Strong Customer Authentication (SCA) remains effective:
 - SCA introduced under PSD2 (2020) has reduced fraud in card payments, the dominant fraud type at the time.
 - Fraud is 17 times higher for card payments when the recipient is outside the EEA, where SCA is not mandatory.
- ◆ Emerging fraud trends:
 - New types of fraud are rising, particularly manipulation of payers, often exploiting SCA exemptions or deceiving users into authorising fraudulent transactions.
- ◆ Distribution of fraud losses by payment type:
 - Credit transfers: €2.2 billion (16% YoY increase), with users bearing ~85% of losses.
 - Card payments (EU/EEA-issued cards): €1.329 billion (29% YoY increase).
 - Fraud varies significantly across countries and payment instruments.

Banking & Finance (5)

(continued)

EBA publishes final draft RTS on thresholds and prudential requirements for CSDs

■ Background and Legal Basis

- ◆ Reporting obligations derive from:
 - PSD2 (Directive 2015/2366/EU), Article 96(6): PSPs report fraud data to NCAs, who provide aggregated data to EBA and ECB.
 - ECB Regulation (EU) No 1409/2013: Euro-area PSPs report fraud data to national central banks, shared with the ECB.
- ◆ Data are reported semi-annually via a single data flow and form the basis for policy, supervisory, and oversight measures.

■ Implications

- SCA continues to mitigate traditional fraud, but PSPs and regulators need to adapt to new fraud tactics targeting exemptions and user manipulation.
- The report underscores the importance of monitoring payment fraud trends, refining authentication frameworks, and educating users to prevent losses.

On 16 December 2025, EBA released its final [draft Regulatory Technical Standards](#) (RTS) under the Central Securities Depositories Regulation (CSDR), specifying the thresholds and prudential risk management requirements for central securities depositories (CSDs) and credit institutions providing banking-type ancillary services.

The RTS define the conditions under which non-banking CSDs ("designating CSDs") may use banking CSDs or credit institutions for cash settlement without requiring additional authorisation.

■ Key features

- ◆ Threshold levels:
 - Minimum threshold: €3.75 billion and 1.5% of annual settlement volume.
 - Maximum threshold: €6.25 billion and 2.5% of annual settlement volume.
- ◆ Dynamic thresholds:
 - Thresholds adjust according to the risk profile of both the designating CSD and the designated credit institution.
 - As activity levels increase, so do the prudential and risk management requirements.
- ◆ Proportionate risk management and prudential measures:
 - Requirements are aligned with the applicable threshold, ensuring proportional mitigation of risks associated with the use of designated credit institutions.

■ Legal basis

- ◆ Article 54(9) of CSDR (Regulation (EU) No 909/2014) mandates the EBA to develop RTS:
 - Determining the threshold referred to in Article 54(5).
 - Setting risk management and prudential requirements to mitigate risks associated with designating credit institutions (Article 54(2a)).

Banking & Finance (6)

EBA provides guidance on enhanced operational risk reporting ahead of June 2026 reference date

On 17 December 2025, EBA issued guidance to banks on enhanced operational risk reporting, following the postponement of the first reference date under the [amended Implementing Technical Standards](#) (ITS). **The new reporting obligations are now effective from the end of June 2026**, after the European Commission adopted Regulation (EU) 2025/2475.

■ Key updates for banks

- ◆ Extended preparation period:

Banks have until end-June 2026 (instead of March 2026) to comply, providing at least six months to adapt to the new requirements.

- ◆ Reporting templates:

- COREP OF module (release 4.2) is to be used for operational risk reporting.
- Templates C 16.02, C 16.03, and C 16.04 are not mandatory for March 2026; first required submission is June 2026, though voluntary reporting is allowed earlier.
- Template C 16.01 must still be reported using updated technical tables, but “other operating expenses” information is not required for March 2026.

- ◆ Updated instructions and IT solutions:

- Amended instructions for reporting and disclosure are now available in all EU languages.
- The “Overview of IT solutions” file has been revised to link ITS Articles with reporting templates, aiding implementation.

- ◆ Support tools:

- The EBA signposting tool and the mapping tool linking reporting and disclosure templates will be updated to reflect the new obligations.

Next steps

Banks are encouraged to consult the latest instructions and tools on the EBA website to ensure a smooth transition to the enhanced operational risk reporting framework. The EBA continues to provide guidance to support effective implementation of the revised regime.

Q3 2025 supervisory data: EU/EEA banks Show stable asset quality, solvency, liquidity and profitability

On 17 December 2025, EBA published its Q3 2025 [Risk Dashboard](#) (RDB) on the European Data Access Portal (EDAP), confirming that EU/EEA banks remain resilient despite elevated macroeconomic and geopolitical risks.

■ Key findings

- ◆ Capital and Solvency
- Common Equity Tier 1 (CET1) ratio: 16.3% (transitional, CRR3).
- Risk-weighted assets (RWA): €10.1 trillion, unchanged from Q2 2025.
- ◆ Liquidity
- Liquidity Coverage Ratio (LCR): 160.7% (slight decline from 161.7%).
- Net Stable Funding Ratio (NSFR): 126.8% (slightly down from 127.2%).

Banking & Finance (7)

(continued)

- ◆ Balance sheet composition
 - ❑ Total assets: €29.1 trillion; debt securities up 2% to 14.9% of total assets.
 - ❑ Loans: Modest growth; household and NFC loans up 0.2%, while Residential Real Estate (RRE) loans slightly declined.
 - ❑ Total liabilities: €27.1 trillion; household deposits slightly down, NFC deposits up ~3%.
 - ❑ Loans-to-deposits ratio: 105.6% (down 70bps).
 - ❑ Asset quality.
 - ❑ Non-Performing Loans (NPLs): €373 billion, NPL ratio 1.8%.
 - ❑ Consumer credit and SMEs continue to show the highest NPL ratios.
 - ❑ Stage 2 loans: Slowly decreasing to 9.3%.
 - ❑ Cost of risk: 0.47%, lowest since Q3 2023.
- ◆ Profitability
 - ❑ Return on Equity (RoE): 10.7% (stable).
 - ❑ Net Interest Margin (NIM): 1.58% (slight decrease, trend stabilising).
 - ❑ Cost-to-Income Ratio: 52.3%, reflecting effective cost control.
- ◆ EDAP: Direct access to supervisory data
 - ❑ For the first time, the Risk Dashboard is published on EDAP, the EU/EEA hub for supervisory data.
 - ❑ Stakeholders can directly download underlying datasets for analysis.
 - ❑ EDAP will host additional exercises, including Transparency exercise results and Pillar 3 data (from Q1 2026).

This initiative strengthens transparency and accessibility, enabling stakeholders to better assess the banking sector's resilience and performance.

EBA updates equivalence monitoring activities

On 18 December 2025, EBA updated its confidential [report on equivalence monitoring activities](#) and submitted it to the European Parliament, Council, European Commission, and other European Supervisory Authorities (ESAs). To improve transparency, the EBA also published a public summary outlining recent regulatory and supervisory developments in 26 non-EU jurisdictions deemed equivalent under the Capital Requirements Regulation (CRR).

■ Key points

- ❑ The report provides factual updates on regulatory and supervisory changes, highlights areas requiring ongoing monitoring, and ensures equivalence criteria continue to be met.
- ❑ The public summary explains the EBA's monitoring approach, including methodology, scope, parameters, and limitations, while preserving confidentiality of detailed findings.
- ❑ Follow-up actions will depend on the number and significance of material findings identified for each jurisdiction.

■ Legal basis

Under Article 33(3) of the EBA Regulation, the Authority is required to monitor regulatory, supervisory, and enforcement developments in third-country jurisdictions that have received EU equivalence decisions, in order to ensure that these jurisdictions continue to meet EU standards.

Banking & Finance (8)

EBA updates equivalence guidelines to strengthen cross-border supervision

On 22 December 2025, EBA updated its [Guidelines](#) on the equivalence of confidentiality and professional secrecy regimes in third countries. The revisions aim to safeguard confidential information and support effective cross-border supervisory cooperation.

Key updates and impact

- ❑ Expanded scope: Reflects new requirements under the Markets in Crypto Assets Regulation (MiCAR) and the latest EBA equivalence assessments.
- ❑ Recognised jurisdictions: Confidentiality and professional secrecy regimes in Australia, China, Montenegro, Peru, Serbia, and the UK are now considered equivalent to EU standards.
- ❑ Clarifications and updates: Streamlined definitions, updated legal references, and guidance on how competent authorities should apply the framework when sharing information.

Background

The updated Guidelines promote harmonised supervisory cooperation between EU authorities and third countries. Competent authorities must report compliance within two months of publication in all official EU languages. These Guidelines are part of EBA's broader efforts to enhance supervisory convergence and international cooperation.

Legal basis

- ❑ Regulation (EU) No 1093/2010: Mandates EBA to ensure third-country confidentiality and professional secrecy frameworks meet EU standards.
- ❑ MiCAR Article 100: Requires information exchanged between competent authorities to remain confidential and protected by professional secrecy, with disclosure allowed only in strictly defined circumstances.

EU adopts new supervisory reporting standards for Operational Risk under CRR3

The European Commission adopted on 8 December 2025 [Commission Implementing Regulation \(EU\) 2025/2475](#), amending the Implementing Technical Standards on supervisory reporting for operational risk. The amendments introduce new reporting requirements reflecting the revised framework under the Capital Requirements Regulation (CRR3). The updated ITS give effect to the new CRR methodology for calculating own funds requirements for operational risk, ensuring that supervisory reporting is aligned with the standardised approach and the related capital calculations introduced under CRR3.

The regulation entered into force on **28 December 2025**.

Commission Implementing Regulation on BRRD resolution planning published in OJ

[Commission Implementing Regulation \(EU\) 2025/2303](#) was published on 10 December 2025, in the Official Journal of the EU, updating technical standards for resolution plan reporting under the Bank Recovery and Resolution Directive (BRRD). It replaces Implementing Regulation (EU) 2018/1624 and introduces revised templates to harmonise reporting across the EU. Key changes include differentiated requirements for resolution and liquidation entities, thresholds for identifying relevant legal entities, a single data point model with common validation rules, and measures to avoid data duplication.

The Regulation entered into force on **30 December 2025**.

Banking & Finance (9)

ECB proposes simplification of EU banking rules

The ECB's Governing Council endorsed on 11 December 2025 [recommendations](#) from its High-Level Task Force on Simplification, aiming to streamline EU banking regulations while maintaining resilience. Key proposals include:

- Reducing elements in the risk-weighted and leverage ratio frameworks.
- Introducing a simpler prudential regime for smaller banks.
- Consolidating capital buffers into a non-releasable and a releasable buffer.
- Enhancing proportionality for small banks and aligning gone-concern requirements with global standards.
- Shifting rules from directives to directly applicable regulations to foster harmonisation.
- Simplifying EU-wide stress tests and supervisory reporting, including integrated data sharing to reduce duplication.

The reforms aim to strengthen cross-border integration, support the Savings and Investment Union, and improve coordination across microprudential, macroprudential, and resolution authorities. The proposals will now be presented to the European Commission for further consideration.

The ECB also published its report "[Streamlining supervision, safeguarding resilience](#)", outlining ongoing initiatives to make European banking supervision more effective, efficient, and risk-focused.

The ECB will present the proposals to the European Commission, which is preparing a report on the overall situation of the EU banking system that is due to be presented in 2026.

Basel Committee consults on Machine-Readable Pillar 3 disclosures

On 5 December 2025, the Basel Committee on Banking Supervision launched a [consultation](#) on making Pillar 3 disclosures available in machine-readable formats. Pillar 3 disclosures provide key risk metrics for internationally active banks, but most are currently published in PDF, making aggregation and comparison difficult.

The proposal introduces technical standards to produce machine-readable quantitative disclosures, without changing the underlying reporting requirements. National supervisors would decide whether banks publish these disclosures on their own websites or via a centralised repository.

The Committee invites feedback from stakeholders by 5 March 2026, with submissions published on the BIS website unless confidentiality is requested.

Basel Committee publishes principles for sound management of Third-Party Risk

On 10 December 2025, the Basel Committee on Banking Supervision (BCBS) published its [principles](#) for the sound management of third-party risk, replacing the [2005 Joint Forum outsourcing paper](#) and establishing a common baseline for banks and supervisors. This follows the July 2024 consultation.

Banking & Finance (10)

(continued)

The framework applies proportionately to the full lifecycle of Third-Party Service Provider (TPSP) arrangements, with particular focus on:

- 1. Governance:** Rigorous oversight by the board and senior management.
- 2. Third-Party Risk Management (TPRM):** Maintaining a comprehensive TPRM framework aligned with operational risk and resilience standards.
- 3. Critical services:** Heightened expectations for essential third-party arrangements.

Key expectations for banks include:

- Maintaining up-to-date registers and mapping of all TPSP arrangements and key supply chain parties.
- Assessing and managing bank-level concentration risk, with intragroup providers held to the same standards as external TPSPs.
- Conducting robust risk assessments and due diligence prior to engagement.
- Drafting contracts with legally binding rights of access and audit for banks and supervisors, clear SLAs, data security obligations, incident reporting, supply chain responsibilities, and provisions for business continuity and disaster recovery.
- Structured onboarding, continuous performance and risk monitoring, periodic reporting to the board, and ongoing business continuity assurance, with contingency planning where substitutability is limited.

Role of supervisors:

Supervisors are expected to assess TPRM as part of ongoing oversight, while promoting cross-sector and cross-border coordination to identify potential systemic risks from critical TPSPs.



Digital assets & finance

New format requirements for crypto-asset white papers under the EU Markets in Crypto-Assets Regulation (MiCA)

From 23 December 2025, crypto-asset white papers must be submitted in a machine-readable Inline XBRL (XHTML) format and linked to a valid Legal Entity Identifier (LEI), in accordance with Commission Implementing Regulation (EU) 2024/2984. PDF-only submissions will no longer meet regulatory requirements. While the substantive disclosure obligations under MiCA remain unchanged, issuers must comply with strict technical templates and taxonomy-based fields, as errors in structuring or tagging may result in automated validation failures. The Implementing Regulation mandates the use of eXtensible Business Reporting Language (XBRL), and more specifically Inline XBRL (iXBRL), for all white papers notified or submitted under MiCA.

■ What does “machine-readable” mean?

A machine-readable document is one whose content can be automatically processed, extracted and validated by software systems without manual interpretation.

While several formats may technically be machine-readable, the Implementing Regulation expressly requires crypto-asset white papers to be drafted in XHTML using Inline XBRL specifications. Inline XBRL preserves a readable narrative format while embedding structured tags in the text, enabling regulators to identify and process individual data points at a granular level.

■ What is (and is NOT) changing

The machine-readability requirement does not alter the substantive disclosure obligations under MiCA. Issuers and offerors remain subject to the same transparency, risk disclosure and information requirements set out in Titles II, III and IV of MiCA.

What does change is the form and structure of disclosure. The Implementing Regulation introduces binding templates and taxonomy-based fields that must be followed strictly. Responses must align precisely with prescribed structures and data definitions, including the use of standardised values where required. As a result, the technical consistency and structuring of a white paper become legally consequential, even where the substantive content is accurate.

■ The MiCA white paper taxonomy framework

The MiCA taxonomy incorporates automated validation rules assessing the completeness, consistency and identification data of a white paper. A submission may be technically flagged or rejected despite substantively accurate disclosures, while passing technical validation does not, in itself, guarantee full legal compliance with MiCA.

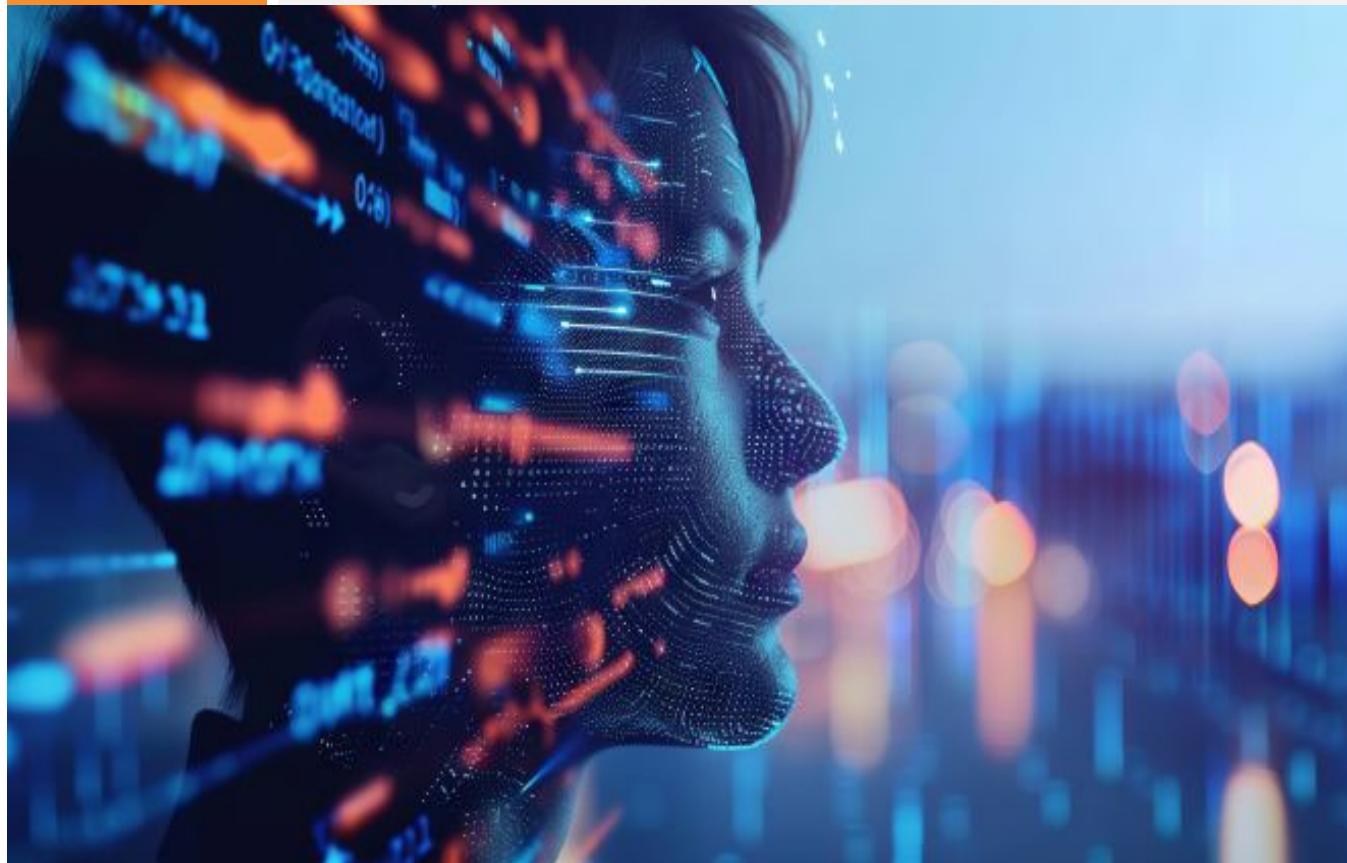


Digital operational resilience framework

**ESAs conclude
DORA scope does
not yet need to
include statutory
Auditors and
Audit Firms**

On 17 December 2025, the Joint Committee of the European Supervisory Authorities (ESAs) published a [report](#) responding to the European Commission's request under Article 58(3) of Regulation (EU) 2022/2554 (DORA). The Commission asked the ESAs to assess whether statutory auditors and audit firms should be subject to strengthened digital operational resilience requirements, either through inclusion in DORA or amendments to Directive 2006/43/EC.

The ESAs concluded that, although the current regulatory framework for statutory auditors and audit firms provides only high-level and limited references to digital operational resilience, the potential costs and implications of extending DORA's scope to these entities outweigh the expected benefits. Consequently, the ESAs do not recommend including statutory auditors and audit firms within DORA's scope at this time.



Securities & Markets (1)

European Commission unveils Market Integration Package (MIP) to transform EU Capital Markets

As part of its Savings and Investments Union (SIU) initiative, the European Commission launched on 4 December 2025 the [Market Integration Package \(MIP\)](#), a comprehensive set of reforms designed to tackle fragmentation in European financial markets and create a truly integrated, efficient, and scalable capital market.

Despite previous reforms under the Capital Markets Union, national rules and divergent supervisory practices have continued to impede cross-border trading, clearing, settlement, and asset management. The MIP aims to remove these barriers, streamline oversight, foster innovation, and support European priorities such as the green and digital transitions, economic resilience, and global competitiveness.

Objectives

The package seeks to:

- Facilitate market integration: Remove barriers to cross-border trading, post-trading, and asset management.
- Enhance supervision: Grant ESMA direct powers over key market infrastructures and Crypto-Asset Service Providers (CASPs), promoting harmonised oversight.
- Encourage innovation: Support the use of Distributed Ledger Technology (DLT) in trading and settlement.
- Simplify the regulatory framework: Reduce complexity, limit national “gold-plating,” and streamline supervisory arrangements.

Legislative components

- Master Regulation*: Updates ESMA Regulation, EMIR, MiFIR, CSDR, MiCA, CBDR, CCPRR, SFTR, CRAR, BMR, Securitisation, European Green Bond, and ESG Ratings regulations.
- Master Directive*: Amends UCITS, AIFMD, and MiFID directives.
- Settlement Finality Regulation (SFR)*: Replaces the Settlement Finality Directive, ensuring consistent EU-wide application and supporting innovative technologies such as DLT.

Key changes

- ▲ Supervision
- ESMA gains direct authority over significant CCPs, CSDs, trading venues, and CASPs.
- Introduction of Pan-European Market Operators (PEMOs), allowing operation of multiple trading venues across Member States under a single licence.
- Enhanced tools for supervisory convergence to harmonise oversight where ESMA does not have direct powers.

Securities & Markets (2)

(continued)

▲ Trading & post-trading

MiFID II trading rules move to MiFIR for more uniform implementation.

CSDR introduces CSD hubs, open access, interoperability, and DLT-enabled settlement, strengthening market integration.

ESMA can arbitrate access to CCPs and trading venues, promoting competition and efficiency.

▲ Innovation

DLT Pilot Regime is expanded for flexibility, including simplified regimes for smaller infrastructures and broader eligibility for DLT trading and settlement systems.

■ Other Regulatory Updates

SFTR, CBDR, CCPRR, CRAR, BMR, Securitisation, EuGB, and ESG Ratings regulations are aligned under the new ESMA supervisory framework.

CBDR changes simplify cross-border fund operations and harmonise national supervision.

■ Next steps

The package will follow the ordinary legislative procedure, requiring approval by the European Parliament and Council, with adoption expected late 2026.

Maintaining the cohesion of the package is essential; national cooperation and alignment with other SIU initiatives will determine its effectiveness.

Firms should monitor developments closely, as these reforms will reshape the supervisory framework and cross-border operations in EU financial markets.

ESMA launches
Common
Supervisory
Action on MiFID
II Conflicts of
Interest

On 2 December 2025, ESMA advised it will launch a Common Supervisory Action (CSA) with National Competent Authorities (NCAs) to assess how firms comply with MiFID II conflicts of interest requirements in the distribution of financial instruments.

■ Focus areas

- ❑ Staff remuneration and inducements: Evaluating how compensation structures may influence the investment products offered to retail clients.
- ❑ Digital platforms: Examining whether platforms direct investors toward certain products in a way that serves their best interests.
- ❑ Managing conflicts: Assessing how firms handle potential conflicts between their own profits and the needs of retail investors.

■ Objectives

- ❑ Promote consistent application of MiFID II rules across the EU.
- ❑ Strengthen investor protection and ensure retail clients' interests are prioritised.
- ❑ Facilitate exchange of supervisory practices among NCAs.

■ Next steps

ESMA and the NCAs will carry out the CSA during 2026.

Securities & Markets (3)

ESMA publishes 12 high-level supervisory principles for Management Bodies

On 10 December 2025, ESMA published its [Final Report on Supervisory Expectations](#) for the Management Body, outlining 12 high-level principles for entities under its supervision, as well as those seeking ESMA authorisation.

Key highlights

- Principle-based guidance: The principles focus on outcome-based expectations, allowing entities to tailor their governance and oversight approaches according to their nature, scale, and complexity.
- Governance and oversight: The management body's role in monitoring business strategy and risk management is emphasised, with the principles providing a framework for effective oversight.
- Flexibility: ESMA encourages firms to design individual approaches that meet the desired outcomes while aligning with their specific circumstances.

Next steps

- The 12 principles will be integrated into ESMA's supervisory priorities during 2026.
- ESMA will engage with supervised entities to support practical implementation, aiming to strengthen the effectiveness of management bodies across the sector.

ESMA finalises Technical Standards on Derivatives Transparency and the OTC Derivatives Tape

On 15 December 2025, ESMA published its [Final Report](#) under the MiFIR Review, covering derivatives trade transparency, package orders, and the OTC derivatives consolidated tape (CTP).

Key highlights

- Pre- and post-trade transparency: Requirements for Exchange-Traded Derivatives (ETDs) and OTC derivatives aim to enhance transparency while protecting liquidity providers from undue risk.
- Deferral regime: Stakeholder feedback has been incorporated to streamline deferrals, particularly for equity ETDs and single-name credit default swaps.
- Package orders RTS: Adapted to align with changes in the MiFIR transparency framework.
- Consolidated tape data: RTS amendments clarify input and output fields for the OTC derivatives CTP and define the scope for bonds CTP concerning Exchange Traded Commodities/Notes.
- Simplification and burden reduction: All derivative-related amendments consolidated into a single review, with one application date, removal of ESMA reporting, use of static thresholds, and streamlined post-trade data.

Next steps

- The report has been submitted to the European Commission, which has three months to endorse the RTS.
- Implementation date: The new rules are expected to apply from 1 March 2027.

Securities & Markets (4)

ESMA appoints EuroCTP as first EU Consolidated Tape Provider for shares and ETFs

On 19 December 2025, ESMA [selected](#) EuroCTP as the first Consolidated Tape Provider (CTP) for shares and exchange-traded funds (ETFs) in the EU, marking a major step forward for equity market transparency.

Key points

- ❑ Market transparency: The CTP will provide a consolidated view of trading activity in shares and ETFs for both retail and institutional investors across Europe.
- ❑ Selection process: EuroCTP was chosen following a detailed assessment against MiFIR criteria, meeting all selection standards and demonstrating a robust approach aligned with ESMA's expectations.
- ❑ Company profile: EuroCTP is a Netherlands-based joint venture with 15 European exchange groups as shareholders.

Next steps

- ❑ ESMA invites EuroCTP to apply for authorisation.
- ❑ Once authorised, EuroCTP will operate the CTP for five years under ESMA's direct supervision, in line with MiFIR provisions.

ESMA publishes 2024 Data on Cross-Border Investment activity

On 22 December 2025, ESMA in cooperation with National Competent Authorities (NCAs), published [its analysis of cross-border provision of investment services in the EU/EEA for 2024](#).

Key findings

- ❑ Firms providing services: Around 370 financial firms offered cross-border investment services to retail clients.
- ❑ Clients served: Approximately 10.5 million retail clients received services from firms located in other Member States, a 32% increase compared to 2023.
- ❑ Complaints: Cross-border complaints increased by 46% year-on-year.
- ❑ Top locations for passporting firms: Cyprus (21%), Luxembourg (15%), Germany (13%).
- ❑ Major destinations for clients: Germany, France, Spain, and Italy.
- ❑ Trend in firms: The number of firms providing cross-border services decreased by 4%.

Next steps

ESMA will conduct the next data collection in 2026, continuing to monitor and assess cross-border investment activity and investor protection.

MiFID II: Commission consults payment for research and execution

On 5 December 2025, the European Commission published for consultation (Ares (2025)10721957) a [draft Delegated Directive](#) amending the MiFID II Delegated Directive ((EU) 2017/593) regarding the conditions for the provision of third-party execution and research services to investment firms that provide portfolio management or other investment or ancillary services.

Securities & Markets (5)

(continued)

EMIR 3 reporting requirements

Retail Investment Strategy: Council and Parliament agree on package to empower consumers and boost markets

The draft Delegated Directive amends Article 13 of the MiFID II Delegated Directive, setting out new rules that allow for joint or separate payments for investment research and execution services. It requires firms to inform their clients about the way those firms pay for research and execution services and sets out the transparency requirements associated with this choice.

Next steps

The deadline for responses to the draft Delegated Directive is 1 January 2026. The draft Directive will enter into force 20 days after publication in the Official Journal of the European Union and will apply from 6 June 2026.

On 11 December 2025, ESMA published a [statement](#) (ESMA91-1505572268-4536) providing clarification on two reporting requirements introduced by EMIR 3 ((EU) 2024/2987).

- ❑ ESMA clarifies that entities subject to the Active Account Requirement (AAR) should make their first reporting submission by July 2026 and that this should include any backlog data showing compliance with the AAR for the period starting on 25 June 2025 (the date from which the AAR became applicable) as well as data for 2026.
- ❑ The statement confirms that the new reporting requirement relating to clearing activity at recognised third country central counterparties should be submitted with the 2026 reporting cycle, after the relevant Level 2 measures have been implemented.

On 18 December 2025, the Council and the European Parliament agreed on an [updated retail investment framework](#) designed to empower and protect consumers while fostering trust and competitiveness in the EU financial markets.

Key objectives

- Provide citizens and businesses with access to a wider range of efficient investment and financing opportunities.
- Strengthen the EU Savings and Investment Union (SIU).
- Simplify financial services regulation and ensure coherent investor protection rules across sectors.

Value for money and transparency

To ensure retail investors can compare investment products and obtain real value for money, retail investment firms will be obliged to identify and quantify all costs and charges borne by investors for the products they advise on. Firms must also assess whether total costs and charges are justified and proportionate, based on agreed standards, including:

Peer groupings for products under MiFID II, UCITS, and AIFMD.

Supervisory benchmarks for products under the Insurance Distribution Directive (IDD), including national benchmarks introduced over a four-year period following the rules' entry into force.

Products that are not justified or proportionate must not be approved for sale.

Securities & Markets (6)

(continued)

The rules also improve standardised information about investment products, including Key Information Documents (KIDs), to ensure consumers can make informed investment decisions. Information on costs, risk, and expected returns will be made more visible and accessible. Updated KID templates will be developed and published by the relevant European supervisory authorities. Finally, 30 months after the new PRIIPs rules enter into force, KIDs must be provided in a machine-readable format, supporting easy comparison and aligning with digital developments.

▲ Client journey and suitability

The updated framework continues to ensure that investment products are suitable for each client's financial situation, needs, and objectives, maintaining strong investor protection. Under the simplified rules, advisers recommending diversified, non-complex, and cost-efficient products will no longer need to assess a client's knowledge and experience as part of the suitability test, while other aspects of the suitability assessment remain in place to safeguard against unsuitable offers.

▲ Inducements and conflicts of interest

The package introduces safeguards to address conflicts of interest for advisers by strengthening rules on inducements – including fees, commissions, or other monetary or non-monetary benefits. Firms and advisers must act honestly, fairly, and professionally, ensuring any inducement provides a tangible benefit to the client. Inducement costs must be clearly disclosed and presented separately from other charges. Member States retain the discretion to introduce national inducement bans.

▲ Financial literacy and 'finfluencers'

The package promotes financial literacy, encouraging Member States to equip citizens to understand investment risks and benefits and critically evaluate financial advice. It also addresses the growing influence of social media "finfluencers", promoting fair and clear communication.

▲ Professional clients

The updated framework allows more retail investors to be treated as professional clients, giving them access to a broader range of investment opportunities with lighter regulatory protection, provided they meet specific criteria. To qualify, an investor must satisfy two out of the following three criteria:

Transaction History:

- Completed 15 significant investment transactions over the past three years, or
- 30 transactions in the previous year, or
- 10 transactions exceeding €30,000 in unlisted companies over the past five years.

(Note: The prior legislation required 10 transactions per quarter over the previous four quarters.)

Securities & Markets (7)

(continued)

- Portfolio Size:**
 - Average portfolio exceeding €250,000 over the past three years.
(Previously, the threshold was €500,000 at the moment of exemption request.)
- Professional Experience or Education:**
 - At least one year of relevant work experience in the financial sector, or
 - Proof of education or training in financial services with demonstrated ability to evaluate investment risks.
(The education/experience criterion cannot be combined with the portfolio criterion to qualify.)

Additionally, certain categories of investors automatically qualify as professional clients:

- Company managers and directors of financial companies who are subject to a fit and proper assessment.
- Employees of Alternative Investment Fund Managers (AIFMs) who possess sufficient knowledge and experience regarding those funds. These updates provide a flexible, evidence-based approach, allowing competent investors to access more sophisticated products while maintaining appropriate safeguards.

Next steps

Technical work on the legal texts will continue into early 2026. Member States will have 24 months from publication in the EU Official Journal to transpose the rules, which will apply 30 months after publication. PRIIPs-related rules will apply 18 months after publication.

Background

The package takes the form of a directive containing targeted amendments to several EU financial services laws, including:

- The Markets in Financial Instruments Directive (MiFID II)
- The Solvency II Directive
- The Directive for Undertakings for Collective Investment in Transferable Securities (UCITS)
- The Alternative Investment Fund Managers Directive (AIFMD).

It also includes a regulation amending the Packaged Retail and Insurance-Based Investment Products (PRIIPs) Regulation.

These updates aim to align investor protection, transparency, and market efficiency across the EU while simplifying and modernising the regulatory framework.

Sustainability (1)

Omnibus I: EU Institutions Approve Final CSDR and CSDDD Amendments

The Council and the European Parliament have formally approved the “Omnibus I” package, finalising amendments to both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). The reforms follow a provisional political agreement reached on 9 December 2025, and were subsequently approved by the European Parliament at plenary on 16 December 2025, with the Council also giving its formal approval. The approved text can be found [here](#).

This final package concludes a months-long effort to simplify and strengthen the EU’s sustainability reporting framework. The amendments mark a significant step toward consolidating the EU’s sustainability reporting landscape.

Once published in the Official Journal of the European Union, the final text enters into force 20 days later, giving Member States 12 months to transpose the CSRD amendments into national law. CS3D amendments must be transposed by 26 July 2028.

- ◆ Key changes

-  CSRD

- EU companies: Reporting now applies only to companies with >1,000 employees and >€450 million net annual turnover.
- Non-EU companies: CSRD applies where net EU turnover exceeds €450 million for each of the last two financial years, and the company has an EU subsidiary or branch generating >€200 million in EU turnover.
- Financial holding companies: Parents may elect not to prepare consolidated sustainability reports where subsidiaries operate independently. Subsidiaries meeting CSRD thresholds remain responsible for their own reporting.
- Transitional relief: Companies required to report for FY2024 but now out of scope may be exempted for FY2025 and FY2026.
- Simplified reporting: Focus shifts to quantitative disclosures. The Commission’s power to issue mandatory sector-specific standards is removed; non-binding guidance may be provided instead. Companies with fewer than 1,000 employees can refuse excessive value-chain information requests.

-  CSDDD

- EU companies: Applies only to companies with >5,000 employees and >€1.5 billion net turnover.
- Non-EU companies: Applies where EU turnover >€1.5 billion, with no employee threshold.
- Risk-based due diligence: Prescriptive value-chain mapping is replaced with a risk-based approach, allowing companies to prioritise areas of most likely or severe adverse impacts, limiting information requests to what is reasonably necessary.
- Climate transition plans: Obligation removed under CSDDD. CSRD disclosure obligations remain unchanged.

Sustainability (2)

(continued)

- ❑ Liability and penalties: EU-level civil liability regime removed; liability will be governed by national law, with fines capped at 3% of net worldwide turnover.
- ❑ Delayed application: Member States must transpose by 26 July 2028, with in-scope companies complying from 26 July 2029.

Next steps

- ❑ Omnibus I amendments will enter into force 20 days after publication in the Official Journal.
- ❑ The European Commission will review the effectiveness of CS3D implementation by 26 July 2031.
- ❑ Companies should:
 - Reassess their scope under the final CSRD and CSDDD thresholds, including for non-EU groups.
 - For in-scope companies, build lean, audit-ready reporting systems aligned with likely ESRS simplifications.
 - Update supplier engagement practices to reflect the value-chain cap and statutory refusal rights.
 - For CSDDD, begin documenting scoping and prioritisation methodologies.
 - Monitor Member State transposition and forthcoming Commission guidance, particularly on penalties and implementation.

◆ Conclusion

Omnibus I signals a decisive shift in EU sustainability regulation toward a targeted, risk-based framework focused on the largest companies, while embedding meaningful protections for smaller value-chain counterparties. For many groups, the challenge is not withdrawal, but re-calibration—aligning sustainability programmes with a leaner, more defensible regulatory model.

European Commission publishes draft guidance on simplified EU Taxonomy Disclosures

On 17 December 2025, the EU Commission published [draft guidance](#) to support companies in preparing for the simplified EU Taxonomy disclosure regime, applicable from January 2026 under the EU Taxonomy for sustainable economic activities. The simplifications were introduced by the Omnibus Taxonomy Delegated Act adopted in July and are intended to significantly reduce reporting burdens for EU businesses.

Key changes include the removal of the obligation to assess non-material economic activities, substantially streamlined reporting templates (with up to 89% fewer data points for financial undertakings and 66% fewer for non-financial undertakings), and simplified key performance indicators for financial institutions.

The guidance, issued in the form of FAQs, provides early interpretative clarifications and practical support ahead of firms preparing their first annual Taxonomy disclosures under the new framework, which will be due in 2026 for the 2025 financial year. Formal adoption of the FAQs in all EU languages is expected in Q1 2026, following publication of the Omnibus Taxonomy Delegated Act in the Official Journal of the EU.

Glossary

AIF Alternative Investment Fund (EU)

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

AIFMs Alternative Investment Fund Managers

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

CSRD Corporate Sustainability Reporting Directive

CySEC Cyprus Securities and Exchange Commission

EBA European Banking Authority

ECB European Central Bank

EIOPA European Insurance & Occupational Pensions Authority

EFAMA European Fund and Asset Management Association

ESG environmental, social, and governance

EMIR European Market Infrastructure Regulation

ESAs European Supervisory Authorities (EBA, EIOPA and ESMA)

ESMA European Securities and Markets Authority

ESRB European Systemic Risk Board EU European Union

FATF Financial Action Task Force

ICT Information and Communication Technology

INTERPOL International Criminal Police Organisation

IOSCO International Organisation of Securities Commissions

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

MiFID Markets in Financial Instruments Directive

NCA National Competent Authority

OECD Organisation for Economic Co-operation and Development

OJ Official Journal

RTS Regulatory Technical Standards

SFDR Sustainable Finance Disclosure Directive

UNODC United Nations Office on Drugs and Crime

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

UCITS Undertakings for Collective investments in Transferable Securities (EU)

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