

Regulatory Barometer

Insights for the changing world



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Resources



Regulatory Insight Centre

KPMG's EMA FS Regulatory Insight Centre provides pragmatic and insightful intelligence on regulatory developments. It supports and enables clients to anticipate and manage the impact of regulatory change.



Regulatory Horizon tool

Powered by KPMG technology, the KPMG Regulatory Horizon provides news and insights to inform regulatory analysis and change management processes. It is based on live feeds from over 170 regulatory sources, curated by subject matter experts.



KPMG's global network

Member firm practices offer specialised services to wide range of industry clients at local, national and global levels.



Global Perspectives

Views on key regulatory themes and the direction of travel, from around the globe.

Foreword

Welcome to the latest edition of the KPMG Regulatory Barometer – measuring the impact of regulatory policy and supervisory activity for financial services firms.

In today's rapidly changing world, firms need to anticipate and plan for regulatory change across a vast agenda and with varying expectations across the globe. The Barometer helps to identify the key areas of pressure across the evolving UK and EU regulatory landscape.

In our March 2025 report, we highlighted the increasing pressures on financial regulators - geopolitical uncertainty, government-led growth and competitiveness initiatives, the speed of digital innovation and a constantly evolving threat landscape – all of which translated into high and sustained pressure for regulated firms.

 **The Barometer aggregate score for October 2025 has held at 7.3 but there have been changes in the underlying regulatory dynamics, driven largely by the growth and competitiveness agenda in the UK and EU.”**

In this edition of the Barometer, we unpack the impact of that agenda on regulatory activity and regulated firms.

Pressures around financial resilience have increased, unsurprisingly

given geopolitical tensions and economic headwinds, and operational resilience remains a critical priority.

Rounding out the top three areas of highest pressure for firms, regulatory activity around Digital Finance, notably AI and crypto assets, has also ticked up.

Sustainability-related regulation is close behind, with a slight increase in score mainly due to UK and EU expectations on climate and nature-related risk for banks and insurers, and economy-wide disclosures.

The scores for Payments, Capital Markets, Governance and Market Access have all dipped, reflecting lower levels of regulatory/ supervisory activity and, in some cases, the transition from implementation to business as usual.

Meanwhile the score for Consumer Resilience has remained flat, with the overall drive for simplification balancing newer policy initiatives and a need for some firms to stand up redress activities.

This edition features a spotlight on private assets. Rapid growth in this area is of increasing concern to regulators, but also brings opportunities for firms – though these will need to be thought through carefully.

As always, firms must remain agile in their analysis of regulatory change to ensure that they are on top of the latest expectations and adequately prepared to adjust approaches where necessary.

We hope you find the Barometer insightful – please reach out to the Regulatory Insight Centre if you would like to discuss any of the content in more detail.

Barometer aggregate score

7.3



Rob Smith

Partner and Regulatory
and Risk Advisory Lead
KPMG in the UK

Simplification, not deregulation

The last 12 months have seen significant debate and political pressure in both the UK and EU around the impacts of financial regulation on economic outcomes. As we head into the final quarter of 2025, although the push for growth is arguably stronger than ever, we continue to view headlines around large-scale deregulation as premature. UK and EU regulators are taking steps to streamline and refine rules to support the growth and competitiveness agenda whilst endeavouring to ensure that the financial ecosystem is not undermined by weaker standards.

Removing unnecessary burdens

- Significant deregulatory action is yet to materialise in the UK and EU.
- Measures introduced or trailed so far have largely been about removing duplicative requirements, improving the efficiency of regulatory and supervisory processes, and allowing for more proportionate approaches to support the growth of smaller firms.
- There are also efforts to shift the general UK and EU reticence to invest rather than save in cash to help contribute to the growth agenda.
- In her July 2025 Mansion House Speech, the UK Chancellor of the Exchequer referred to regulation as a "boot on the neck of business", having noted in late 2024 that the UK was regulating for risk not growth. She announced the Leeds Reforms, a package of over 30 initiatives to update the UK FS regulatory landscape for FS firms – read more [here](#).
- In the EU, there is also momentum to eliminate duplicative and administratively burdensome requirements and to break down barriers in the single market whilst bolstering investment – read more [here](#). However, this is somewhat constrained by political differences and the need to get agreement across all Member States.

Holding the line

- So far, there is little appetite from regulators to roll back key safeguards introduced following the GFC or to compromise their independence.
- Prudential regulators highlight the value of robust regulatory frameworks in supporting economic growth and competitiveness, and do not wish to make regulatory concessions at the expense of financial stability.
- Meanwhile, although acknowledging that risk is necessary to encourage growth and innovation, conduct regulators still need to deliver appropriate levels of protection around customers and market integrity.
- Continuing political pressure may exacerbate existing tensions.

Supervisory intensity

- The level of supervisory intensity continues to vary across regulators and sectors in the UK and EU.
- There has been little let up on the prudential side – the PRA continues to monitor firms closely and the ECB has ramped up its expectations and the invasiveness of its on-site inspections. EIOPA continues with its programme

of developing more sophisticated policy expectations for insurers.

- The FCA has been clear that it intends to supervise firms less intensively where they are "demonstrably seeking to do the right thing". As part of its new five-year strategy, responsibility is shifted back to firms.

Responding to the growth agenda

- Many firms will be wondering what has actually changed, when they will feel the benefits, and when and how should they respond.
- In our opinion, measures proposed to date have not been hugely impactful. At a local level, there are some small positive changes around the edges, but many firms are yet to feel significant benefits from the simplification agenda.
- So far, although targeted packages of reforms have been launched, there is still considerable uncertainty over how regulatory adjustments will play out over time.
- More than ever, firms are looking for regulatory predictability and certainty – but not all of the current uncertainty is within the gift of UK and EU regulators to resolve. The US regulatory landscape remains volatile, and this is having knock-on impacts on the rest of the global financial landscape.

- Where measures have been agreed, there is short-term work to do to adjust systems and processes. Where proposals are still under discussion there will be a wait to find out where final rules land.

Strategic choices and shifting mindset

- Where there is optionality in whether to apply rules, firms will have strategic choices to make.
- We also see opportunities for firms to embrace innovation where regulatory frameworks are becoming clearer, for example around AI, or developing, as for digital assets and insurance captives.
- And we believe that culture will be more important than ever, to uphold standards and "do the right thing". A change of mindset away from rules-based compliance may be required, and the shift from "what do we need to do?" to "are we doing it effectively, and can we prove it?" will be challenging for some.



Whilst regulation must address today's risks, it's important that reform does not re-introduce yesterday's problems."

Karim Haji, Global Head of Financial Services, KPMG International. KPMG FS Sentiment Survey - July 2025

Dashboard	March 2024		6.9	October 2024		7.3	March 2025		7.3	Aggregate score: October 2025			7.3				
	Financial Resilience		Operational Resilience		Sustainability		Digital Innovation		Consumer Resilience		Capital Markets		Payments		Accessing Markets		Governance
	The score has ticked up again reflecting continuing financial stability pressures, driven by geopolitical uncertainty and other emerging threats, recent and approaching implementation deadlines and the ramping up of supervisory intensity, particularly in the EU.	The regulatory pressure score has not changed. Focus is on continuing to embed regulatory requirements and build resilience cultures in firms, FMIs and other in-scope entities. Supervisors are maintaining a high level of scrutiny in this area, with EU on-site inspections already in progress.	Although publication of new policy has slowed, and there is a move towards simplification, the score remains high due to implementation deadlines being reached, particularly for complex sustainability reporting and disclosure requirements, and increasing supervisory scrutiny of climate and environment-related risk in the banking and insurance sectors.	The score has again increased largely due to regulatory obligations now being in place e.g. EU AI Act, implementation deadlines getting nearer and the detail of new regulatory frameworks becoming clearer as they are consulted upon. Although overall regulatory principles are the same across regions, the detail is not causing firms additional complexity in implementation.	The score is flat compared to the last edition due to mixed activity levels. On the one hand, there is an overall drive for simplification, the Consumer Duty is well embedded, and some new initiatives are creating opportunities rather than obligations. However, there are pockets of supervisory activity, some new requirements are being introduced, and some firms will need to stand up redress activities.	There has been a further slight drop in the regulatory impact score as it is clearer what regulatory change firms need to implement now that public market reforms have been progressed, and there is still some time to implement the changes. This is tempered slightly by increasing attention being paid to private markets firms and incoming changes.	There has been a small drop in the regulatory impact score reflecting a shift in focus from implementation to embedding fraud protection rules in the UK, and incremental progress on the UK's National Payments Vision, and the EU's updated payment regulations.	Since the last Barometer, market access arrangements have further become a BAU matter, resulting in another small drop in the impact score. However, there are pockets of initiatives that have the potential to cause challenges for firms, such as CRD IV implementation.	Compared to the previous edition, there have been fewer new rules for firms to implement and the timetable for proposed changes continues to lengthen (e.g SM&CR) resulting in a slight decrease in score. However, supervisors will continue to be focused on verifying that firms are well managed and are considering emerging risks, as the risk of market volatility and difficult economic conditions remains high.								
October 2025 score	 8.4(8.1)	 8.2(8.2)	 8.0(7.9)	 8.1(7.7)	 7.0(7.0)	 7.1(7.4)	 7.5(7.7)	 5.3(5.4)	 6.3(6.5)								
Policy maturity	Implementing and reviewing	Implementing and embedding	Implementing and reviewing	Developing and implementing	Embedding	Implementing	Developing and implementing	Mature/BAU	Implementing								
Supervisory intensity	High	High	Moderate increasing	Low increasing	Moderate	Moderate	Moderate	Moderate	High								
Global alignment	Moderate, diverging	Moderate/High	Moderate, diverging	Moderate	Minimal	Moderate	Moderate, diverging	N/A	Moderate, converging								

Sector views

Banking



- Banking leaders are facing into a lower growth, high-cost environment where some traditional business models are under threat. There is a focus on growth (whether organic or through consolidation) and transformation initiatives, balance sheet optimisation and operational efficiencies. Initiatives such as the UK government's Wholesale Financial Markets Digital Strategy and continued support for Open Banking and Open Finance aim to support the adoption of digital technologies. However, this could be a double-edged sword e.g. future wide-scale use of stablecoins and CBDCs could undermine banks' traditional deposit base.
- With continuing geopolitical and macroeconomic uncertainty, prudential regulators are holding firm on the need for robust financial and operational resilience in individual institutions and across the wider financial system. Evolving threats to financial stability from climate and nature-related risks, new technologies and the growing non-bank sector continue to be monitored closely. Concerns about the future of US regulation are driving a more proactive EU approach to supervising global banking entities, to protect the stability of EU markets.
- Key elements of the conduct framework – disclosures, value, product governance and financial crime – will continue to require attention. The sophistication of fraud and scams is driving initiatives to raise awareness and improve financial literacy. And the FCA's Motor Finance Redress Scheme and wider reforms to the UK redress framework may have significant implications down the line.
- Political pressure on regulators to support growth and competitiveness have so far mostly delivered measures to support smaller banks and building societies, reduce administrative burdens and streamline regulatory processes e.g. authorisations. Bigger ticket regulatory change, e.g. on ringfencing, is yet to materialise.

Insurance



- Insurance leaders face a delicate balancing act: buoyed by near-term underwriting momentum yet navigating market conditions marked by low growth and a notably softening market globally.
- Prudential regulators are alive to the potential consequences arising from broader uncertainty at both firm and system level. As a result, we have seen a doubling down on financial resilience oversight, including revamped approaches to life and general insurance stress testing, significant expansion in liquidity reporting requirements for life annuity writers in the UK and a concerted focus on ensuring that, if firms do need to exit the market, they can do so with minimum disruption to customers and the broader economic ecosystem.
- Governments' drive for growth means they are looking at life insurers and pension providers to make a meaningful contribution towards national infrastructure and investment objectives. Firms need to manoeuvre between political expectations, commercial reality and the regulatory scrutiny that comes with investing into less liquid or private assets.
- In parallel, policymakers are keeping a close eye on the changing nature of the life insurance industry, including the increasing model of PE ownership and asset-intensive reinsurance.
- General insurers, meanwhile, have the challenge of maintaining robust reserving in the face of claims inflation and catastrophe and cyber exposures, while hoping for an easing in reinsurance pricing.
- All firms are united by the renewed focus on climate risk and ongoing prioritisation of fair value and oversight of product governance, claims and vulnerable customer outcomes.

Wealth and Asset Management



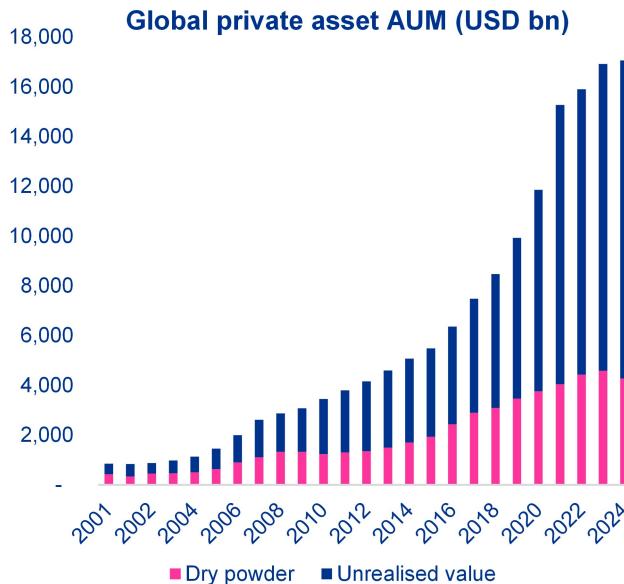
- Wealth and asset management executives are well versed in the current challenges facing the industry, including the fast-paced geopolitical environment, fee pressure and balancing investors' desires on sustainability. However, regulators are creating opportunities too, stemming from a desire to increase retail investment, close the advice gap and facilitate the ability of retail investors to have exposure to private assets.
- While prudential requirements are now largely stable and embedded, operational resilience remains a critical priority for firms and their clients.
- Asset managers are increasingly being pulled into central banks' plans for system-wide stress testing. The rapid growth of private asset managers is a contributing factor, with supervisors now shifting their attention from valuation to potential conflicts.
- As investor sentiment around sustainability shifts, the simplification agenda for disclosures will be welcomed by all wealth and asset managers. However, firms will still need to have one eye on future requirements, including corporate reporting.
- AI and tokenisation use cases are being explored at pace. A key challenge for firms in this area will be having a strategy and appropriate governance to roll out new technologies responsibly.
- For consumer resilience, the focus is on embedding existing requirements ahead of potential EU reforms and changes to UK disclosures. There are also strategic choices for firms to make, for example, around whether and how to offer targeted support.

For more, see KPMG International's September 2025 [Evolving asset management regulation report](#).

Spotlight on private assets

Industry growth

Rapid growth in the private assets industry is aligned with authorities' goals of increasing private investment. But also illustrates a shift away from public markets and poses questions for policymakers and supervisors.



Regulatory scrutiny

Regulators are considering new policy, while supervisors are alert to potential risks. These manifest themselves slightly differently across key financial services sectors:



Asset managers

The fundamental regulatory framework for private asset managers is being revised in the UK (streamlined) and the EU (expanded). Key supervisory areas of focus include valuation governance and conflicts of interest.



Banks

Regulators are concerned that banks do not have comprehensive risk frameworks to monitor and control their specific combined exposure to particular PE firms.



Insurers

The growing use of private assets by life insurers – alongside PE investment into the insurers themselves – is increasing interconnectedness and the risk of conflicts of interest e.g., insurer investing into its PE owners' other portfolio assets.

For more on these topics, see KPMG in the UK's dedicated series on regulation and private assets [here](#).

Emerging opportunities

Evolving regulation and industry initiatives are also giving rise to new opportunities for firms, either to diversify into private assets for the first time, or to launch new products.



Government policy

Governments are keen to draw on private capital to help drive economic growth and to support objectives including investment in infrastructure and transition to a less carbon-intensive economy.



Retail fund vehicles

Fund launches in retail vehicles designed for private asset exposure are accelerating at pace, including ELTIFs, UCI Part IIs, and LTAFs.



Pensions

Signatories to the Mansion House Accord have agreed by 2030 to invest 10% of their portfolios in private assets and 5% in UK assets.



Pisces

The PISCES sandbox framework has been finalised, and the FCA has approved the first firm to operate a platform.

Regulatory themes

Maintaining financial resilience

New growth and competitiveness objectives are unlikely to significantly alter prudential initiatives, as regulators emphasise the importance of robust frameworks to foster growth. Although they are introducing more proportionate measures for smaller firms and attempting to streamline and simplify certain areas, regulators are largely maintaining their stance and show little inclination to reverse measures aimed at ensuring financial stability.

Regulatory Impact Score

- October 2024 8.1 
- March 2025 8.1 
- October 2025 8.4 

The score has ticked up again reflecting continuing financial stability pressures, driven by geopolitical uncertainty and other emerging threats, implementation deadlines and the ramping up of supervisory intensity, particularly in the EU.

Maturity stage: Implementing and reviewing

Supervisory intensity: High

Global alignment: Moderate, diverging



Capital and liquidity

The UK implementation of most of Basel 3.1 has been confirmed for January 2027, coinciding with the new regime for small domestic deposit takers. Uncertainty around the US approach to the final Basel reforms for banks continues to influence UK and EU regulators, leading to extensions of the implementation deadlines for market risk components and potential for further fragmentation. While Solvency UK is largely in place, EU Solvency II review continues to progress. Meanwhile, liquidity and funding models are under scrutiny to identify critical gaps and ensure that firms and the wider sector would be able to withstand significant shocks. UK liquidity reporting requirements are extending significantly for large insurers, although with a delay to H2 2026. Conversely, the FCA is seeking to simplify and consolidate existing rules on capital for investment firms.



Stress testing

The EBA and ECB have published the results of the 2025 EU-wide bank stress test. Certain banks will be subject to more detailed on-site inspections of their stress testing capabilities and the overall stress test results will feed into the annual SREP scores which may impact Pillar 2 capital requirements. Results of the UK Bank Capital Stress Test are expected in Q4. Individual firm results relating to the core financial stress scenario for the UK Life Insurance Stress Test (LIST) will be published for the first time in November. And the 2026 General Insurance Stress Test (DyGIST) will adopt a new approach of assessing firms' response to 'real time' changes.

Forward look & supervisory priorities: The next six months are likely to be a period of review and refinement, with new policy limited to targeted areas, such as an upcoming FCA engagement paper on reforming the IFPR market risk framework. Policy updates will continue to require action from firms, and supervisory intensity is likely to remain high.



Governance and risk management

Effective governance and risk management continue to be paramount. Supervisors are expecting to see not just BAU processes and controls in place, but also evidence of second line as an effective contributor to strategic decision-making. Scrutiny of banks' credit and counterparty credit risk management and measurement remains intense, especially in higher-risk and vulnerable sectors. Supervisory priorities also include risk data aggregation, regulatory reporting and model risk. Funded reinsurance remains a top regulatory concern, and implications of the increased prominence of PE-backed ownership model an emerging one. There is a strong focus on board and executive accountability and oversight, which encompasses the culture and behavioural aspects of risk management.



Recovery, resolution and exit planning

Proposals to make the UK bank resolution framework more proportionate, and support the growth of smaller firms, were put forward in the Leeds Reforms. Solvent exit planning deadlines for banks have now passed and are approaching for insurers in 2026. The EU Insurance Recovery and Resolution Directive is still being developed. For asset managers, there is continued supervisory scrutiny of the credibility and operability of wind down plans.



Wider context

The growth and competitiveness agenda is having less impact on prudential than on conduct regulation. The fundamental requirements for appropriate levels of capital and liquidity, underpinned by wider and more rigorous approaches to stress testing, continuing focus on exit strategies and preparedness and the need for robust governance and risk management, are still driving regulatory and supervisory priorities.

There are unlikely to be wholesale rollbacks of post-crisis measures, such as the UK bank ringfencing regime, although there may be some revisions.

However, there are several areas where prudential regimes are evolving to accommodate innovation and support growth. These include removal of the UK Building Society Sourcebook and PRA proposals to make IRB models more accessible for smaller banks. Also, the commitment to introduce, by 2027, a UK Captives regime and expand the UK's appeal in the rapidly expanding risk transfer space. Some EU jurisdictions are considering similar moves.

Global and national regulators are monitoring closely the implications of PE involvement and illiquid private assets.

Maintaining financial resilience



Industry insights



Kaie Ukkivi

Director, KPMG in the UK
Stress testing lead

 As the financial sector continues to navigate the changing landscape, enhancing stress testing capabilities is critical to be able to simulate a wider range of scenarios, for example sudden regulatory overhauls, abrupt policy changes or political upheaval."



How is the current environment reshaping the stress testing landscape?

Tariffs, tax cuts and deregulatory pressures in some markets, together with a volatile global geopolitical environment, increasing frequency and severity of nat cat and cyber events, and structural changes in the life insurance industry, have combined to increase uncertainty across financial markets, regulatory landscapes and global relations. This uncertainty has reinforced the need to strengthen stress testing frameworks, to ensure firms are prepared to navigate emerging risks and unprecedented challenges.



What are the greatest challenges for banks and insurers?

Current stress testing capabilities are designed to deliver periodic, time-intensive firm-wide stress scenarios. They lack the agility required to run a broader range of scenarios in a timely manner to support ongoing risk management. Key challenges include outdated modelling approaches that produce counterintuitive results, reliance on historic events that constrain parameterisation and the ability to design new scenarios tailored to emerging risks, and insufficient focus on second order impacts. As a result, current capabilities can be ineffective in supporting firms' resilience.



How do approaches for banks and insurers compare?

While stress testing for banks is relatively settled, the PRA is revamping its approach for insurers. November 2025 will be the first time that individual firm results are published for the LIST core financial stress scenario. Participating firms will be anxious to ensure the results are understood by investors and other stakeholders.

Meanwhile, for the 2026 General Insurance Stress Test (DyGIST) clearly defined decision pathways and governance will be key to effective crisis management.



How should regulators be thinking about stress testing going forward?

With the recent framework changes, the PRA has signalled that it is prioritising the ongoing, proactive use of stress testing to identify and prepare for emerging risks.

Regulators are increasingly seeking to converge stress testing approaches across sectors – not least to be able to draw out cross-sector interlinkages and vulnerabilities.

There is also an opportunity for regulators to harness technological advancements to enhance their ability to assess, guide, and strengthen the resilience of the wider financial sector.



Opportunities

- Increased resilience** - enhanced processes and risk management help firms reduce regulatory buffers and scalars, and ultimately improve crisis response management.
- Strategic integration with risk and business planning** - stress testing is increasingly recognised as a strategic tool which aligns decisions with risk appetite and business strategy.
- Technological innovation and agility** – current environment, led by the advances in Gen-AI and machine learning, encourages firms to modernise and harness the latest developments in technology.
- Cost reduction** – Increased automation and enhanced effectiveness present valuable opportunities to streamline the Target Operating Model (TOM) and reduce the cost of maintaining stress testing processes.



Risks and challenges

- Limited management capacity and gaps in governance readiness** – delivering large scale change programs at times of heightened uncertainties stretches management capacity.
- Changing priorities and focus** – fundamental overhaul of stress testing capabilities is likely to take years. Extended delivery periods pose completion risk due to constantly changing environment and priorities.
- Maximising learnings from stress tests** – for regulators, balancing assessment of firm-specific resilience with connecting the dots across - and between - sectors. For firms, approaching the stress tests as more than a compliance exercise to gain insights that inform risk management and strategic planning.

Strengthening operational resilience

With rules in the UK and EU now fully operational, firms should be continuing to embed a strong, resilience rather than compliance culture. The first critical third-party designations will further expand the reach of formal operational resilience expectations. Meanwhile, the increasing severity of recent cyber incidents is raising questions around how best to address systemic risks.



Resilience by design

The PRA expectation of "resilience by design", introduced in its January 2025 supervisory priorities letters, is compatible with expectations under DORA and other EU resilience requirements. The PRA also set out expectations in CP10/25 for firms to assess the impact of climate change on their ability to continue providing critical operations, including services provided under outsourced and third-party arrangements. Boards should set risk appetite and tolerance levels for outsourced and third-party arrangements that may be exposed to climate-risks or introduce climate-related risks to the firm through their activities. Implementation of the BoE/PRA and FCA's proposals on Operational incident and outsourcing and third-party reporting, including thresholds, formats and frequency was proposed for H2 2026. Final policy is expected before the end of 2025. Major incident reporting is now in force under DORA. New FCA proposals for cryptoasset firms may result in these firms being subject to similar resilience requirements as other UK regulated firms.

Regulatory Impact Score

- October 2024 8.1 
- March 2025 8.2 
- October 2025 8.2 

The regulatory pressure score has not changed. Focus is on continuing to embed regulatory requirements and build resilience cultures in firms, FMs and other in-scope entities. Supervisors are maintaining a high level of scrutiny in this area, with EU on-site inspections already in progress.

Maturity stage: Implementing8 and embedding

Supervisory intensity: High

Global alignment: Moderate./High



Wider context

Multinational firms face unique implementation hurdles when aligning EU-specific requirements with global operational frameworks.

While DORA originates in Europe, its ripple effects are spreading worldwide. Although the application deadline has come and gone, global financial institutions continue to struggle with developing sustainable business-as-usual (BAU) operating models for DORA compliance.

For firms headquartered outside the EU, translating regulatory requirements into enduring operational practices presents unique challenges that extend far beyond initial implementation. To navigate these complexities, non-EU firms must focus on management body oversight, integrating ICT risk management and digital operational resilience strategy, developing robust BAU operating models and preparing for regulatory inspections. For more on these areas see the next page.



Cyber and ICT resilience

Geopolitical risk and cyber attacks remained the most frequently cited risks in the BoE H1 2025 Systemic Risk Survey. In July, the PRA shared thematic findings from its voluntary 2024 Cyber Stress Test, noting strong commitment from participants and encouraging them to integrate lessons learned into 'a cycle of continuous improvement'. The PRA plans to consult further on expectations for the management of ICT and cyber resilience risks in Q4 2025. In August, final draft RTS/ITS on TPLT under DORA were adopted by the EBA and EC. More broadly, the increased severity of recent cyber incidents raises the question of how systemic risks will be covered: privately by insurers, publicly with government support - or if the losses will simply lie where they fall, including across supply chains.



Third parties and outsourcing

The EBA has consulted on draft Guidelines on the sound management of third-party risk for non-ICT related services, focusing particularly on the provision of critical or important functions. These update the previous Guidelines on outsourcing, provide specific criteria for the application of the proportionality principle, and seek consistency with DORA. In July, the ESAs published a joint final Report on draft technical standards on subcontracting under DORA, aiming to strengthen financial entities' ICT risk management in this area. Also in July, the ECB finalised its Guide on outsourcing cloud services to cloud service providers. The Guide does not set out new rules but clarifies DORA requirements for banks. By the end of 2025, the ESAs are expected to have publicly designated CTPPs and started oversight engagement. The first wave of designated UK CTPs is yet to be confirmed.

Forward look & supervisory priorities: With requirements now in force, expectations are for supervisory activity to remain high.

Strengthening operational resilience



Industry insights



Simran Singh

Director, KPMG in the UK, DORA Lead

“With DORA now in effect and regulatory inspections imminent, global firms face the complex challenge of integrating EU-specific requirements into existing global frameworks.”



Achieving consistency: how can global organisations balance DORA's prescriptive demands with operational efficiency?

The post-deadline DORA landscape presents a strategic inflection point for global institutions. Success requires balancing jurisdictional nuances with operational efficiency through an orchestrated approach.

DORA places significant emphasis on the role of management bodies in overseeing digital operational resilience. Non-EU firms must navigate this landscape while ensuring their global governance frameworks align with EU-specific demands and remain proportionate to local risk profiles.



Avoiding duplication: how can firms integrate DORA requirements without creating parallel systems?

DORA is intended to strengthen and harmonise resilience, not completely overturn existing policies. Firms need to take a pragmatic approach to leveraging existing frameworks and enhancing them as necessary. Supervisors want to see a coherent and integrated picture. This means extending existing documentation and processes as well as reflecting new frameworks. Forward-thinking firms are now pivoting from implementation to integration, creating resilient frameworks that withstand both regulatory scrutiny and operational disruptions.



Preparing for inspection: how should entities position themselves for regulatory inspections?

Early supervisory interactions suggest that inspectors will be looking at whether documentation is in place, whether it creates a coherent framework and whether it is implemented effectively across functional boundaries.

The most common pitfall is lack of consistency and cohesion amongst functional frameworks.

Regulators are aware that frameworks have been updated to reflect DORA – firms should ensure that they are operating in accordance with the written versions and that management bodies remain effectively accountable for operational resilience.



Opportunities

1. Pivot from implementation to integration by developing robust BAU operating models that demonstrate sustainable compliance.
2. Building enduring central operational resilience capabilities that withstand regulatory scrutiny and operational disruptions, while enabling multi-jurisdictional compliance.
3. Leverage regulatory requirements to build central firmwide collaterals, including an integrated service taxonomy with robust mapping that highlights interdependencies and service-led vulnerability views.



Risks and challenges

1. Alignment/consistency with existing requirements, including cross-border governance structures.
2. Effective evidence of Board-level accountability and resilience led investment decision making.
3. Lack of integration and cohesion amongst multiple functions can lead to duplication of efforts and inefficient use of finite resources.
4. Challenges for on-site inspections:
 - Demonstrating comprehensive ICT risk management effectiveness with inspection-ready evidence.
 - Effective management and governance of service provider delivery chain, especially for complex intra-group and third-party arrangements.

Reframing sustainability

Increasing pressure to support growth and international competitiveness has meant publication of fewer new sustainability-related rules and focus on simplification of existing requirements. Now that some requirements are mature and reasonably well embedded, firms can consider steps to reframe their approach to sustainability – not just as a compliance exercise but as a driver of commercial value.

Regulatory Impact Score

- October 2024 7.9 
- March 2025 7.9 
- October 2025 8.0 

Although publication of new policy has slowed, and there is a move towards simplification, the score remains high due to implementation deadlines being reached, particularly for complex sustainability reporting and disclosure requirements, and increasing supervisory scrutiny of climate and environment-related risk in the banking and insurance sectors.

Maturity stage: Implementing and reviewing

Supervisory intensity: Moderate, increasing

Global alignment: Moderate, diverging



ESG risk management

Regulators expect firms to have made demonstrable progress in the management of climate and environment-related financial risk. In CP 10/25, the PRA set out significant uplifts to its SS3/19 expectations - final policy is awaited. The EBA has consulted on ESG scenario analysis guidelines, and all three ESAs have made proposals for the supervisory integration of ESG risks into financial stress tests. EIOPA has identified risk drivers and market practices for insurers on biodiversity risk. And approaches to Pillar 3 disclosures are changing, with the BCBS publishing a voluntary framework and the EBA consulting on applying a more proportionate approach across all firms.



Greenwashing and corporate responsibility

Regulators have introduced requirements for clearer communications (e.g. the FCA's AGR) alongside product labels and taxonomies. However, the UK government has decided not to proceed with its Green Taxonomy, and the EU Taxonomy is being simplified as part of the Omnibus initiative. ESMA has found room for improvement in the use of vague language and inconsistencies in disclosures. It has also published good and poor practice in relation to sustainability-related claims. Also under the Omnibus, the transposition deadline for CSDDD has been delayed to 26 July 2026 and the first phase of application to 26 July 2028.

Forward look & supervisory priorities: There are further announcements to come, notably final policy statements and updates to PRA CP10/25 and the introduction of the UK SRS and transition plan requirements. In the EU, firms will be awaiting the outcome of the Omnibus initiative and the finalisation of the ESRS, as well as updates from prudential regulators on ESG scenario analysis and stress tests.



Reporting & disclosures

The EU Omnibus 'stop the clock' Directive in April 2025 delayed implementation of the second and third waves of CSRD by two years, and EFRAG is due to deliver proposals for streamlining the ESRS to the European Commission by 30 November. UK government consultations on the UK SRS, assurance of sustainability disclosures, and transition plan requirements closed in mid-September. The FCA has signalled plans to streamline its sustainability reporting framework, and the European Commission will begin its review of SFDR imminently.

ESMA's guidelines on ESG or sustainability terms in fund names took effect on 21 May, requiring many fund managers to revisit their products. ESMA's Q&A noted that funds may not be 'investing meaningfully' in sustainable investments (as defined by the SFDR) where they make up less than half of the fund's assets.



Markets and wider sustainability

With the EU regulation on ESG ratings set to apply from July 2026, ESMA will publish technical standards in Q4 2025. In the UK, HMT has published a draft statutory instrument for Parliament's consideration, after which the FCA will consult on rules for in-scope ratings providers. The UK government has also consulted on improving the integrity of voluntary carbon and nature markets.



Wider context

The broader sustainability environment is challenging, and it can be difficult for firms, particularly those with cross-border activities, to navigate increasingly diverse political agendas as they make strategic decisions about their own sustainability journeys and the extent to which they wish to share these with the wider market.

The UK and EU remain committed to sustainability initiatives, albeit with a push for simplification, driven by the growth and international competitiveness agenda. Changing investor demand is another factor influencing firms' decisions and product ranges.

In the past, short-term focus on compliance with regulatory demands has sometimes overshadowed the strategic advantages that sustainability initiatives can deliver.

Forward-looking organisations are reframing sustainability as a driver of growth and commercial value. See [Reframing Sustainability | KPMG UK](#) for further insights.

Reframing sustainability



Industry insights



Richard Andrews

Partner, KPMG in the UK
Head of ESG UK

 We are on a journey from impact to value – with firms looking to protect enterprise value and identify new sustainability-related commercial opportunities.”



How is the sustainability landscape changing?

At a macro level, we are seeing a continued reframing of the sustainability debate and policy interventions, characterised by moves towards consolidation and simplification of initiatives, as in the case of the EU's CSRD and ESRS. Globally, commitments to sustainability are mixed – driving the sun-setting of market-led initiatives such as the Net Zero Banking Alliance - but the EU and UK both remain committed to sustainability objectives, albeit with the EU rethinking its direction somewhat. More countries, including the UK, are shifting towards adoption of the ISSB's standards.



How are firms responding to this shifting picture?

Where five years ago there was a huge focus on impact and firms making big commitments, now the conversation is around where the value of sustainability initiatives is, how that can drive opportunities, and where there are potential downsides. Companies are doubling down on their commitments to longer term sustainability goals but taking a more thoughtful approach in terms of the pathway to get there. That is being reflected in adjustments to some interim targets and a reduction in the volume of information being published, whether in financial statements or transition plans.



What other trends are you observing?

There has been increased emphasis on trying to assess physical risk and more focus on the need for adaptation and resilience. Resilience, rather than sustainability is the word that is resonating most in some jurisdictions. This includes operational resilience which can be hugely impacted by climate/nature risk whether directly or through the supply chain.

Many FS companies are revisiting their transition plans in terms of continued commitment to 2050 but looking at the mix of how they get there.



Is there more that financial regulators can do?

The PRA has put the spotlight back on climate risk with CP10/25 and much will depend on where final policy lands and how it is enforced – it could drive firms to think more about the need for adaptation. The EU is regulating much more strongly on climate and new measures such as the ECB's 'climate factor' for collateral could have material impacts down the line.

We will have to wait and see where policy lands on transition plan requirements. There will be further changes to UK listing rules, and swift implementation of rules for ESG ratings would be helpful. The greenwashing framework is, as yet, unproven, and will be interesting to watch.



Opportunities

1. Challenging geopolitical conditions and uncertainty are leading many firms to step back from overt focus on publicly disclosed transition targets in favour of a more holistic commercial approach. Increasingly firms are looking to protect enterprise values and identify new sustainability-related opportunities.
2. Consolidation and simplification initiatives provide breathing space to revisit planning and consider credible pathways to transition.
3. Continuing/escalating focus on climate/nature-related risks can introduce new opportunities to focus on adaptation and resilience, including strengthening operational resilience to direct and supply chain risks.



Risks and challenges

1. Geopolitical tensions and changing political priorities are creating a complex regulatory landscape. Firms must navigate these complexities while also considering their own strategic direction.
2. More specifically, regulatory fragmentation could result in jurisdictions having conflicting requirements, presenting challenges for those with global operations.
3. Credible transition pathways should reflect progress in the 'real economy'. Firms that have already disclosed ambitious transition targets may seek to walk back/reframe earlier commitments.
4. Firms need to capture accurately all activity that could constitute 'transition finance' in the context of their own interim and long-term targets, despite diverse views on how to define this.

Enabling digital innovation

Innovation has introduced new products and efficiencies to financial services. However, it also introduces novel risks which could pose a threat to consumer protection and, on a wider scale, to financial stability. Regulators are now more advanced in the development of relevant frameworks, with some key components already going live.

Regulatory Impact Score

- October 2024 7.3 
- March 2025 7.7 
- October 2025 8.1 

The score has again increased, largely due to regulatory obligations now being in place e.g. EU AI Act, implementation deadlines getting nearer and the detail of new regulatory frameworks becoming clearer as they are consulted upon. Although overall regulatory principles are the same across regions, the detail is not causing firms additional complexity in implementation.

Maturity stage: Developing and implementing

Supervisory intensity: Low, increasing

Global alignment: Moderate



Crypto-assets and CBDCs

Firms continue to navigate the patchwork of national transitional regimes following the full application of EU MiCAR. The UK framework is becoming clearer with consultations throughout 2025, and final policy statements expected in 2026. Sandboxes for trading/settling digital securities are live in both the EU and UK. Globally, work on CBDCs has accelerated in the light of developments in stablecoins and other cryptoassets. The BoE's Digital Pound Lab provides a simulated environment for industry and the BoE to test the potential capabilities of a digital pound. The ECB is continuing to test a digital euro, but the European Parliament will not agree its position until at least May 2026.



AI and machine learning

The EU's prescriptive AI Act has entered into force with rules for generative AI applying from August 2025. FS firms may need to consider the AI code of conduct if they substantially modify third-party GenAI models. Complementary FS guidance continues to be published by the ESAs, with EIOPA publishing an Opinion on AI governance and risk management. A UK AI Bill is likely in 2026 but will probably focus on frontier models and not have a direct impact on FS firms. Regulators continue to encourage firms to innovate within the existing FS regulatory framework, with the FCA launching AI Live Testing after positive feedback from industry.



Data sharing

Regulatory and geopolitical concerns persist over concentration risk and increasing dependence on a small number of US providers for cloud, AI and digital wallet services. A deal between lawmakers and governments on the Financial Data Access Bill (FIDA) is still pending and is representative of the underlying tension between the desire for innovative products and the unlevel playing field with BigTech. In the UK, the Department for Science, Innovation and Technology has called for evidence on the opportunities for Smart Data schemes now that it has powers to establish the schemes following the passing of the Data (Use and Access) Act 2025.

Forward look and supervisory priorities: Supervisors will continue to monitor how firms are governing the use of AI, measuring the impact on customer outcomes and experience, and any impact the use of AI may have on market integrity and stability. As firms move more of their processes onto new technology solutions, often provided by third-parties, supervisors will continue to have concerns around whether appropriate change and outsourcing management is being applied. With continuing political pressure to support growth, regulators will continue to offer more ways of supporting firms with innovation.



Wider context

Political direction to support growth and competitiveness, and moves to deregulate in some regions of the world, have resulted in pressure to reduce what is seen as the restrictive nature of some AI regulation. Trade negotiations could also have an impact on the future shape of digital regulation given most big technology companies are based in the US.

The passing of the GENIUS Act in the US has increased pressure on European regulators and central banks to move forward with their plans in regulating digital assets and considering CBDCs.

Traditional finance firms are more likely to engage with digital assets as the ecosystem becomes more regulated. However, prudential and compliance requirements may result in some crypto-native firms no longer being viable.

Looking ahead, regulators are beginning to consider the opportunities and risks provided by quantum computing – particularly the threat to public-key cryptography and key considerations for firms in transitioning to quantum-secure systems.

Enabling digital innovation



Industry insights



Ellie Hewitt

Director, Payments Consulting, KPMG in the UK

 Open Finance is one of the most potentially transformative innovations for the financial sector - the breadth of opportunity is vast."



What is the difference between Open Banking and Open Finance?

Open Finance aims to build upon the successes of Open Banking by expanding data sharing to encompass a broader range of financial products and services, such as savings, investments, mortgages or pensions data.

The aim is to enable data sharing across all these financial sectors, allowing for a more holistic view of a customer's financial life and the development of more integrated and personalised financial services.

By implementing standardised APIs and real-time access to customer data, Open Finance could lead to the introduction of new and innovative products, and accompanying services, that can better meet the needs of consumers and businesses.

The benefit may also extend beyond the financial services sector into other industries, with the value to a smart data economy potentially worth £10 billion in GDP contribution over the next decade.



The concept of 'Open Finance' has been discussed for several years – are we getting closer to it actually being a reality?

For Open Finance to be successful, a comprehensive regulatory framework is required, as well as the market demand and commercial conditions for innovation to thrive. Open Finance is gaining momentum around the world, with 54 regulators or central banks already having implemented (or actively planning implementation of) an Open Finance Framework.

In the UK, the Data (Use and Access) Bill recently passed through Parliament, establishing the statutory footing for data sharing beyond the existing PSDs Open Banking regulation. In the EU, the European Commission continues to review the Financial Data Access (FIDA) regulatory proposal. Both frameworks will enhance data sharing capabilities and enable standardisation.

In many countries, commercial models are being developed that provide greater incentives for financial services firms to engage with Open Finance and proactively invest and innovate new products and services that add value for their customers. We expect that 2026 will be a turning point in terms of Open Finance adoption.



Opportunities

1. Small business productivity gains, with more efficient reconciliation, real time financing and streamlined payments.
2. Holistic financial management for consumers, improving financial literacy and democratising financial advice to support the long term financial resilience of all citizens.
3. FinTech investment and growth, aligned to key government priority areas.
4. Promotion of financial inclusion through tailored financial management and improved access to credit.
5. Continuing global leadership for the UK in real time payments and Open Banking innovation.



Risks and challenges

Despite the early foundations established in the UK, there are potential barriers to the implementation of Open Finance including:

- Overcoming regulatory lethargy in the industry
- Streamlining regulatory oversight and direction
- Engaging the different stakeholder groups across the industry
- Aligning commercial incentives
- Coordination challenges
- Limitations to adoption through network level implementation
- Standardisation and data reciprocity between different financial services sectors
- Funding the centralised capabilities required for Open Finance to scale
- Learning lessons from international markets

Encouraging consumer resilience

Working in the context of the growth and competitiveness agenda, regulators continue to refine conduct frameworks whilst accommodating emerging risks. Amidst the overall push for simplification, some additional requirements are being introduced, while new opportunities are being created.

Regulatory Impact Score

- October 2024 7.4 
- March 2025 7.0 
- October 2025 7.0 

The score is flat compared to the last edition due to mixed activity levels. On the one hand, there is an overall drive for simplification, the Consumer Duty is well embedded, and some new initiatives are creating opportunities rather than obligations. However, there are pockets of supervisory activity, some new requirements are being introduced, and some firms will need to stand up redress activities.

Maturity stage: Embedding

Supervisory intensity: Moderate

Global alignment: Minimal



Conduct frameworks and oversight

UK firms are practically finished with the embedding of the Consumer Duty although the FCA continues to challenge firms on certain aspects such as outcomes monitoring, consumer support and price and fair value assessments. Opportunities for rule simplification, made possible by the new regime, are being advanced e.g. in relation to mortgages and insurance. Conversely, in areas such as deferred payment credit, the regulatory perimeter is expanding. The picture is more uncertain in the EU as the Retail Investment Strategy (RIS) has been delayed further, with discussions now focused on simplification.



Product governance and oversight

While firms have developed product governance and value frameworks, in some cases these are not applied robustly or objectively enough to identify issues and drive improvements. While the FCA has moved to simplify product governance requirements for non-investment insurance products, adequate consideration of vulnerable customers in the development of products and services remains a concern. More broadly, firms would appreciate more clarity on roles and responsibilities in the distribution chain and corresponding expectations. In the EU, beyond the RIS, EIOPA is developing its latest IDD application report, set for early 2026.

Forward look & supervisory priorities: Regulators will continue to streamline and refine rules to support growth and competitiveness, as well as implementing previously announced measures. The FCA will continue to monitor the Consumer Duty, with particular attention to outcomes monitoring and the design of customer journeys. Plans for the EU's RIS will need to be finalised in some shape or form and firms will need to prepare for implementation in the medium term.



Consumer support and understanding

Efforts to achieve the optimal level of information and disclosure to improve consumer understanding and support are a key focus in both the UK and EU.

Measures to simplify and modernise disclosures form part of the EU's RIS, the UK's reform of the CCA and the FCA's proposed Consumer Composite Investment (CCI) framework.

In parallel, the FCA's targeted support proposals are designed to help close the advice gap and give firms the opportunity to improve consumer outcomes.



Complaints and redress

The UK complaints and redress framework is under the spotlight in response to the emerging mass redress event around motor finance commission coupled with longstanding concerns about the FOS's execution of its role. Alongside this, HMT, the FCA and the FOS are consulting on wide-ranging reforms aimed at providing greater predictability for firms, modernising funding and case fee models and ensuring the FOS operates as a simple, impartial dispute resolution service without straying into the role of a regulator. These changes are closely tied to the Consumer Duty and the government's growth and competitiveness agenda, with reforms expected to begin taking effect from 2026.



Wider context

Consumer resilience considerations remain front of mind as firms revisit their product offerings and potentially expand into new asset classes or jurisdictions (see also Sustainability, Digital innovation and Capital markets). Customer journeys are also being redesigned to ensure they meet customer and regulator expectations in the digital age.

The push to increase retail investment is an important strategic driver – with the potential to improve outcomes but potential to create risks which will need to be addressed. Some incoming regimes, such as targeted support, are opt-in rather than mandatory and will pose strategic questions for firms.

The future impact of the growth and competitiveness agenda remains to be seen. Compared to the UK Consumer Duty, the EU's plans for a revised conduct framework are directionally similar but appear to be increasingly uncertain.

More broadly, the vulnerability of retail investors to increasingly sophisticated fraud and scams, and the growing influence of social media, are rising up the regulatory agenda, triggering action to raise investor awareness and promote financial literacy initiatives across the UK and the EU.

Encouraging consumer resilience



Industry insights



Claire Shields

Partner, KPMG in the UK



Harriet Oram

Partner, KPMG in the UK

“ In a landscape where economic growth is the priority, the FCA is increasing their focus on regulating for outcomes rather than rules. Rather than reduce the importance of consumer protection, it transitions the accountability to firms to ensure they are delivering good customer outcomes and proactively identifying and resolving any issues.”



What do you see as the most impactful initiative the FCA is advancing in support of the government's growth agenda?

Underpinned by the Consumer Duty, the FCA has a renewed willingness and focus to enable firms to innovate to support the government's growth agenda. The FCA has embarked on an initiative to develop meaningful regulatory change e.g.: the mortgage rules review enabling easier access to home ownership and proposals relating to targeted support and simplified advice aimed at reforming the financial advice market.



What commercial opportunities does the current regulatory environment present for firms?

The current regulatory agenda provides a foundation for firms to build long-term trust, reimagine customer journeys and enhance and broaden propositions. With the FCA encouraging engagement through their AI live testing and sandbox capabilities, there appears a genuine desire to foster and safely expand firms use of analytics and AI. The ability to show that products offer genuine value across the lifecycle will be key to building competitive advantage.



What aspect of retail conduct is posing the greatest challenge to firms?

Effective and consistent customer outcomes monitoring relies on accurate, real-time data providing insightful MI.

The FCA has made it clear that they expect firms to protect consumers proactively and respond to the root cause of any issues as they arise.

For many firms, the challenge lies in operationalizing this oversight and deploying the use of analytics and AI to provide meaningful insights that management can respond to.



What are your top three tips for firms to successfully navigate the regulatory environment?

1. Think outcomes, not inputs or process. Prepare for more targeted reviews on issues such as fair value, customer journeys and redress.
2. Ensure your commercial strategy supports good outcomes, especially in new or growing customer segments.
3. Develop robust, real time MI – considering complaints, customer outcomes monitoring and product performance – to identify issues as they arise and take proactive action



Opportunities

1. Use fair value frameworks and updated MI to reassess legacy product structures and identify where charges or complexity may no longer be justified.
2. Enhance digital journeys to ensure they are simple, layered and don't disadvantage vulnerable customers. FCA reviews show clear examples of poor and good practice.
3. Revisit exit processes, making them as easy as entry and ensure they do not create unintended barriers or frictions.
4. Implement proactive testing of customer communications, particularly those relating to product risks and support, ensuring clarity, engagement and timing.
5. Explore how duty-driven improvements can support broader growth objectives, especially in areas like retirement planning, cost optimisation and proposition differentiation.



Risks and challenges

1. Opportunities will need to be carefully balanced with ongoing consumer protection expectations and financial inclusion strategies
2. Over-reliance on tick-box MI without outcome testing risks supervisory challenge, especially in fair value and consumer support areas.
3. Weak evidencing of value particularly products are layered with costs (e.g. platforms, fund, advisor) or contain legacy pricing.
4. Underestimating the FCA's focus on digital support especially where poor navigation or unclear exits undermine consumer duty.
5. Lack of readiness for redress activity, especially where firms have not resolved long-standing complaints or system barriers for vulnerable customers.
6. Difficulty aligning oversight across product manufacture and distribution where roles are split – clarity, documentation and collaboration are key under consumer duty.

Growing capital markets

As reforms to the public markets and the roll out of consolidated tapes approach completion, attention has shifted further to the growth and potential risks arising from the private assets sector. T+1 settlement in Europe is also looming on the horizon.

Regulatory Impact Score

- October 2024 7.5 
- March 2025 7.4 
- October 2025 7.1 

There has been a further slight drop in the regulatory impact score as it is clearer what regulatory change firms need to implement now that public market reforms have progressed, with some time still to implement the changes. This is tempered slightly by increasing attention being paid to private markets firms and incoming changes.

Maturity stage: Implementing

Supervisory intensity: Moderate

Global alignment: Moderate



Public markets

Policymakers and regulators are waiting to see whether reforms to listing and investment research rules will invigorate UK and EU primary public equity markets. In secondary markets, changes to trade and transaction reporting emanating from the MiFIR (EU) and Wholesale Markets Review (UK) are being implemented, and the transition to T+1 is underway ahead of implementation in October 2027.



Market infrastructure

The introduction of consolidated tapes of bond market data continues to progress in both the UK and EU. The FCA opened the price auction for CTPs in August aiming to decide on the application by end-2025 – it expects to consult on consolidated tapes for equities in Q4. ESMA selected the first EU bond CTP in July. ESMA confirmed that non-significant benchmarks will no longer be in scope of the EU Benchmarks Regulation from January 2026 and in UK, the on-shored Benchmarks regulation is one of the few EU regulations that has not yet been amended. HMT and the FCA are considering what should be changed.

Forward look & supervisory priorities: The European transition to T+1 settlement, due by October 2027, is the most significant policy-related change on the horizon for capital markets firms. For further insights, see the next page. In the meantime, supervisory activity continues, with the FCA publishing its findings and observations from multi-firm reviews including data quality controls in the benchmarks sector, off-channel communications and algorithmic trading. The FCA has indicated that it will carry out further work later this year and in 2026 on risks including benchmark controls. It will also begin its review of conflicts of interest at private asset managers imminently. The BoE's Financial Policy Committee continues to be concerned about excessive leverage in market-based finance and has recommended implementation of the FSB's recent policy recommendations on leverage in NBFI – including measures to improve risk identification, counterparty credit risk management, and cross-border co-operation.



Private markets

UK and EU policymakers are moving in opposite directions on the overall framework for private asset managers. While the UK is considering AIFMD simplification, new EU rules for loan origination funds will take effect shortly. With supervisory reviews on valuation completed, conflicts are the next priority. However, there are also opportunities, such as greater possibilities for providing retail investors with private asset exposure.



Fund liquidity management

The publication of IOSCO's final recommendations is drawing the post-pandemic policy debate to a close. In response, the FCA is expected to consult soon on refining its requirements. The EU has already finalised reasonably significant changes to liquidity management tools via the AIFMD II package that takes effect from April 2026. Regulators are also considering how to incorporate the FSB's recommendations on leverage in funds and margin.



Wider context

Reforms to European public markets will reach their conclusion in the short-term, with several initiatives now in train to reinvigorate them, including measures to increase retail investment.

Conversely, private markets continue to grow. The authorities are keen to promote private investment, including through initiatives such as PISCES, and the 'democratisation' of private assets is taking off, with vehicles such as the EU's ELTIF becoming increasingly popular.

However, the growth of the private assets industry has attracted closer scrutiny from regulators who are concerned about potential conflicts of interest, challenges relating to valuation, and the ways in which banks are managing their exposures. The AIFMD is also being reformed in the UK and the EU.

For more on broader trends in the private markets space, see the spotlight feature in this edition.

Growing capital markets



Industry insights



Mark Hollings

Director, KPMG in the UK

 Firms will be able to build upon the work they did for the Americas transition to T+1 but the European transition is a more complex challenge."



Why are European markets moving to T+1 - trade date plus one day settlement in October 2027?

Reducing the settlement time of securities from T+2 to T+1 reduces risk and increases operational and capital efficiency as well as investor protection.

The North American transition to T+1 in May 2024 was viewed as successful increasing the pressure on European markets to follow suite.



How does the European move to T+1 settlement differ from the US/Americas move in 2024?

Although firms will be able to build upon the work they did for the Americas transition, the European transition is a more complex challenge. There are multiple central securities depositories (CSDs) with differing rules, currencies and regulators in Europe compared to one CSD, one currency and one regulator in the US. However, regulators and industry groups are coordinating across Europe, as highlighted by the agreement for UK, EU and Swiss markets to transition by 11 October 2027.



What are firms finding most challenging about the move to T+1 settlement?

Different types of firms have different challenges. Asset managers face growing divergence between underlying securities settlement (T+1) and fund settlement cycles (up to T+5 in some cases). Sell side firms have numerous systems to review and update as they will need to consider source of trade, booking systems and all post trade systems through to the final leg to send to the CSD. One impact assessment for a sell side firm required the review of 180 post-trade tech systems.



If firms have not yet begun the transition to T+1 yet, where should they start?

An impact assessment is often the best place to start, to identify the challenges in processes and technologies. The compression of the cycle means that to guarantee settlement a trade will need to be in the settlement queue ready for T+1, not on T+1. This means any exceptions will need to be resolved by end of T. For trades booked at the beginning of the day this will be business as usual, but firms will need to consider trades with APAC clients who may be beginning to leave, or trades towards the end of the day. Exception processing and throughput are two key areas to consider.



Opportunities

1. The considerable compression of time to carry out post-trade activities (such as confirmations, allocations, matching and settlement) with the move to T+1 provides momentum to bring automation and efficiencies to post-trade processes.
2. Industry solutions are being developed to increase efficiency in processes, for example through industry-wide databases of standard settlement instructions.



Risks and challenges

1. Manual processes in areas such as stock lending will no longer be viable – recall automation has been recommended by industry groups.
2. Regulators have indicated in the UK (and may do so elsewhere) that they expect to see plans underway to address the transition in regulated firms, and may decide to take a more hands on approach if this is not seen.
3. Increased settlement fails once the industry moves to T+1 would mean that firms might attract monetary penalties and reputational harm – from asset managers becoming 'unwanted' by their brokers to brokers losing business.

Enhancing payments approaches

A regulatory environment that promotes innovation and competition in the payments sector while maintaining resilience and consumer protection is central to both the UK and EU. Regulatory pressure is moderate but reducing. Differences in approach between the two jurisdictions are starting to emerge but the full extent will only be quantifiable once agreement on EU measures are reached.



Payment infrastructure and innovation

Work to renew payments systems and infrastructures is progressing. The BoE's renewed RTGS service has gone live, marking a significant milestone in future-proofing the UK's payments system. In a move toward simplification and efficiency, the Payment Systems Regulator will be abolished and its functions absorbed into the FCA. With the UK's NPV in place, a cross-body Payments Vision Delivery Committee has been established and has set out the model for designing and delivering next-generation infrastructure. The EU's PSD and PSR have progressed, with the European Commission adopting the texts and trilogues expected this year. Key elements of the IPR have also come into force. Decisions on FIDA are still pending with the Commission tasked with identifying opportunities for simplification. The FSB's Cross-Border Payments Data Forum met for the first time in May, as part of work to address frictions in cross-border payments.

Regulatory Impact Score

- October 2024 7.1 
- March 2025 7.7 
- October 2025 7.5 

There has been a small drop in score reflecting a shift in focus from implementation to embedding fraud protection rules in the UK, incremental progress on the UK's National Payments Vision, and the EU's updated payment regulations.

Maturity score: Developing and implementing

Supervisory intensity: Moderate

Global alignment: Moderate, Diverging



Wider context

The EU and UK are broadly aligned in regulatory areas of focus, recognising the benefits of Open Banking, the importance of cash, and the need to strengthen consumer protection. Drives to simplify regulation in the interests of growth and competitiveness are also evident in both jurisdictions. However, approaches to addressing these challenges are diverging.

The UK is moving away from EU regulation (PSD2) and, in many areas, increasing regulation and levels of scrutiny, as seen in the FCA's new safeguarding proposals.

Both jurisdictions are reviewing SCA requirements, with the UK moving away from detailed technical requirements to a principles-based approach, simplifying compliance. The EU proposes to extend the scope of SCA through PSD3 to cover more scenarios and stakeholders.

The UK and EU Open Banking regimes are evolving separately. While both aim to promote competition and innovation, there may be differences in implementation and scope.



Competition/Access and choice

Incremental but important progress is being made to maximise the benefits of Open Banking which will now be overseen by the FCA in the UK. This clearer leadership is expected to reenergise the market and boost innovation. As a first step, the FCA has outlined the design and role of a new industry-led Open Banking standards body. The outcome of the EU's FIDA is still uncertain.

Concerns over competition in the UK card fee market persist – the PSR has proposed a cross-border interchange fee price cap and remedies for improved transparency, reporting requirements, pricing governance for scheme and processing fees.



Consumer protection

Driven by concerns about the clarity and strength of payment and e-money firms' safeguarding, the UK is introducing a client assets style regime tailored to these firms' business models which will come into force in 2026.

Payment fraud is still a key focus. The EBA's consumer trend report identified payment fraud as a priority, and in the UK, where APP fraud rules are in force, attention has shifted to effective implementation, governance and monitoring. Similar APP fraud proposals in the EU's PSR are getting closer to being finalised but are not yet at implementation stage. Refinements to SCA requirements are being considered in the UK and EU, and ensuring continued access to cash remains a priority for both.

Forward look & supervisory priorities: In the next six months there should be greater clarity on the progress of detail of PSD3 as trilogues begin. The UK PVDC will start work on the payments forward plan – a comprehensive roadmap of payment system initiatives. And the FCA will provide further details on how the Open Banking standards body will be established.

Enhancing payments approaches



Industry insights



Michelle Plevey

Director, Risk & Regulatory Advisory

 There is lot to consider but not a lot to immediately deliver in payments regulation right now, presenting opportunities for firms to focus on their existing regulatory compliance requirements, business models and product sets."



How is the heightened focus on growth and competitiveness reshaping the payments landscape?

Regulators recognise the need for greater competition in retail payments. Sovereign risk is emerging as a primary concern for policy makers and regulators, with the ability to protect and enhance the UK's payment rails deemed fundamental to UK competitiveness. Work continues to level the playing field between the card rails and Open Banking, enhancing protections in the account-to-account ecosystem, whilst at the same time tightening pressure on card schemes to be more open and transparent on their acquirer pricing. In the longer term this will support levelling up the playing field for retail payments, helping to address concerns about sovereign risk and provide fair choices for consumers and businesses.



Almost 12 months on from its launch, are there signs that the NPV will deliver meaningful advances in Open Banking?

The NPV promised the development of seamless account-to-account payments – enabling consumers to pay for goods and services in shops and online directly from their bank account. The first key component of this is improved functionality of the underlying retail, real time payments infrastructure.

The Payments Vision Delivery Committee has published a model to deliver this through public and private sector collaboration, alongside short-term activity to enhance resilience and functionality of the existing Faster Payments System.



How will changes in the oversight of payments regulation impact firms?

The headline change on the horizon is the integration of the Payment Systems Regulator into the FCA. Whilst simplification of oversight should provide greater certainty and direction from a supervisory and licencing perspective, little change will be felt on a day-to-day operational and compliance level.

On the flip side, the drive to deliver the next generation of UK retail payments infrastructure will broaden the infrastructure governing payments with Delivery Co. being stood up to work alongside PAY.UK. So, the net change felt by firms may be minimal.



Opportunities

With minimal current mandatory regulatory change to deliver, payments firms should take this opportunity to:

- Re-evaluate their current compliance status to ensure that policies, procedures and governance have kept pace with business growth and remain fit for purpose.
- Redirect resources to invest in their own product sets or core infrastructure.
- Apply insights learned from their implementation of the Consumer Duty to refine product offerings and identify new opportunities.



Risks and challenges

1. The shift towards principles-based regulation is posing challenges for firms that have traditionally operated within a rules-based framework. Adjusting successfully requires a change in mindset towards understanding and achieving good customer outcomes.
2. Whilst firms need to be proactive in understanding the implications of longer-term payments regulation and infrastructure changes, this should not distract from ensuring compliance with the current regulatory regime

Accessing markets

Market access arrangements between the UK and EU are approaching stasis and there are few noteworthy developments to report compared to the last edition of the Barometer. An exception to this is the UK-Swiss Berne Financial Services Agreement, which sets a trailblazing precedent for market access based on regulatory deference. Supervisors continue to evaluate substance and the degree of delegation and outsourcing to entities outside their reach.

Regulatory Impact Score

- October 2024 5.5 
- March 2025 5.4 
- October 2025 5.3 

Since the last Barometer, market access arrangements have further become a BAU matter, resulting in another small drop in the impact score. However, there are pockets of initiatives that have the potential to cause challenges for firms, such as CRD IV implementation.

Maturity stage: Mature/BAU

Supervisory intensity: Moderate

Global alignment: N/A



Overseas Recognition Regime

HMT has confirmed the introduction of an Overseas Recognition Regime to replace (or augment) the patchwork of equivalence frameworks inherited from the EU. Designations will be based on high-level regulatory objectives (including enhancing UK competitiveness) and outcomes, without rules necessarily having to match at technical level. Regulators will continue to provide technical assessments to support HMT's designations.



Cross-border services and fund marketing

In May, the PRA updated its expectations for business conducted within branches of international banks operating in the EU, with immediate effect – with implications for branch risk appetite, levels of thresholds, liquidity reporting and booking models. New EU rules on banking cross border services will apply under CRD6 from January 2026 and 2027 – see next page for further insights.

Applications and landing slots for the UK's Overseas Funds Regime continue. Although the UK government had been expected to consult on the application of the SDR and labelling regime to OFR funds, there has now been a significant delay, and it is unclear whether it will proceed.

Forward look & supervisory priorities: Without any further fundamental changes to the EU/UK relationship, market access arrangements and their supervision are now largely settled for the short to medium term. The upcoming implementation of new requirements under CRD6 and amendments to PRA SS5/21 will potentially be significant for banks.



Regulated markets and clearing

Following the European Commission's extension of time-limited equivalence for UK CCPs until June 2028, the EU's EMIR 3.0 package is now in force. The goal is to build up EU CCPs' capacity via the new active account requirements, applied from June 2025. Although ESMA's final draft RTS has yet to be approved by the European Commission, the draft and accompanying ESMA Q&A provide clarity for firms' implementation.



Delegation of portfolio management

Apart from the introduction of the EU's AIFMD II package from April 2026 with relatively small changes, there are no additional short-term developments to note that are expected to impact on the requirements for delegating portfolio management. It is not yet clear how ESMA's June 2025 third party risk management principles could be used as a tool to drive further change. The medium-term impact of the AIFMD II rules also remains to be seen.



Wider context

Broadly speaking, EU-UK financial services market access arrangements are now approaching a form of stasis.

Although the EU-UK May 2025 Summit was a pivotal moment for the relationship between the EU and the UK, and touched on several shared areas of strategic interest, as expected there were no developments for financial services firms.

The third meeting of the Joint EU-UK Financial Regulatory Forum took place in February 2025, it is not yet clear when the next Forum will take place.

Beyond the EU, the groundbreaking Berne Financial Services Agreement between the UK and Switzerland will take effect in January 2026, creating new market access possibilities for insurers, private banks and wealth managers. Some firms are taking preparatory steps to make the most of new opportunities.

Accessing markets



Industry insights



Benedict Wagner-Rundell

Senior Manager, KPMG ECB Office

 This is not just a regulatory compliance exercise: there may be business benefits from reconfiguring business and legal entity structures."



What do you see as the key impacts of CRD6?

The principal impact will be on non-EU headquartered groups looking to serve clients in the EU. From 2027, provision of banking services on a cross-border basis into the EU will be largely prohibited and non-EU banks will need to serve EU clients through EU legal entities instead. This will require the transfer of substantial business to EU legal entities.



With impacted banks needing to decide whether to create a subsidiary or a branch what are some key considerations?

Branches have the advantage of allowing more efficient sharing of capital and liquidity with their parent entity. Local supervisors also typically require a smaller footprint for local governance and internal controls, so branches can leverage parent entity resources for these functions.

The major disadvantage of branches is that they can only operate in a single EU country – they cannot 'passport' across the EU.



There will also be an impact on third country banks providing services into the EU. How are their plans shaping up?

The largest global banks typically already have fully-licensed EU subsidiaries, many of which are already ECB supervised. For these banks, the key issue is how much business needs to be transferred from other group entities, and the implications for capital, personnel etc.

Many banks operate a mix of legal entities, with EU bank and broker-dealer subsidiaries operating alongside third-country branches. They are now reviewing these structures and the distribution of business across entities.



How do you see wider market access arrangements into the EU evolving over time?

The EU faces competing impulses: to maintain open markets and attract investment, and to reduce dependence on outside providers in the name of 'strategic autonomy'. It is hard to see how this will play out – geopolitical factors may prove to be decisive.



Opportunities

1. This is not just a regulatory compliance exercise: there may be business benefits from reconfiguring business and legal entity structures. For example, building out bank subsidiaries could allow groups to offer a wider range of services to a larger pool of customers, offering potential areas for revenue growth.



Risks and challenges

1. As non-EU banks transfer business into EU legal entities, the consequent growth in balance sheets could bring some local subsidiaries into direct ECB supervision. EU supervisors will likely expect local control functions to be enhanced to manage enlarged local balance sheets.
2. In the absence of passporting, in to serve clients across the EU, banks may need multiple branches, which could create inefficiencies.

Reinforcing governance expectations

Regulators continue to reinforce the need for good governance, including the effective management of conflicts of interest, embedding appropriate accountability, robust oversight by non-executive functions and clear audit trails for decisions.

Regulatory Impact Score

- October 2024 6.4 
- March 2025 6.5 
- October 2025 6.3 

There have been fewer new rules for firms to implement since the last edition of the Barometer, and the timetable for proposed changes (e.g SM&CR) continues to lengthen. This has resulted in a slight decrease in score. However, supervisors continue to focus on verifying that firms are well managed and are monitoring emerging risks, as market volatility and difficult economic conditions persist.

Maturity stage: Implementing

Supervisory intensity: High

Global alignment: Moderate, converging



Governance and accountability

The highly anticipated two phase reform of the UK's SM&CR is underway. The FCA and PRA have consulted on quick wins, while HMT has launched a consultation on more substantial medium-term changes. The Swiss Federal Council has proposed a senior managers regime as part of a package of measures to improve the too-big-to-fail regime. Beyond accountability, governance continues to feature on policy agendas in the context of new guidelines.



AML/CFT

The EU's AMLA has assumed its legal powers and dual mandate as both the EU AML supervisory authority and the coordination mechanism for national financial intelligence units (FIUs). Cryptoasset markets are an immediate priority in its workplan. Another priority will be selecting the 40 financial institutions and finalising the RTS setting out the framework for their direct supervision. AMLD6 is now being transposed into national regulation.

HMT is revising the UK Money Laundering Regulations. Key changes include making CDD more proportionate and effective, and strengthening cooperation and information sharing between AML/CFT supervisors. Firms will be interested to see the FCA updated guidance once the legislation is in place. Financial crime continues to be one of four priorities in the FCA's five-year strategy. Supervisory teams are also alive to AML-related risks in growing sectors, such as private assets.



Culture, conduct and controls

Supervisors remain highly focused on firm culture and its impact on risk management, conduct of business and customer outcomes. Scrutiny is likely to increase where there are moves to more outcomes or principles-based regulation. In addition, individual regulators continue to progress the culture, conduct and control agenda:

- The FCA has clarified that its non-financial misconduct (NFM) rules will be extended to apply to non-banks from September 2026 – the consultation on accompanying guidance to assist firms in applying the rules will close shortly.
- The PRA has highlighted the need for bank boards and executives to consider where risk culture may be the root cause of material weaknesses in a firm's control environment.
- The EBA is proposing to amend its guidelines on internal governance to reflect the results of the EBA benchmarking report on diversity practices and gender-neutral remuneration policies.

Forward look & supervisory priorities: Firms can expect supervisors to continue to test the robustness of their governance arrangements in practically every supervisory interaction, regardless of the specific theme or topic under review.



Wider context

Whatever other change is taking place, the need to demonstrate strong governance and accountability is a constant across all areas of financial services regulation. However, there is some potential for streamlining and simplification, as in the case of the SM&CR.

Against the backdrop of a broader shift from rules-based to principles-based regulation, particularly in the UK, culture will continue to play an important role. Firms may need to ask themselves not just "can we?", but also "should we?".

The prevention of fraud and financial crime across all sectors of the economy remains paramount. The new UK 'failure to prevent fraud' offence under the Economic Crime and Corporate Transparency Act 2023 came into force on 1 September 2025.

Reinforcing governance expectations



Industry insights



David Cummings

Partner, KPMG Law

 The way a firm deals with non-financial misconduct goes to the heart of the effectiveness of its initiatives on culture, diversity and inclusion."



How has the FCA changed its approach to non-financial misconduct (NFM)?

The FCA has tightened up, and in some senses, narrowed its rules around NFM from its original proposals.

It has aligned the definition of NFM more closely to the statutory definition of harassment under employment law but not limited its application to "protected characteristics" alone as in discrimination legislation. Therefore, while mapping the statutory definition of harassment, the application of the NFM rules remains wider than under employment law.

The FCA has confirmed that in respect of NFM it is primarily concerned with serious bullying, harassment and violence towards co-workers and colleagues and that the rules apply to all financial services firms.



What are firms finding most challenging about implementing the FCA's expectations around non-financial misconduct?

Decisions about bullying and harassment (less so violence) among co-workers and colleagues are typically nuanced, fact-specific judgement calls by firms. They require a sophisticated cross-section of legal, risk, compliance and employee relations skills and perspectives. Given NFM findings can result in a combination of employment sanctions, conduct rule breach findings and/or fitness and propriety findings, these decisions can have very big impacts on individuals and firms. Consistency of decision making can be difficult but is key. Understanding organisational tolerance and thresholds in respect of when NFM can be considered serious or not, and whether it is an HR issue alone or an incident that raises regulatory concerns, are challenges that firms are already trying to grapple with considering the new rules.



How can firms best combine their obligations around NFM with initiatives on their culture and diversity and inclusion?

The way a firm deals with NFM goes to the heart of the effectiveness of its initiatives on culture, diversity and inclusion. As a first practical step, firms should proactively train and educate all staff, not just HR and back office employees, on the regulatory context of NFM and how it sits within broader culture and diversity policies across the firm.



Opportunities

While the FCA has said it considers NFM to already be within the scope of the conduct rules for banks, it is changing its Code of Conduct (COCON) to expressly confirm that, from 1 September 2026, the NFM rules will apply to non-banks in the same way they currently apply to banks. This gives firms time and momentum to:

1. Understand the rules, particularly the definition of NFM and how that sits with how they manage NFM currently in a regulatory context.
2. Review and refresh their training staff training on COCON requirements.
3. Check that monitoring of conduct rule breaches and regulatory reporting to the FCA captures NFM.



Risks and challenges

1. 'Ownership' of the approach to NFM may be a challenge – e.g. determining how HR, Risk, Legal and Compliance should work together to meet the FCA's NFM expectations.
2. It may be challenging for firms to assess and "benchmark" the seriousness of non-financial misconduct.
3. There will be challenges in aligning remuneration policies, structures and processes (including underlying variable pay plans and scheme rules) with regulatory expectations on NFM.
4. It may be difficult to track NFM data across different systems within firms.

KPMG regulatory barometer scoring methodology

Key regulatory themes and sub-themes for Financial Services in the UK and EU are identified based on the following criteria:

- Volume: based on data extracted from the [KPMG Regulatory Horizon](#) capturing the number of relevant regulatory announcements published over the past 12 months.
- Complexity: based on factors such as complexity of future requirements versus existing ones, consistency of requirements of expectations across jurisdictions and interactions with other regulations or standards.
- Implementation: based on factors such as urgency of action required, potential implementation costs, resourcing challenges and business risk.

Supervisory intensity is considered as a factor in both complexity and implementation.

Regulatory Impact Scores (maximum 10) are assigned to each of the sub-themes by our team of regulatory subject matter experts based on the above criteria. These roll up to give a theme score. The theme scores are further aggregated to provide the overarching Barometer score.

In addition to the Regulatory Impact Score, the Barometer provides a view on the maturity stage of regulation for each of the key themes.

Maturity Indicators reflect a sliding scale:

- **Emerging** – regulatory or market concern identified but no formal action yet.
- **Developing** – action in response to regulatory/market concerns, to include consultation, drafting and/or some elements in implementation.
- **Implementing and/or reviewing** – implementation of material regulations and/or review/refinement of in-force regulations.
- **Embedding** – post-implementation activity to ensure consistent and effective application across all relevant business areas.
- **Mature/BAU** – all relevant regulation(s) adopted, in force and consistently implemented and embedded.

All scores, indicators and commentary are refreshed on a semi-annual basis to enable monitoring of the trajectory of regulation in each area.

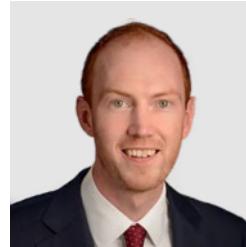


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The [EMA FS Regulatory Insight Centre](#) offers insights, knowledge, expertise and solutions in response to the evolving regulatory agenda. Sign up to the subscription list with one click [here](#).

Glossary

A

AI: Artificial Intelligence
AIPPF: AI Public Private Forum
AIFMD: Alternative Investment Fund Managers Directive
AML: Anti-Money Laundering
AMLA: Anti-Money Laundering Authority
APP: Automated Push Payment
ASIC: Australian Securities and Investments Commission

B

BAU: Business As Usual
BCBS: Basel Committee on Banking Supervision
BEIS: UK Department for Business, Energy and Industrial Strategy
BIS: Bank for International Settlements
BPA: Bulk Purchase Annuity
BRRD: Bank Recovery and Resolution Directive
BTAR: Banking Taxonomy Alignment Ratio
BaFin: Bundesanstalt für Finanzdienstleistungsaufsicht
BoE: Bank of England

C

CBAM: Carbon Border Adjustment Mechanism
CBDC: Central Bank Digital Currencies
CBES: Climate Biennial Exploratory Scenario
CBEST: CBEST cyber security assessment framework
CBI: Central Bank of Ireland
CBIF: Cross-Border Interchange Fees
CCP: Central Counterparty
CCPRR: Central Counterparty Recovery and Resolution Regime
CDD: Customer Due Diligence
C&E: Climate and Environmental
CFPB: Consumer Financial Protection Bureau

CFT: Counter the Financing of Terrorism
CFTC: Commodity Futures Trading Commission
CHAPS: Clearing House Automated Payment System
CMA: Competition and Markets Authority
CMU: Capital Markets Union
COCON: FCA Code of Conduct
CoP: Confirmation of Payee Regime
CP: Consultation Paper
CPMI: Committee on Payments and Market Infrastructures
CRA: Credit Ratings Agency
CRD: Capital Requirements Directive
CRR: Capital Requirements Regulation
CSA: Common Supervisory Action
CSD: Central Securities Depository
CSDDD: Corporate Sustainability Due Diligence Directive
CSP: Cloud Service Provider
CSR: Corporate Sustainability Reporting Directive
CSRBB: Credit Spread Risk in the Banking Book
CSSF: Commission de Surveillance du Secteur Financier, Luxembourg financial regulator
CT: Consolidated Tape
CTP: Critical Third Party
CTPP: Critical Third Party Provider
CVA: Credit Valuation Adjustment
D
DB: Defined Benefit
DC: Defined contribution
DDCMS: UK Department for Digital, Culture, Media and Sport
DEI: Diversity, Equity and Inclusion
DLT: Distributed Ledger Technology
DNSH: Do No Significant Harm

DORA: Digital Operational Resilience Act

DeFi: Decentralised Finance
DvP: Delivery versus Payment
DyGIST: Dynamic General Insurance Stress Test

E

EBA: European Banking Authority
EC: European Commission
ECB: European Central Bank
Edinburgh Reforms: A set of reforms to drive growth and competitiveness in the UK financial services sector, announced in December 2022

EEA: European Economic Area
EFRAG: European Financial Reporting Advisory Group
EIOPA: European Insurance and Occupational Pensions Authority
ELTIF: European Long-Term Investment Funds
EMIR: European Market Infrastructure Regulation
ESAs: European Supervisory Authorities
ESAP: European Single Access Point
ESG: Environmental, Social, and Governance

ESMA: European Securities and Markets Authority
ESRS: European Sustainability Reporting Standards
ETF: Exchange Traded Fund
F

FATF: Financial Action Task Force
FBS: Fiat-Backed Stablecoins
FCA: Financial Conduct Authority
FIDA: Framework for Financial Data Access
FIU: Financial Intelligence Unit
FMI: Financial Market Infrastructure
FRC: Financial Reporting Council

FRTB: Fundamental Review of the Trading Book

FSB: Financial Stability Board
FSCS: Financial Services Compensation Scheme
FSMA: Financial Services and Markets Act
FTE: Full Time Equivalent employee

G

GAR: Green Asset Ratio
GBS: EU Green Bond Standard
GEN AI: Generative Artificial Intelligence
GENIUS Act: Guiding and Establishing National Innovation for U.S. Stablecoins Act
GFANZ: Glasgow Financial Alliance for Net Zero
GFC: Global Financial Crisis
GHG: Greenhouse Gas (e.g. Carbon Dioxide or Methane)
GI: General Insurance
GTAG: Green Taxonomy Advisory Group

H

HMT: HM Treasury
I
IAASB: International Auditing and Assurance Standards Board
I AIS: International Association of Insurance Supervisors
IBAN: International Bank Account Number
ICAAP: Internal Capital Adequacy Assessment Process
ICARA: Internal Capital and Risk Assessment
ICLAAP: Internal Capital and Liquidity Adequacy Assessment Process
ICVCM: Integrity Council for the Voluntary Carbon Market
ICT: Information and Communications Technology
IDD: Insurance Distribution Directive
IFD: Investment Firms Directive
IFPR: Investment Firms Prudential Regime
IFR: Investment Firms Regulation
IFRS: International Financial Reporting Standards
IMA: Internal Models Approach

Glossary (cont.)

IOSCO: International Organisation of Securities Commissions

IORPD II: Institutions for occupational retirement provision directive

II

IPR: Instant Payments Regulation

IRB: Internal ratings-based approach

IRR: Insurance Resolution Regime

IRRD: Insurance Recovery and Resolution Directive

IRRBB: Interest Rate Risk in the Banking Book

IRSG: International Regulatory Strategy Group

ISIN: International Securities Identification Number

ISO: International Organisation for Standardisation

ISSA: International standard on sustainability assurance

ISSB: International Sustainability Standards Board

ITS: Implementing technical standards

J

K

L

LDI: Liability driven investment

Leeds Reforms: A package of initiatives to update the UK FS regulatory landscape announced in July 2025

LIBOR: London inter-bank offered rate

LMT: Liquidity management tools

LTAF: Long term asset fund

LIST: Life Insurance Stress Test

M

MA: Matching adjustment

ML: Machine learning

MMF: Money market fund

MRA: Mutual recognition agreement

MiCAR: Markets in crypto-assets regulation

MREL: Minimum requirement for own funds and eligible liabilities

MiFID: Markets in Financial Instruments Directive

MIFIDPRU: the prudential sourcebook for UK MiFID investment firms.

MiFIR: Markets in Financial Instruments Regulation

MPS: Model Portfolio Services

MOU: Memorandum of Understanding

MRA: Mutual Recognition Agreement

N

Nat cat: Natural Catastrophe

NBFI: Nonbank Financial Institutions

NFT: Non-Fungible Token

NFM: Non-Financial Misconduct

NGFS: Network for Greening the Financial System

NIS2: Network and Information Systems Directive 2

NPA: New Payments Architecture

NPV: National Payments Vision

O

OCIR: Operational Continuity In Resolution

OEF: Open Ended Funds

OFR: Overseas Funds Regime

ORSA: Own Risk and Solvency Assessment

P

PAY.UK: recognised operator and standards body for the UK's interbank retail payment systems

PE: Private Equity

PEP: Politically Exposed Person

PISA: Payment Instruments, Schemes and Arrangements

PISCES: Private Intermittent Securities and Capital Exchange system

POATRs: Public Offers and Admissions to Trading Regime

POG: Product Oversight and Governance

PPP: Prudent Person Principle

PRA: Prudential Regulation Authority

PSD: Payment Services Directive (EU)

PSF: Platform on Sustainable Finance

PSPs: Payment Service Providers

PSR: Payment Systems Regulation (EU)

PvP: Payment Versus Payment

Q

R

RAO: Regulated Activities Order

RCAP: Regulatory Consistency Assessment Process

RIE: Recognised Investment Exchange

RIS: Retail Investment Strategy

RPSO: Recognised Payment System Operators

RTGS: Real-Time Gross Settlement

RTS: Regulatory technical standards

S

SCA: Strong Customer Authentication

SCR: Solvency Capital Requirement

SCO: Secondary Competition Objective

SCGO: Secondary Competition and Growth Objective

SDDT: Small Domestic Deposit Taker

SDR: Sustainability Disclosure Requirements

SEC: Securities and Exchange Commission

SFDR: Sustainable Finance Disclosure Regulation

SME: Small and medium-sized enterprises

SM&CR: Senior Manager and Certification Regime

SNI: Small and Non-Interconnected FCA investment firm

SOFR: Secured Overnight Financing Rate

SRD2: Shareholder Rights Directive 2

SREP: Supervisory Review and Evaluation Process

SSP: Specified Service Providers

STAR-FS: Simulated Targeted Attack & Response assessments for Financial Services

SUK: Solvency UK

SWES: System Wide Exploratory Scenario

T

TCB: Third Country Branch

TCFD: Taskforce on Climate-related Financial Disclosures

TNFD: Taskforce on Nature-related Financial Disclosures

TPP: Third-Party Provider

TPR: The Pensions Regulator

TPT: Transition Plan Taskforce

TPLT: Threat Led Penetration Testing

TWD: Trading activity Wind-Down

U

UCITS: Undertakings for Collective Investment in Transferable Securities

UK CGC: UK Corporate Governance Code

UK SDS: UK Sustainability Disclosure Standards

UK SRS: UK Sustainability Reporting Standards

UPI: Unique Product Identifier

V

VCMI: Voluntary Carbon Markets Integrity Initiative

VfM: Value for Money

VRP: Variable Recurring Payments

W

WAM: Wealth and Asset Management

X

Y

Z



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