Navigating 2026

A focus on financial services supervisory priorities across the EU in the year ahead

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Welcome to Navigating 2026!

Dear clients and friends of the firm,

As we enter 2026, it has become increasingly clear that EU financial regulation is no longer evolving in isolation. Instead, it is increasingly evident that the global financial system is no longer adjusting to temporary disruption but is instead operating within a structurally altered geopolitical, economic and regulatory environment. The EU's financial markets are being shaped by a combination of geopolitical fragmentation, strategic competition between jurisdictions, macroeconomic recalibration and rapid technological change. These forces are affecting market sectors in the EU differently, even where they share a common and ever-expanding Single Rulebook as well as a uniform goal of improving competitiveness and resilience of the EU's Single Market.

These most recent developments come on top of challenging and unprecedented operating conditions that financial services firms and market participants have had to tackle in recent years, and which are likely to persist into 2026 and beyond. Some are specific to the EU (as analysed herein) and others are common across the globe (as assessed in standalone coverage equally available from our EU RegCORE)[*].

Below we set out how the 2026 outlook is crystallising across banking, capital markets, asset management, insurance and crypto-assets, and what this means in practice for regulated firms and market participants operating in or into the EU.

At a glance - what continues, what changes and the resulting key practical impacts:

Insurance

- **What changes/continues in 2026**: Climate/cat risk emphasis; Solvency II refinements; DORA.
- **Who is affected:** Insurers/reinsurers.
- **Practical impact:** Repricing and reinsurance strategy; ORSA interest rate sensitivity; ICT resilience.

Crypto-assets and digital finance

- **What changes/continues in 2026**: MiCAR authorisations; stablecoin reserves/redemptions; DORA alignment.
- **Who is affected:** CASPs; issuers.
- **Practical impact:** Authorisation scrutiny; reserve governance; incident reporting.

Banking

- **What changes/continues in 2026**: Supervisory consolidation; DORA embedded; resolvability tests.
- **Who is affected:** EU banks; third-country branches.
- **Practical impact:** Stronger expectations on capital/liquidity deployment, resolution playbooks, ICT risk.

Capital Markets

- **What changes/continues in 2026**: T+1 preparations; reforms due to MiFID II/MiFIR transparency/tape; CCP access policy.
- **Who is affected:** Trading venues; brokers; CCP/clearing clients.
- **Practical impact:** Funding/liquidity compression; best execution updates; clearing strategy shifts.

Asset Management

- **What changes/continues in 2026**: Liquidity/leverage oversight; delegation substance; retail outcomes; ESG recalibration.
- **Who is affected:** UCITS/AIFMs; distributors.
- **Practical impact:** LMT activation playbooks; oversight of third country delegates; anti greenwashing controls.

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[*] Available here.

Banking: resilience, resolvability and strategic autonomy

For EU banks, 2026 is primarily a year of supervisory consolidation and operational embedding rather than headline legislative change. Much of the post-pandemic and post-banking-stress reform agenda, including where modified by various "simplification" reform efforts that are being rolled out, is now being enforced through supervision.

Key themes include:

- **Capital, liquidity and resolvability:** Supervisors are prioritising how banks deploy capital internally, manage intragroup liquidity, and operationalise resolution strategies. MREL/TLAC execution, valuation-in-resolution, and operational continuity remain priority areas. Supervisors expect end-to-end resolution playbooks, regular dry-runs, and evidence that valuation data and dependencies are pre-positioned.
- **Risk governance and controls:** Heightened expectations around risk management, internal controls and data aggregation persist, particularly for banks with complex cross border structures and material third-country dependencies. Data lineage, model risk and interest rate risk in the banking book continue to feature.
- **Digital and operational resilience**: 2026 sees DORA firmly embedded in supervisory practice, with particular scrutiny of ICT outsourcing, cloud concentration risk, third-party dependency mapping and incident reporting discipline. Supervisory expectations are intensifying around board accountability, testing regimes and sector-wide interoperability.
- **Geopolitical and sanctions risk**: Banks are expected to demonstrate credible frameworks for managing geopolitical shocks, sanctions escalation and abrupt market fragmentation, including playbooks for rapid re booking, client off boarding and compliance resourcing surges.
- **Strategic recalibration**: Continued pressure on profitability, alongside political sensitivity around bank consolidation, means that strategic decisions on footprint, booking models and product lines are increasingly being assessed through a prudential as well as political lens. Heightened scrutiny of third country branch operations and intra EU subsidiarisation choices continues.

The direction of travel is clear: EU banking supervision in 2026 is less about rewriting rules and more about demonstrable outcomes. Simplification offers promise but may take time to translate into real tangible relief.

Banking — Q1–Q2 2026 actions:

- Validate end-to-end resolution valuation data and playbooks through a supervised dry-run.
- Reconcile intragroup liquidity waivers and pre-positioning with booking model changes.
- Evidence DORA compliance: third-party register, concentration analysis, incident thresholds, testing schedule, board reporting.

Capital markets: market structure reform and fragmentation risk

Capital markets participants face a more structural transformation in 2026, driven by both regulatory reform and geopolitical divergence.

Key developments include:

- **T+1 settlement**: Preparations for the EU shift to T+1 are accelerating. Firms will need to pre-fund, compress post-trade processes, and adjust collateral and securities lending workflows. Cross-border execution and clearing across time zones heighten operational risk. Immediate priorities are to confirm cut-offs, secure FX funding windows, rehearse post-trade timelines, and align client documentation where settlement cycles differ.
- **Market infrastructure resilience:** CCP supervision, recovery and resolution planning, and third country CCP access remain politically sensitive and strategically significant.
- Clearing location policy and active account requirements are re shaping clearing strategies, netting efficiencies and client clearing business models.
- **MiFID II/MiFIR recalibration:** Transparency adjustments, the build-out of the Consolidated Tape, and commodity derivatives reforms will affect execution policies, SI quoting behaviour, and market data cost models. Firms should update best execution frameworks, data vendor contracts, and governance for use of the tape as it becomes operational.
- **Cross-border access and equivalence:** Ongoing uncertainty around equivalence decisions—particularly in relation to the UK and US—continues to fragment liquidity and complicate execution models, with knock on effects for best execution, reporting, capital usage and booking arrangements.
- **Use of capital markets as a policy tool:** Strategic objectives (energy transition, defence financing, technological sovereignty) are increasingly influencing how EU capital markets policy is framed
- under the banner of a new **'Savings and Investment Union**' (**SIU**), including reforms to listing and trading venue environments, collateral and custody arrangements, securitisation treatment and incentives for retail participation.

In 2026, capital markets firms must navigate not only regulatory compliance, but also market fragmentation and political risk embedded in market structure decisions.

Capital Markets — Q1–Q2 2026 actions:

- Confirm T+1 cut-offs, prefunding, FX arrangements, and securities lending adjustments; run dress rehearsals across time zones.
- Update best execution policy and RTS 28/27 governance for consolidated tape usage and SI behaviours.
- Reassess CCP access and active-account obligations; document clearing location rationale.

Asset management: distribution, governance and systemic relevance

The asset management sector continues to be viewed by EU policymakers through a dual lens: as a growth engine for the Capital Markets Union / European Savings and Investment Union, and as a potential source of systemic risk.

Key themes include:

- **Liquidity and leverage oversight:** Enhanced scrutiny of liquidity management tools, stress testing and leverage—particularly for open ended funds and alternative investment vehicles—continues. Greater supervisory interest in swing pricing calibration, anti dilution mechanisms, and alignment between redemption terms and asset liquidity is evident.
- **Delegation and substance:** Ongoing supervisory focus on delegation models, governance arrangements and decision-making substance within the EU. Implementation of updated framework requirements is reinforcing expectations on senior manager accountability, data access and oversight of third country delegates.
- **Retailisation and product governance:** Continued pressure to improve retail investor outcomes, with implications for cost disclosures, inducements and distribution models. Product intervention risk remains elevated where complexity, fees or performance dispersion raise questions on suitability and value.
- **Sustainability recalibration:** A more pragmatic supervisory tone on ESG and sustainability disclosures is emerging, but expectations around governance, data traceability and anti greenwashing controls remain high. Asset managers are expected to demonstrate credible transition plans, stewardship discipline and consistency between marketing and portfolio construction.
- **Geopolitical exposure:** Asset managers are increasingly expected to evidence robust processes for managing sanctions risk, market access constraints and abrupt valuation dislocations, including enhanced valuation committees, side pocketing governance and contingency planning for service provider disruption.

For asset managers, 2026 is about credibility of governance and risk frameworks, not just regulatory formality.

Asset Management — Q1–Q2 2026 actions:

- Calibrate LMTs and swing pricing; align redemption terms to asset liquidity; enhance stress testing.
- Document delegation/substance oversight: MI packs, data access, decision logs, SM accountability.
- Implement anti-greenwashing controls: data lineage, marketing–portfolio consistency, stewardship records.

Insurance and reinsurance: resilience under strain

The insurance sector enters 2026 facing intensifying structural pressures, particularly from climate risk and macroeconomic volatility.

Key developments include:

- **Climate and catastrophe risk**: Supervisors are increasingly concerned about the availability and affordability of insurance in certain markets, as well as reinsurers' balance sheet resilience. Accumulation risk, peril modelling and adaptation finance are pushing carriers to revisit pricing, reinsurance purchasing and underwriting appetites.
- **Solvency II evolution:** Ongoing refinements to capital requirements, long term guarantee measures and reporting obligations continue to affect asset allocation and product design. Expect reinforced focus on interest rate sensitivity, illiquidity premia and the prudent person principle in the context of strategic asset shifts.
- **Operational resilience:** DORA applies with equal force to insurers, requiring enhanced focus on ICT risk, outsourcing and operational continuity. The supervisory bar on scenario testing, supply chain mapping and board oversight is rising, including alignment across insurance, asset management and bancassurance groups.
- **Cross-border business models:** Passporting, branches and freedom of services models remain under scrutiny, particularly for complex or systemically relevant players. Supervisors are testing governance effectiveness where underwriting, claims and investment functions are distributed across multiple jurisdictions.
- **Public policy interaction:** Insurance is increasingly intersecting with public policy objectives (climate adaptation, disaster recovery), raising questions around public private risk sharing, residual market mechanisms and the insurability of systemic perils.

In 2026, insurers must balance commercial viability with growing expectations that they act as shock absorbers of last resort.

Insurance — Q1–Q2 2026 actions:

- Update catastrophe accumulation and adaptation assumptions; align reinsurance purchase strategy.
- Refresh ORSA for rate sensitivity and illiquidity premia; check Prudent Person compliance for asset shifts.
- Complete DORA mapping/testing; align with group arrangements (bancassurance/AM where relevant).

Crypto-assets and digital finance: supervision replaces legislation

For crypto-asset service providers and issuers, 2026 marks the transition from legislative anticipation to supervisory reality.

Key themes include:

- **MiCAR implementation:** NCAs are testing authorisation filings, group-wide governance, safeguarding of client assets, and conflicts management. CASPs should maintain a complete policies-and-controls inventory mapped to MiCAR articles, board-approved risk appetite for custody/market integrity risks, and incident response SLAs aligned with DORA.
- **Stablecoins and payments**: Asset referenced tokens and e money tokens remain a focal point, particularly where they intersect with payments, banking and monetary policy. Expectations on reserve composition, redemption mechanics and disclosures are tightening.
- **Operational and ICT risk**: CASPs are squarely within the scope of EU operational resilience expectations, including outsourcing, third party risk and cybersecurity. Incident reporting, testing and board level accountability are moving to centre stage.
- **Market integrity and enforcement**: Increased focus on market abuse, market manipulation, insider controls and custody arrangements. Exchanges, custodians and brokers are expected to demonstrate surveillance capabilities commensurate with those in traditional markets.
- **Geopolitical positioning**: Divergence between EU, US and UK crypto frameworks is becoming more pronounced, increasing regulatory arbitrage risk but also compliance complexity. Cross border licensing strategies, travel rule compliance and AML/CFT controls remain pivotal.

The message for 2026 is clear: crypto is no longer treated as experimental—it is being supervised as part of the core financial system.

Crypto — Q1–Q2 2026 actions:

- Finalise MiCAR authorization dossiers; maintain a single source of truth for policies/controls by article.
- Implement reserve composition, custody segregation, and redemption mechanics for ART/EMT.
- Align incident reporting thresholds and SLAs with DORA; evidence market abuse surveillance capability.

What this means for financial services firms and market participants

For firms operating in or accessing the EU, 2026 demands disciplined execution on multiple fronts. Implementation timetables cluster across prudential, conduct, operational resilience, data, AI and market infrastructure reforms. Many regimes have extraterritorial effects and, in places, overlap or compete with requirements in third-countries. The cumulative effect will shape how transactions are structured, executed, booked, custodied and documented, and where activities are situated within groups.

This environment is resource intensive. Talent constraints in both first and second lines will persist, particularly in cyber, data, model risk, AI governance and financial crime. Cost pressures will continue to weigh on TradFi incumbents, FinTechs, crypto asset service providers and issuers alike, encouraging selective consolidation, partnering and the re platforming of critical processes. Horizon scanning and regulatory change management must remain robust, with clear ownership, scenario planning and cross border mapping of equivalence, recognition and substituted compliance options where available.

In the absence of comprehensive equivalence in several areas, well governed third country strategies and documentation playbooks are essential.

None of this precludes opportunity. Institutions that approach 2026 with a strategic lens—re evaluating legal entity structures, market access routes, product sets and technology stacks—can position to benefit from deeper EU capital markets, growing retail participation, digital first operating models and the gradual normalisation of new regulatory perimeters. The “new normal” remains both demanding and investible. The task for the year is to navigate it confidently, protect the downside and be ready to seize the right openings across regions and asset classes.

Across all sectors, the defining feature of 2026 is not the volume of simplified and/or new rules, but the depth of supervisory expectation and the increasing use of financial regulation as a strategic and geopolitical instrument.

Firms that succeed will be those that:

- anticipate divergence rather than convergence,
- embed regulatory strategy into business strategy, and
- invest in governance, data and operational resilience as core capabilities rather than compliance overlays.

Looking ahead:

Firms should institute an enterprise-level regulatory critical path covering prudential, conduct, resilience, and data requirements. This should be owned by a single executive sponsor and reviewed quarterly by the board to navigate complexity, protect against downside risk, and maintain readiness to seize strategic opportunities.

We look forward to continuing this conversation with you and supporting you as you navigate the evolving EU and global financial services landscape.

The pressures highlighted above and resulting legislative, regulatory and/or supervisory responses are likely to also further change how financial market participants choose to structure, execute, book, custody and document their transactions as well as how and where they conduct their regulated and non-regulated activity. The demand for and emergence of novel financial intermediation methods may give rise to fresh benefits and opportunities but equally new ethical considerations and supervisory challenges.

Key considerations for financial services firms and market participants

Financial services firms and market participants operating throughout the EU's Single Market will need to stay more agile than ever before. They are expected to navigate an increasingly complex array of often overlapping and competing requirements within the EU. This complexity is heightened by the significant expansion of the EU's Single Rulebook on financial services, with certain new chapters having become effective in 2025, while others are scheduled to take effect between 2026 and 2027.

These new chapters of the Single Rulebook also extend to encompass new thematic areas. Many of them have extraterritorial impact and some may overlap and/or compete with rules and expectations in (non-EU) third countries. This specifically applies to EU reforms to existing rules and introduction of new comprehensive frameworks – ranging from (digital) operational resilience through to FinTech and generative artificial intelligence (**GenAI**) – along with rules on crypto-assets as well as

the more fundamental move in the EU, UK and Switzerland to shorten settlement cycles to T+1 with an optimal transition date (currently at the time of writing) recommended as 11 October 2027.

The impact of the developments explored in this publication will be felt across all market sectors and asset classes of the EU's financial markets as well as for firms based beyond the EU's borders looking to access or otherwise engage with the EU's Single Market. This

also puts pressure on securing and retaining sufficient talent for various roles in business units and control functions. Cost and resourcing optimisation pressures are likely to continue for traditional financial (**TradFi**) services firms and other market participants as well as for FinTechs and crypto-asset service providers (**CASPs**) and issuers (**CAIs**).

Such pressures summarised above are also likely to be felt in multiple waves. Some may be easy to spot and some may be more sudden.

Differing priorities, agendas and paths that the EU and its global peers may continue to take, including as to the speed and depth of (de-)regulation, will all likely mean that firms, regardless of market sector and asset class, may have to step up their horizon scanning

efforts on what applies to them when, where and how as well as how to comply with competing principles and obligations. Navigating issues around extraterritoriality and lack of conceptual or approved equivalence, in order to efficiently conduct their business, will likely become ever more important.

Ultimately for those stakeholders that perhaps do choose to use 2026 to adopt a (perhaps even more dedicated) strategic approach as to how they structure, operate and expand their activities across markets and asset classes, 2026, despite the uncertain and often difficult outlook, may still present a number of attractive opportunities on the horizon. However, all of this warrants financial services firms and market participants carefully navigating the new "new normal" and being poised to seize opportunities across regions and markets.

We trust that you find this multi-jurisdictional guide informative reading and look forward to continuing the conversation!

Your PwC Legal Financial Institutions Regulatory Europe (**FIRE**) Team and your EU RegCORE Team

Aims and structure of this Background Briefing

Aims of this Background Briefing

Our Frankfurt based EU Regulatory Compliance Operations, Risk and Engagement (**EU RegCORE**) centre has collated the key points in this Background Briefing as a non-exhaustive "playbook" for regulated firms and market participants as well as specifically for Banking Union Supervised Institutions (**BUSIs**) (collectively firms) that are either (i) already based in or (ii) otherwise setting-up in the EU-27 and/or the Banking Union as well as the euro area.

Navigating 2026 should be read together with further Thought Leadership (Client Alerts, Background Briefings and other Whitepapers) available from our EU RegCORE along with further publications and resources as available from other parts of PwC Legal and/or PwC.

Structure of this Background Briefing

This Background Briefing is split into three parts. Each part provides a non-exhaustive overview of the key themes for financial services firms and what this may mean for their compliance priorities.

This Background Briefing is not aimed as a substitute for legal advice tailored to your business nor is it meant to be an overview of propositions and solutions from any member firm of the global legal network of PwC Legal Business Solutions (PwC Legal) or the international network of PwC.

This (public) version of this Background Briefing is compiled as at 23 January 2026 and replaces previous versions that may have been shared with selected readers.

Please reach out to us for more information about PwC Legal's or PwC's value propositions in any of these legal, regulatory and risk domains, and we will connect you to the right colleague from PwC Legal or from PwC's EMEA Financial Services network.

If you would like to discuss the contents herein in further detail, such as how the EU's legislative, regulatory and supervisory priorities for 2026 translate into firm-specific legal, regulatory and risk workstreams and possible compliance solutions, please do get in contact with PwC Legal's EU RegCORE at or via de_eufinreg@pwc.com

We hope you find this Background Briefing useful!

Your PwC Legal Financial Institutions Regulatory Europe (**FIRE**) Team and your EU RegCORE Team!

Part 1: 2026 priorities of the Banking Union supervisory authorities and policymakers, comprised of the:

- European Central Bank – Banking Supervision (**ECB**) in its role at the helm of the Single Supervisory Mechanism (**SSM**) and the national competent authorities (**NCAs**) participating in the SSM.
- Single Resolution Board (**SRB**) in its role at the helm of the Single Resolution Mechanism (**SRM**) and the national resolution authorities (**NRAs**) participating in the SRM.

Part 2: 2026 priorities of the European Supervisory Authorities (**ESAs**):

- The focus areas of the individual ESAs comprised of the:
  - European Banking Authority (**EBA**),
  - European Securities and Markets Authority (**ESMA**), and
  - European Institutional and Occupational Pensions Authority (**EIOPA**).
- The focus areas of the Joint Committee (**JC**) of the ESAs.
- AMLA's priorities as it begins its operations out of Frankfurt.

Part 3: 2026 priorities for financial services of the European Commission including the Savings and Investments Union (**SIU**) strategy and the latest Market Integration and Supervision Package (**MIP**).

Global Governance of Financial Services Regulation

Global

Make recommendations to enhance global financial stability (outside of **BCBS**).

MoF & NCAs contribute to meetings.

FSB FINANCIAL STABILITY BOARD

Basel Committee on Banking Supervision

Make recommendations on harmonized international standards for large, cross-border banks.

National supervisors contribute to Basel discussions, and heads of supervision agree on final recommendation.

European level

EU Member States suggest amendments and negotiate a common position on EC proposal.

Council of the European Union

EP members negotiate a common position on EC proposal.

Parlamentum Europaeum

European Commission

EC makes legislative proposals, based on FSB/BCBS. When EP & Council have a position, they negotiate with EC on final compromise.

EC reviews & adopts RTSs from EBA.

EBA EUROPEAN BANKING AUTHORITY

Definition of Guidelines and RTS based on EU Regulations and Directives.

Issue Recommendations & Opinions on relevant matters.

ESRB European Systemic Risk Board

Monitor developments in financial system. Issue warnings to governments/private sector.

EUROPEAN CENTRAL BANK EUROSYSTEM

Direct supervision of significant banks in the Eurozone, coordinate supervision of less significant institutions.

Publish guidance & manuals on implementation of EU publications.

ESMA

Assess risks to investors, markets and financial stability. Direct supervision of credit rating agencies and trade repositories.

Local level

Implements European legislation into national legislation.

Contributes to discussions in the Council and FSB.

National Competent Authority (NCA)

Ministry of Finance

Supervise less significant banks in the Eurozone, coordinated by the ECB, based on EU-law & national legislation.

Contribute expertise to ECB, EBA, BCBS and FSB bodies.

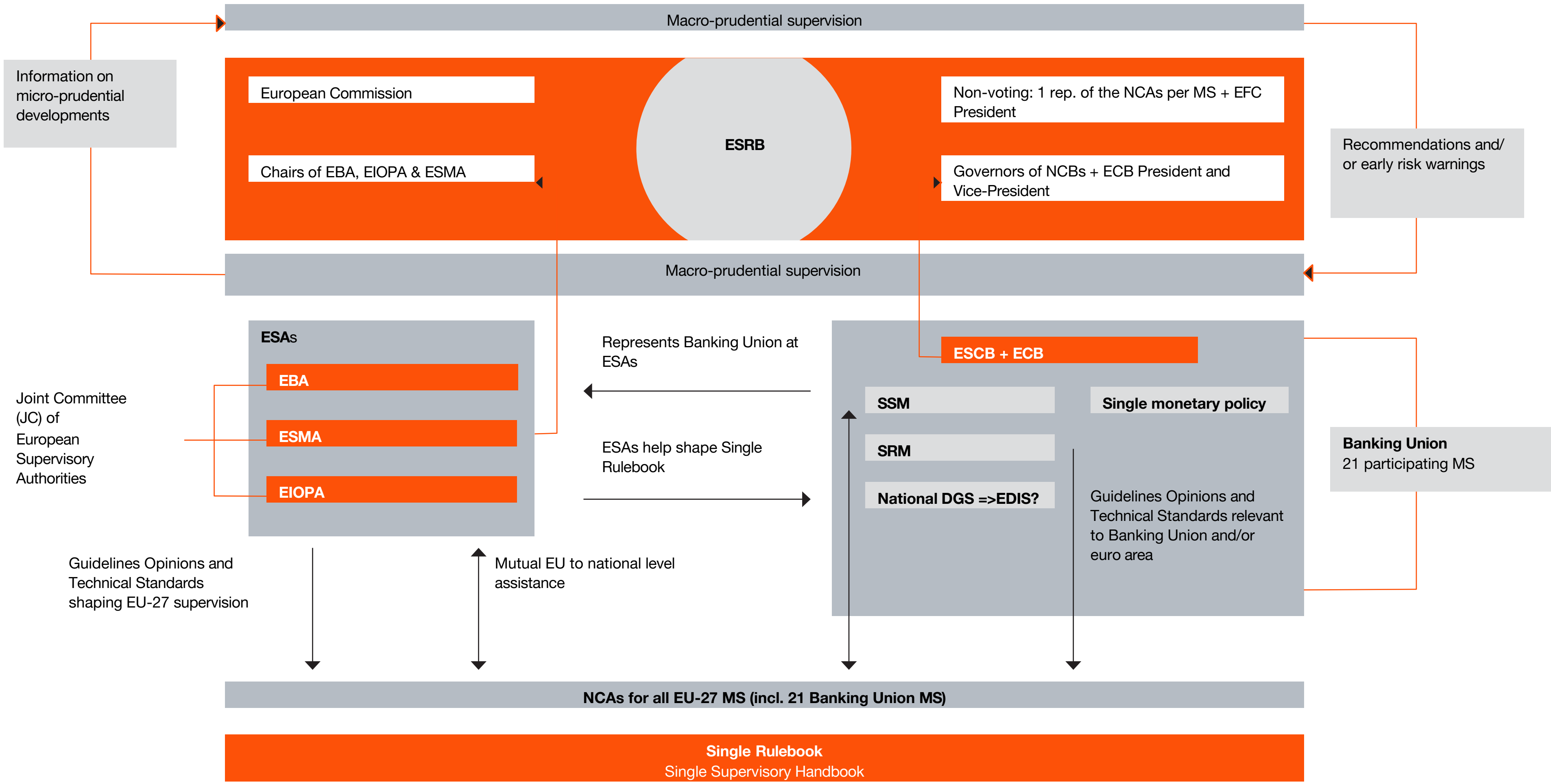
Legend:

BCBS = Basel Committee on Banking Supervision
EBA = European Banking Authority
EC = European Commission
ECB = European Central Bank

EP = European Parliament
EU = European Union
MoF = Ministry of Finance
NCA = National Competent Authority

FSB = Financial Stability Board
RTS = Regulatory Technical Standard
Eurozone = euro area Member States

Simplified overview of the European System of Financial System of Supervision (ESFS)



Legend:

DGS = Depositor Guarantee Scheme
EBA = European Banking Authority
EDIS = European Deposit Insurance Scheme (proposed)
EIOPA = European Insurance and Occupational Pensions Authority

EFC = Economic and Financial Committee
ESAs = European Supervisory Authorities
ESCB = European System of Central Banks
ESMA = European Securities and Markets Authority
ESRB = European Systemic Risk Board
MS = Member State

NCAs = National Competent Authority comprised of national supervisory authorities and national resolution authorities
NCBs = National Central Bank
SRM = Single Resolution Mechanism
SSM = Single Supervisory Mechanism

Common themes across 2026 work programmes may pose differing compliance challenges and supervisory scrutiny for firms

As in previous years, each of the EU level authorities and NCAs participating in the ESFS has published an individual Annual Work Programme (**AWP**) for 2026, with some authorities also using Multi Annual Programmes (**MAP**) or Single Programming Documents (**SPD**) to set priorities beyond 2026. These outputs collectively signal a decisive move from framework build out to execution, with an emphasis on supervisory convergence, data driven oversight and operational resilience.

Each programme spans extensive detail on planned supervisory, policy and operational deliverables. While mandates and sectoral focus differ, common themes are pronounced and, in several areas, expressly coordinated through joint ESA activity under the Joint Committee (JC).

In 2026, the JC's cross sector agenda consolidates work on digital operational resilience (DORA), consumer protection under the EU's Savings and Investments Union (SIU), sustainable finance (including ESG stress testing principles) and supervisory coherence in areas such as securitisation, financial conglomerates and innovation facilitators.

Authorities continue to focus on reducing fragmentation and simplifying the Single Rulebook to improve EU competitiveness, though this may not immediately reduce compliance burdens.

This strategy increasingly involves EU-level supervisory handbooks, Common Supervisory Actions (**CSAs**), peer reviews and mystery shopping to ensure consistent outcomes across Member States.

For firms, this results in more uniform supervisory expectations and fewer national divergences, particularly for cross border activities even if there is still room for improvement.

Efforts to reduce fragmentation during 2026 span:

(i) targeted simplification and burden reduction initiatives tied to the SIU and overall competitiveness agenda;

(ii) convergence tools (e.g., CSAs, peer reviews, supervisory colleges) and

(iii) tighter EU level coordination on cross sector risks and crisis preparedness. Firms should expect more data driven requests and coordinated approaches by EU and national level authorities across the EU-27.

With several major files now moving into operational phases, 2026 will see intensified supervisory execution.

ESMA broadens direct supervision to CTPs, ESG rating providers and European Green Bond external reviewers; the ESAs run the first full DORA oversight cycle for Critical ICT Third Party Providers (**CTPPs**) and operationalise the EU level systemic cyber coordination framework (**EU SCICF**); and the EBA focuses on CRR III implementation, third country branch standards and integrated reporting.

In prudential terms, the ongoing (even if delayed) implementation of the "Basel III endgame" in the EU via CRR III/CRD VI remains a supervisory priority, with the SSM signalling targeted inspections on standardised approaches, scrutiny of the operational risk Business Indicator and close attention to ICAAP alignment with output floor trajectories and geopolitical stress. Firms should anticipate earlier on-site work, tighter remediation timelines and faster escalation where weaknesses persist. Crypto-asset work continues to transition from policy to implementation. The EBA will engage in direct oversight of significant asset referenced and e money token issuers under MiCAR, while also establishing a central validation function for initial margin models under EMIR—developments that will increase data, governance and model validation expectations on relevant firms.

Common themes across 2026 work programmes may pose differing compliance challenges and supervisory scrutiny for firms

Digital operational resilience, third party risk and cyber — execution year

2026 marks the first full CTPP oversight cycle under DORA, with the JC designating lead overseers, forming Joint Examination Teams and issuing recommendations that will cascade into firms' third-party contracts and ICT risk management. Firms should expect pressure to re paper audit and access rights, sub outsourcing controls, data portability and exit provisions, alongside heightened expectations for concentration risk analysis and executable exit strategies.

The EU-SCICF will be tested and further operationalised, with authorities emphasising harmonised incident taxonomies, protocols and situation reporting. Participation in cross border cyber exercises and readiness for coordinated crisis communications will become practical expectations.

For banks, the SSM will run targeted on-site campaigns on cyber and third-party risk, probe cloud concentration and test disruption preparedness, including threat led penetration testing and IT change management controls. Evidence of end-to-end mapping of critical functions, tested failover and credible exit plans will be scrutinised.

EIOPA will support NCAs on DORA supervision (including cyber incident reporting and TLPT), conduct mystery shopping on digital distribution and intensify board level expectations on ICT risk oversight and third-party risk management, with more frequent and detailed interactions.

Supervisory convergence and data driven oversight

ESMA will further embed convergence through CSAs, supervisory colleges and a single EU Supervisory Handbook, underpinned by expanded SupTech and the ESMA Data Platform. Expect more frequent, coordinated information requests, analytics driven risk targeting and closer scrutiny of data quality and timeliness.

The JC will continue to provide a "signal function" via joint analyses of risks and vulnerabilities, with outputs informing Union wide supervisory priorities across liquidity, interest rate and credit migration risks, operational resilience and sustainability transition risks. Firms should align ICAAP/ILAAP/ORSA narratives and management actions accordingly.

The EBA will expand peer reviews (e.g., MiCAR white papers, ICT risk, resolution planning) and push earlier, top-down convergence, while advancing integrated reporting to reduce costs and improve harmonisation—supported by EUCLID and a proposed EU wide data request repository.

Consumer protection, retail markets and mystery shopping

Retail investor protection is a central strand across the ESFS. ESMA will continue thematic reviews and mystery shopping focused on digital disclosures and cross border provision and may recalibrate PRIIPs KID RTS subject to legislative outcomes under the SIU agenda. Manufacturers and distributors should plan for possible KID update cycles and stricter expectations on the clarity of performance and cost disclosures.

EIOPA will run its first coordinated mystery shopping exercise, build a conduct risk dashboard and address digital conduct risks such as dark patterns, while promoting value for money outcomes in insurance distribution.

Common themes across 2026 work programmes may pose differing compliance challenges and supervisory scrutiny for firms

Sustainable finance and ESG controls

The JC will deliver cross sector guidelines on ESG stress testing principles under CRD VI and Solvency II by January 2026, driving coherence in scenarios, model governance and board oversight across banking and insurance groups. Firms should sustain SFDR control environments while anticipating definitional/template changes from the Level 1 review and prepare standardised website disclosures where ESG ratings are used in marketing, in line with the ESG Ratings Regulation trajectory.

ESMA's work on greenwashing and transition finance, combined with its new direct supervision of ESG rating providers and European Green Bond external reviewers from mid 2026, will materially raise the bar on governance, data quality and transparency in sustainability related assessments and labelling.

EIOPA expects sustainability risk materiality assessments within ORSA to be credible, scenario based and aligned to investment decision making, with substantiation of sustainability claims to prevent greenwashing.

AI, digitalisation and innovation facilitation

Authorities are converging on a cautious, technology neutral approach to AI, with the ESAs coordinating between financial sector sandboxes and AI Act sandboxes. Supervisors will benchmark firms against BigTech/Mixed Activity Group operating models in data governance and model risk and will expect AI registers, risk tiering and human in the loop controls for high impact use cases.

The EBA will chair EFIF in 2026, monitor AI/ML, DeFi and BigTech market entry and support the Supervisory Digital Finance Academy, signalling continued supervisory up skilling and more structured innovation engagement.

AML/CFT and institutional changes

The EBA's AML/CFT tasks will transfer to the new AMLA, with 2026 planning already reflecting resource reallocation and emphasis on the AML package's operationalisation. Firms should anticipate tighter coordination and expectation setting as AMLA stands up its mandate.

Practical implications for firms

- **Governance and accountability:** Boards are directly accountable for DORA execution, RDARR remediation, and the integration of climate and nature related risks, supported by high quality management information (**MI**) and time bound action plans. Significant institutions should expect more granular Supervisory Review and Evaluation Processes (**SREP**s) and horizontal benchmarking.
- **Third party and ICT risk:** Firms must prepare for the impact of CTPP oversight on outsourcing contracts, including demonstrating concentration risk analysis, substitutability assessments, and tested exit plans aligned with DORA taxonomies and thresholds.
- **Prudential implementation:** Run attestations on CRR III standardised approaches, remediate classification/collateral defects and align ICAAP to output floor phasing; monitor ECAI mappings for capital impacts.
- **Reporting and data**: Expect integrated, machine-readable disclosure demands under ESAP and broader data quality.

Common themes across 2026 work programmes may pose differing compliance challenges and supervisory scrutiny for firms

- **Conduct and retail**: Anticipate further PRIIPs KID recalibration and coordinated mystery shopping in digital channels; calibrate product governance and disclosure controls to harmonised supervisory priorities.
- **Sustainable finance**: Prepare for cross sector ESG stress testing principles, reinforce SFDR controls during the Level 1 review and ensure robust governance over ESG ratings use in marketing and product labelling.
- **Crypto and EMIR models**: For in scope entities, engage early with MiCAR supervision and strengthen initial margin model validation frameworks under EMIR's central validation function.
- **Cross border oversight**: Expect more consistent use of CSAs, colleges and independence assessments of NCAs, reducing scope for arbitrage and increasing predictability of enforcement.

In short, the 2026 cycle is an execution year. Firms that invest early in third party resilience, model governance, data integrity and clear consumer facing disclosures will be best placed to navigate coordinated, outcome focused EU supervision.

Looking ahead – what are the next big 10 "Wishlist moves" for 2027 and would they be advanced?

The EU financial services framework today suffers from a paradox: the law is highly harmonised, yet outcomes remain fragmented, supervisory practices diverge, and cross-border scaling remains costly and uncertain. The binding constraint is increasingly behavioural:

supervisory and Member State incentives that reward conservatism, delay, and national anchoring over cross-border consistency. Identical rules are still applied differently because incentives differ, not because law is missing.

The barriers to reform are primarily political-economic and institutional. Delays and divergence persist because they are rational under current incentives: supervisors face concentrated personal and reputational downside for permissiveness and diffuse costs for conservatism, while Member States benefit from retaining authorisation leverage, fee income, and oversight over national champions. Without changing these incentives, naming-and-shaming yields limited convergence.

With 2026 underway what else might EU financial services regulatory policymakers look to advance for the 2027 supervisory cycle?

One area that repeatedly was raised (as explored in a standalone Thought Leadership publication available from our EU RegCORE) was whether the EU could instead of treating authorisations and approvals as simply a binary event, could learn from other jurisdictions (such as the UAE with "in principle approvals" and certain other jurisdictions) in much the same way as the UK is (currently) planning on doing, to facilitate "early authorisation" reforms and introduce staged/graduated/phased permissioning and/or "in principle authorisation" and/or provisional license mechanisms, which would sit outside of sandboxes, but allow for such earlier controlled entry into certain defined regulated activity ahead of receiving full permissions.

Common themes across 2026 work programmes may pose differing compliance challenges and supervisory scrutiny for firms

We also asked a number of our clients representing various market sectors for their ideal "Wishlist moves" for EU financial services policymakers by and during 2027.

Respondents showed strong consensus, urging policymakers to (i) improve the operationalisation of proportionality rules and (ii) balance harmonised reforms with the need to reinvigorate EU growth and competitiveness against global peers.

Independent to our discussions with clients, we used a number of targeted (and carefully curated) prompts across various public and proprietary-trained GenAI models to scenario-plan. Such prompts can be summarised in the following:

"Please adopt the persona of a "super AI financial services policymaker engine" and provide 10 reasoned policy decisions on how the EU should improve its financial services legislative, regulatory and supervisory environment by 2027 and the reasoning why"

The responses from clients and GenAI were notably similar, particularly on core issues like improving authorisation timelines and addressing market entry barriers and competitiveness trade-offs resulting from approval delays.

A 10-point Wishlist for 2027 – a scenario plan

We have summarised the results from both client feedback and carefully curated GenAI responses (adopting a hypothetical scenario planning model) into 10 concrete, system-level reforms the EU could consider implementing by 2027. For each, we provide the policy rationale and an assessment of current progress within the 2026 and prior regulatory cycles.

10-Point Wishlist for 2027	
1. Move from "Maximum Harmonisation in Law" to "Operational Harmonisation in Supervision"	***Proposal:*** Shift the policy focus from ever-more detailed Level 1 and Level 2 rules to binding supervisory handbooks and EU-wide supervisory playbooks (particularly under ESMA/EBA/EIOPA). ***Why:*** • The EU's problem is no longer legal divergence but supervisory fragmentation • Identical rules are applied materially differently across Member States • Firms face "regulatory arbitrage by supervisor", not by law • A single supervisory interpretation is more valuable than another RTS ***Ideal outcomes by 2027:*** • Predictable supervisory outcomes • Reduced forum shopping • Faster cross-border scaling
2. Establish a single EU prudential supervisor for all systemically relevant financial entities	***Proposal:*** Extend direct EU-level supervision beyond significant banks to include: • Systemic investment firms • Major crypto-asset service providers • Tier-1 CCPs and trading venues ***Why:*** • Financial risk is now activity-based, not sector-based • Systemic non-banks operate cross-border but are supervised nationally • National supervisors lack incentives to internalise EU-wide spillovers ***Ideal outcomes by 2027:*** • Consistent risk management expectations • Reduced "home state bias" • Improved crisis preparedness

3. Introduce an EU "Regulatory Sunset & Simplification Mechanism"	***Proposal***: Every major financial services regulation must: • Expire or be reviewed after 5–7 years • Be assessed against cost-of-capital, innovation drag, and market exit data ***Why***: • EU regulation is additive but rarely subtractive • Complexity compounds compliance costs disproportionately for EU firms • Legacy rules (e.g. post-GFC layers) no longer reflect market reality ***Ideal outcomes by 2027:*** • Leaner rulebook • Reduced compliance deadweight • Stronger global competitiveness
4. Re-anchor EU financial regulation around capital formation, not only risk reduction	***Proposal:*** Introduce a formal "Capital Markets Impact Test" for all new legislation. ***Why:*** • EU policymaking is structurally biased toward risk minimisation • Underweights growth, liquidity, and investor participation • Contributes to EU under-investment relative to the US ***Ideal outcomes by 2027:*** • Deeper capital markets • Lower cost of capital for EU corporates • Better financing of green, digital, and defence transitions
5. Replace sector-specific digital finance rules with a unified "Financial Activity & Technology Framework"	***Proposal:*** Consolidate overlapping regimes (MiFID, MiCAR, DORA, PSD, AI Act) around: • What activity is performed • What risks arise • What technology is used ***Why:*** • Technology-specific legislation ages rapidly • Firms face overlapping, inconsistent compliance obligations • Risk is driven by function + scale, not legal label ***Ideal outcomes by 2027:*** • Future-proof regulation • Technology-neutral supervision • Reduced regulatory arbitrage

6. Create an EU-wide authorisation passport with binding timelines

Proposal:
A single application → single assessment → automatic EU passport with hard approval or refusal deadlines.

Why:
- Authorisation delays are a hidden barrier to entry
- National discretion creates unpredictability
- Slow market entry benefits incumbents, not consumers

Ideal outcomes by 2027:
- Faster innovation
- Increased competition
- Higher inbound investment into the EU

7. Institutionalise regulatory experimentation via permanent EU sandboxes

Proposal:
Create standing, sector-agnostic EU sandboxes with:
- Safe-harbour legal treatment
- Direct ESA involvement
- Pre-agreed exit or scale-up paths

Why:
- One-off pilots do not change supervisory culture
- Innovation requires controlled risk-taking by regulators, not only firms
- The US and UK already internalise this advantage

Ideal outcomes by 2027:
- Faster policy learning
- Earlier risk identification
- More innovation retained in the EU

8. Rebalance accountability: supervisors must justify "over-compliance"

Proposal:
Introduce a legal duty requiring supervisors to:
- Explicitly justify gold-plating and conservative interpretations
- Assess proportionality and market impact

Why:
- Supervisory risk aversion is rational but economically costly
- No counter-weight currently exists
- Over-compliance is rarely challenged but widely harmful

Ideal outcomes by 2027:
- More proportionate supervision
- Increased trust between firms and regulators
- Better risk-reward balance

9. Build a unified EU financial data infrastructure

Proposal:
Mandate machine-readable reporting into a single EU regulatory data lake.

Why:
- Firms report similar data multiple times in different formats
- Supervisors under-use data they already receive
- AI-driven supervision requires standardised inputs

Ideal outcomes by 2027:
- Reduced reporting burden
- Better risk analytics
- More preventive (not reactive) supervision

10. Treat regulatory clarity as a strategic asset in global competition

Proposal:
Adopt an explicit EU policy that:
- Regulatory predictability is a competitiveness goal
- Major interpretative changes require transition periods
- Supervisory guidance is consolidated, public, and binding

Why:
- Capital is mobile; uncertainty repels it
- Firms price regulatory risk into investment decisions
- The EU already has high standards—clarity multiplies their value

Ideal outcomes by 2027:
- Increased global market share of EU financial centres
- Stronger euro-denominated markets
- Enhanced strategic autonomy

A 10-point Wishlist for 2027 - What is already being done and what is not?

Several reform directions or at least concepts highlighted in the Wishlist above are already underway: incremental centralisation via ESMA direct powers (MiCAR; CMU/SIU in particular the Markets Integration and Supervision Package (**MIP**)*); convergence tools and handbooks; omnibus reporting simplification; and a renewed competitiveness/strategic autonomy narrative. These initiatives are directionally correct but avoid confronting the most politically sensitive issues. Conspicuously missing from the current reform agenda are a binding EU-wide authorisation regime with enforceable timelines; systematic regulatory sunset or subtraction mechanisms; statutory limits on supervisory gold-plating; legal safe harbours for supervisory experimentation; and a formal obligation to treat regulatory predictability as a competitiveness objective. The absence of these measures is not accidental; each strikes at entrenched institutional incentives.

A. Proposals already aligned with or underway in EU reforms during 2026

Proposal	Status in EU policy	Sources/Notes
1. Operational harmonisation & supervisory playbooks	Partially underway	The EU Market Integration & Supervision Package (MIP) aims to harmonise supervision and reduce fragmentation via expanded EU-level tasks and amendments to MiFIR, EMIR and SFTR.
2. Single EU prudential supervisor for systemic entities	Partially under discussion	Proposals expand ESMA's direct supervision over large trading venues, CCPs, CSDs, and crypto service providers, moving toward more centralised oversight.
3. Reporting simplification & integrated data frameworks	In progress	Initiatives are underway to reduce reporting burdens via omnibus packages and to develop a future integrated reporting system by 2030.
4. Enhanced capital markets integration & reduced fragmentation	Under active proposal	The CMU/SIU MIP targets reducing cross-border frictions and 27-state fragmentation.
5. Capital Markets Union (CMU) focus/Savings and Investments Union (SIU)	Ongoing	CMU/SIU remains high on the EU agenda—enhanced market integration and cross-border investment are central goals.
6. Supervisory convergence tools & expanded mandates	Work programmes exist	ESMA's 2026-28 programme reflects mandates related to DORA/MiCAR and supervisory convergence actions.
7. Omnibus reporting simplification initiatives	Planned already	Four omnibus simplification packages are in the pipeline, including simplifying MiFID and reporting requirements.

B. Proposals that are not currently enshrined or are still novel in 2026

Proposal	Status in EU policy	Rationale
1. Full single EU prudential supervisor	Not yet fully proposed	Current proposals expand ESMA's powers but do not create a single consolidated EU supervisor or abolish national prudential supervisors.
2. Sunset & simplification mechanism for all major regulations	Not formally proposed	While simplification is discussed, systematic sunset reviews are not part of the current EU legislative agenda.
3. Capital Markets Impact Test	Not yet formal	The idea of a structured growth/competitiveness impact test explicitly incorporated into all regulatory proposals is not currently EU law practice.
4. Unified activity and technology framework replacing sectoral digital rules	Not proposed	DORA and other tech rules exist, but there is no single unified regulatory framework replacing MiFID, PSD, MiCAR, etc., based on activity + technology.
5. Binding EU-wide passport with hard timelines	Not yet formal	Although authorisation passports exist, they lack the strict EU-wide timelines and automatic outcomes for missed deadlines that are being proposed.
6. Permanent EU sandboxes with legal safe harbours	Not formalised	Several countries operate sandboxes, and the EU has innovation hubs, but permanent cross-sector EU-wide sandboxes with safe harbours are not yet codified.
7. Duty on supervisors to justify over-compliance	Not currently regulated	Supervisory accountability reform along these lines has not been formally proposed.
8. Regulatory clarity as explicit competitiveness policy goal	Not formalised	Competitiveness is referenced, but there is no standing legal requirement to treat clarity as an overriding objective.

* Available here.

A 10-point Wishlist for 2027 - Implications of the above for EU policy strategy by 2027?

The EU is already doing well in certain areas, such as pursuing incremental centralisation without Treaty change, reframing the regulatory narrative toward competitiveness, and implementing targeted simplification where it is politically easy.

While moving from incremental centralisation to a single EU prudential supervisor as a concept is analytically coherent, it is politically unrealistic before 2029 at the earliest. The practical path for this cycle is functional centralisation through procedural discipline-notably via the two leverage reforms-to deliver convergence without constitutional confrontation. The reforms flagged as challenging are not blocked by technical complexity but by the institutional incentives detailed above.

Despite the successes, the EU is still avoiding hard choices in critical areas. These include establishing supervisory accountability, mandating regulatory sunsets, imposing binding procedural discipline on NCAs, and providing liability protection for experimental supervision.

The EU's approach to these barriers, however, is designed to minimise political conflict, avoid direct confrontation with NCAs, and preserve maximum institutional optionality. As a result, most reforms are advancing indirectly, slowly, and incompletely - by design.

At present the Wishlist above can be segmented in terms of practical and political “difficulty” as follows:

Realistic by 2027:

- Expansion of ESMA supervisory roles
- Deeper capital markets integration via MIP
- Continued omnibus reporting simplification
- Early steps toward integrated data frameworks

Challenging by 2027 without political shift:

- Fully centralised prudential supervision
- Sunset mechanism for financial laws
- Binding timelines for authorisations
- A new unified regulatory structure
- Permanent EU sandboxes
- Formal supervisory accountability regime

The primary barriers to achieving more meaningful reform (whether to meet the Wishlist or not) in a timely manner are not a lack of ideas or technical capacity. Rather, the key obstacles are: (i) misaligned incentives (ii) fear of blame; and/or (iii) fragmented political ownership. By 2027, the decisive gains may (hopefully) come from procedural discipline rather than architectural redesign.

The path forward is not revolutionary but disciplined: fix the procedures, align the incentives, and let institutional structure evolve as a consequence, not a precondition. That is how the EU can convert regulatory ambition into market reality.

To overcome the political barriers the ***most powerful policy lever by 2027*** is (perhaps) to reframe relevant initiatives as essential for competitiveness, strategic autonomy, and defence financing, rather than simply as “financial regulation reform”.

Breaking down the Wishlist and its barriers analysed above the following pages overleaf set out the current state of play of efforts as well as aspirations.

Where are the barriers to the Wishlist and what specifically can be done to overcome them? (1/2)

	Fully centralised EU prudential supervision[1]	Regulatory sunset & mandatory simplification mechanism	Binding EU authorisation passport with hard timelines
Where the barriers are:	**A. Member States (PRIMARY):** Loss of: supervisory sovereignty, fee income, domestic influence over champions ; Smaller states fear marginalization while Larger states fear loss of strategic tools **B. National Competent Authorities (NCAs):** Existential threat to mandates and headcount; Institutional resistance masked as "subsidiarity concerns" **C. Treaty & case law constraints:** Meroni doctrine limits delegation of discretionary powers; Political reluctance to reopen Treaties before 2029+	**A. Commission incentives:** Political reward for proposing rules, not deleting them; No internal KPI for regulatory subtraction **B. Parliament:** Sunset clauses perceived as deregulatory; Ideological resistance from parts of the hemicycle **C. Supervisors:** View sunsets as increasing legal risk; Prefer stable, ever-expanding rulebooks	**A. NCAs:** Authorisation is their strongest leverage tool; Timelines reduce discretionary control **B. Supervisory risk aversion:** Fear of "forced approval" leading to blame; Preference for open-ended processes **C. Legal culture:** EU administrative law prioritises process over speed
What can be done:	**By the European Commission:** Functional centralisation, not formal abolition; Start with systemic designation triggers; Expand direct supervision via existing ESAs (esp. ESMA); Use Article 114 TFEU creatively (internal market harmonisation) **By the ECB / SSM /SRB:** Provide a proof-of-concept success narrative; Share crisis-management data demonstrating cross-border spillovers; By Industry (large cross-border firms); Coordinate messaging around: legal certainty; lower cost of capital; global competitiveness Stop lobbying nationally; lobby pan-EU **Bottom line:** Unlikely by 2027 in pure form but possible via stealth expansion of EU direct supervision including via MIP.	**By the Commission (PRIMARY):** Embed sunsets procedurally, not ideologically: automatic post-implementation reviews; data-driven effectiveness metrics; Frame as risk-based optimisation, not deregulation **By the Council:** Large Member States (FR, DE, NL) jointly push simplification; Tie simplification to competitiveness & defence financing **By Industry:** Provide empirical exit & cost data; Coordinate across sectors (banks + markets + fintech) **Bottom line:** Politically sensitive but achievable if reframed as efficiency, not rollback	**By EU Legislator:** Introduce strengthened "comply or explain" timelines; No automatic approval—but mandatory escalation to ESA **By ESAs:** Act as adjudicators of delay disputes; Publish benchmarking on authorisation timelines **By Firms:** Challenge delays legally (strategic litigation); Publicise authorisation timelines cross-jurisdictionally **Bottom line:** Hard politically, but feasible incrementally via escalation mechanisms

What is already being done:	**Incremental functional centralisation:**
	• Market Integration and Supervision Package (2024/25): Expands ESMA's direct supervisory remit (e.g. data reporting service providers, certain trading venues); Strengthens ESAs' convergence tools (peer reviews, common methodologies)
	• MiCAR: ESMA/EBA given direct powers over significant CASPs
	• First precedent of EU-level supervision of a fast-growing, systemic activity
		Omnibus simplification initiatives:
		• Commission Work Programme includes:
		    • Reporting burden reduction
		    • Review of SFDR, MiFID reporting, EMIR Refit follow-ons
		    • Explicit political narrative of "reducing administrative burden"
			Soft convergence tools
			ESAs:
			• Publish authorisation opinions and Q&As
			    • Conduct peer reviews on authorisation practices
			    • Some sectoral legislation introduces indicative timelines

What is missing on current efforts:	• No unified prudential supervisor; No consolidation of NCAs • Systemic non-banks (AMs, large IFs) remain nationally supervised	• No automatic sunset clauses • No obligation to repeal rules that fail effectiveness tests • Simplification remains discretionary, not systemic	• No enforceable deadlines • No (non-confrontational) escalation mechanism if NCAs delay • No sanctions for procedural obstruction
Assessment:	• Barrier erosion is happening via stealth, not openly • The EU is clearly testing political tolerance for centralisation without naming it as such • By 2027: expect more direct ESMA supervision, not a single supervisor	• Current action is output-focused (simplify X), not process-focused (always simplify) • Without a mandatory mechanism, complexity will re-accumulate	• Current approach assumes naming-and-shaming changes behaviour • Evidence suggests it does not, where authorisation power is core leverage
Effectiveness:	**Medium** (directionally correct, structurally incomplete)	**Low–Medium** (politically safe, structurally weak)	**Low** (cosmetic convergence, no teeth)

[1] Single supervisor for systemic non-banks, crypto, venues.

Where are the barriers to the Wishlist and what specifically can be done to overcome them? (2/2)

	Permanent EU sandboxes with safe harbours	Supervisory Accountability for "Over-Compliance"	Regulatory Clarity as a Competitiveness Objective
Where the barriers are:	**A. Supervisors:** Cultural aversion to experimentation; Fear of precedent-setting **B. Legal liability** No safe harbour = personal & institutional risk Supervisors have asymmetrical downside **C. Fragmented Innovation Hubs** National pride in domestic sandboxes; underperforming pan-EU sandbox to date	**A. Supervisory culture (CORE BARRIER)** Risk aversion is rational under current incentives No penalty for saying "no", high penalty for being permissive **B. Legal asymmetry** Firms can be sanctioned Supervisors almost never are **C. Political taboo** Accountability perceived as "regulatory capture"	**A. EU Policy Tradition** Stability > predictability Flexibility valued over certainty **B. Fragmented Guidance** Q&As, speeches, supervisory letters, RTS No single source of truth
What can be done:	**By the Commission** Provide explicit legal safe harbour Ring-fence sandbox outcomes from enforcement **By ESAs** Lead sandboxes directly (not coordination only) Rotate supervisory staff through sandbox teams **By Member States** Accept limited loss of control in exchange for EU visibility **Bottom line:** Technically easy, culturally hard. Needs political cover plus liability protection.	**By Legislator** Introduce procedural accountability, not substantive review: obligation to justify gold-plating proportionality assessments on record **By Courts** Strengthen judicial review of supervisory discretion Encourage challenge of conservative interpretations **By Industry** Systematically litigate extreme supervisory positions Build jurisprudence, not just complain **Bottom line:** One of the hardest reforms. Requires cultural shift + legal pressure	**By the Commission** Codify predictability as a policy objective Mandate transition periods for interpretative shifts **By ESAs** Consolidate guidance into binding handbooks Withdraw obsolete Q&As **By Firms** Refuse informal guidance as compliance basis Demand written, published positions **Bottom line:** Low legal barrier, high institutional inertia. One of the highest ROI reforms
What is already being done:	**Marginal judicial pressure** EU courts increasingly review: • proportionality • procedural fairness • Some firms litigate supervisory interpretations	**Marginal judicial pressure** EU courts increasingly review: • proportionality • procedural fairness • Some firms litigate supervisory interpretations	**Narrative shift at Commission level** Competitiveness and strategic autonomy now explicit policy goals Financial regulation increasingly linked to: • CMU/SIU and Competitiveness Agenda • defence financing • green transition
What is missing on current efforts:	• No legal safe harbour • No permanent, cross-sector EU sandbox • Supervisors still bear full downside risk	• No statutory duty to justify gold-plating • No ex ante proportionality obligations • No consequences for overly conservative supervision	• Limited to no (fully binding) legal obligation to ensure predictability • No consolidation of guidance into binding instruments • Q&As remain informal and proliferating
Assessment:	• EU has embraced experimentation rhetorically • But has not reallocated risk away from supervisors • Result: conservative sandbox use	• Accountability is ex post, slow, and firm-driven • Supervisory culture remains unchanged	• This is the most advanced rhetorically • But still not embedded legally or procedurally
Effectiveness:	**Low–Medium** (good pilots, no institutionalisation)	**Very Low** (no systemic reform)	**Medium** (high momentum, low formalisation)

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2026 priorities of the Banking Union supervisory authorities and policymakers

Part 1 – 2026 priorities of the Banking Union supervisory authorities and policymakers

Every year, usually during the fourth quarter, the Banking Union relevant authorities, comprised of the ECB, acting at the helm of the SSM and the SRB, acting at the helm of the SRM, individually publish their AWPs and SPDs setting out their priorities and resourcing for the coming calendar year and beyond. The European Banking Union supervisory authorities have now set out a comprehensive agenda for 2026 that aims to address critical vulnerabilities, enhance financial stability and align regulatory practices of BUSIs as well as across the banking sector more broadly.

The ECB-SSM's supervisory priorities for 2026–2028 focus on two overarching objectives: strengthening BUSIs' resilience to geopolitical and macro-financial risks, and enhancing operational resilience and ICT capabilities, including the management of climate and nature-related risks. Supervisory resources will be calibrated annually to evolving risks and SREP results, with a 2026 thematic stress test on geopolitical scenarios examining solvency, funding and liquidity. Particular attention remains on disciplined credit underwriting and accurate capitalisation under CRR III/CRD VI, alongside credible integration of climate and nature-related risks.

Improving credit risk management frameworks continues to be a central theme, with targeted scrutiny of sensitive portfolios such as SMEs and commercial real estate, together with follow-ups on underwriting standards and loan pricing.

Institutions are expected to strengthen affordability testing, risk-based pricing, early-warning indicators and collateral valuation practices, while tightening governance over IFRS 9 provisioning overlays. These expectations sit alongside end-to-end attestations of standardised approaches under CRR III, including remediation of common defects in exposure classification, risk-weight allocation and operational risk Business Indicator inputs, with clear second-line challenge and ICAAP alignment to output-floor trajectories.

As in previous years, supervision of governance and operational risk management remains a priority. In 2026, however, supervisory intensity will increase for BUSIs with poor SREP outcomes, RDARR gaps or IT weaknesses, driving earlier on-site examinations, tighter remediation deadlines and faster escalation.

Boards will be expected to evidence accountability for delivery on DORA, RDARR transformation and the integration of climate and nature-related risks, supported by high-quality management information and demonstrable progress against time-bound plans. Supervisors further sharpened their tone and expectations through 2025 regarding climate-related and environmental risks, and this will carry through into the 2026–2028 cycle with a shift from awareness to actionability.

BUSIs should be able to evidence credible, Board-owned prudential transition plans integrated with strategy, risk appetite and capital planning, improvements in physical risk quantification and better Pillar 3 disclosures. These requirements will be embedded across credit and capital processes and will be assessed through thematic work and targeted on-site inspections, with enforcement where remediation lags.

Digital transformation and operational resilience are equally significant priorities for 2026. DORA implementation is the centre of gravity for supervisory

Part 1 – 2026 priorities of the Banking Union supervisory authorities and policymakers

work, including targeted campaigns on cybersecurity and ICT third-party risk, threat-led penetration testing, and reviews of IT change management and cloud dependency. From 2026, the EU's direct oversight of critical third-party providers will complement firms' own risk management duties. In parallel, persistent RDARR deficiencies will trigger a system-wide, multi-year remediation strategy with clear escalation pathways, while supervisory attention will extend to digital and AI adoption with a technology-neutral stance focused on governance, model risk, data ethics and third-party controls.

The above-mentioned SSM-focused priorities are complemented by principles specific to the SRM. The SRB's 2026 AWP marks a shift from designing frameworks to executing them, anchored in the SRB's "SRM Vision 2028" and supported by a revamped resolvability assessment methodology and a new rolling, bank-specific multi-annual testing framework. Resolution planning will be simplified and made more crisis-oriented, with increased automation via the IRIS platform and the embedding of "crisis repositories" into IRT workflows to accelerate plan updates and decision-making.

Accordingly, the SRB's focus in 2026 will continue to advance crisis preparedness, resolution planning and operational resolution readiness, with a particular emphasis on MIS capabilities, bail-in operationalisation, operational continuity in resolution and digital/cyber threats, including the interaction of ICT incidents with crisis management. Testing outcomes, OSI findings and Heatmap results will increasingly drive supervisory dialogue and remediation expectations, reinforcing the need for execution-ready playbooks and artefacts rather than narrative plans.

The SRB's agenda also requires financial institutions to prioritise improvements in separability and transferability, the resilience of access to FMI services and readiness to meet liquidity-in-resolution and funding challenges. This includes realistic separability analyses, mapped regulatory permissions, pre-drafted TSAs/SLAs, valuation-ready data repositories and robust liquidity dashboards aligned to SRB principles and SRF interfacing.

The SRF's readiness will be verified in early 2026, with dry runs potentially including testing of the ESM common backstop. The SRB aims to further operationalise resolution strategies and refine crisis communications, supported by upgraded ICT and data tooling for crisis execution, valuation tools, bail-in calculators and liquidity monitoring, and by scaling crisis-readiness training. Oversight of LSIs will be reinforced to ensure consistent standards across Member States, including targeted mini dry runs informed by lessons from the 2024 LSI exercise.

Together, the ECB-SSM and SRB are charting a forward-looking path for the Banking Union as it enters its second transformative decade, having already withstood a number of shocks and stresses. While BUSIs are more resilient than ever before, the 2026–2028 priorities reflect the authorities' commitment to addressing new forms of systemic risk, driving supervisory convergence and fostering resilience and sustainability across the European financial system. These initiatives also align with and are informed by broader EU reforms and debates, including the ongoing CMDI package, IRRD developments, digital finance initiatives such as DORA and MiCAR, and a sharper focus on data, digital resilience and AI governance across the ESFS.

ECB sets out its SSM supervisory priorities for 2026–2028

ECB sets out its SSM supervisory priorities for 2026–2028

The ECB's AWP for banking supervision is the public roadmap for the SSM. It translates the supervisory risk assessment into a concrete plan of work for the year ahead, signalling to significant institutions (**SI**s) – and, by extension, to less significant institutions (**LSI**s) supervised by national competent authorities (**NCA**s) – the areas where supervisory scrutiny will intensify, the methodologies that will be applied and the practical cadence of on-site and off-site engagement.

The ECB-SSM published its 2026 AWP for the period 2026–2028 (for simplicity herein the 2026 AWP) on 18 November 2025. The document builds upon the goals of the previous AWP for the period 2025–2027, yet in 2026 focuses on strengthening banks' resilience to geopolitical and macro financial risks.[3] The ECB-SSM's priorities in the **2026 AWP** also focus on enhancing operational resilience and information and communication technology (**ICT**) capabilities, including the management of climate and nature related (**C&N**) risks. The ECB-SSM's AWP aims to foster cross-sectoral regulatory consistency and supervisory convergence and is thus of relevance to NCAs and more importantly the relevant firms within the scope of the ECB-SSM's and the NCAs' regulatory and supervisory mandates.

Concurrently with the publication of its AWP, the ECB-SSM released its 2025 methodology[4] for its Supervisory Review and Evaluation Process (**SREP**) as well as aggregated results of that exercise.[5]

[3] Available here.
[4] Available here.
[5] Available here.

Key takeaways from the ECB-SSM's 2026 AWP

Key takeaways from the ECB-SSM's 2026 AWP

As in previous years the ECB-SSM's 2026 AWP has outlined an ambitious and comprehensive work programme for 2026, aimed at enhancing regulatory consistency, supervisory convergence and addressing identified vulnerabilities across the Banking Union.

Taken together, the 17 pages of the 2026 AWP communicate the ECB-SSM's requirements and expectations of BUSIs as well as improvements to the ECB-SSM's functioning across the following key priorities for 2026–2028 set out to the right and overleaf:

Priority 1:

Banks should strengthen their ability to withstand immediate macro-financial threats and severe geopolitical shocks – with a focus on the following vulnerabilities amongst BUSIs:

- Supervisors will intensify scrutiny of new lending to prevent future non-performing loan (**NPL**) formation. Focus areas include underwriting discipline, stress aligned affordability metrics and risk-based pricing. Vulnerable portfolios - especially **SME**s and commercial real estate - remain under the microscope, with weaknesses often seen in collateral valuation, early warning design and data quality. Expect a thematic review of underwriting standards, a targeted follow up on loan pricing and credit risk **OSI**s covering origination and provisioning. Banks must maintain prudent underwriting and risk-based pricing to prevent asset-quality decline.

- Supervisors will also scrutinise the implementation of CRR III/CRD VI standardised approaches. Common failings include exposure classification, risk-weight allocation and ineffective second-line controls. The operational risk regime's business indicator is a specific target for reviews. Market risk deep dives will be case-by-case, given timelines for the Fundamental Review of the Trading Book (**FRTB**). The Internal Capital Adequacy Assessment Process (**ICAAP**) must reflect output floor trajectories and adverse geopolitical scenarios.

- Supervisors expect credible, Board-owned prudential transition plans aligned with new EU frameworks, better quantification of physical risk and closure of gaps from the 2022 climate exercises. The programme includes thematic assessments of transition plans and targeted on-site inspections, with C&N expectations embedded across all credit and capital processes.

Key takeaways from the ECB-SSM’s 2026 AWP

Priority 2:

Banks should improve their operational resilience and ICT capabilities – with a focus on the following vulnerabilities amongst BUSIs:

- DORA implementation is a central focus, driving targeted follow ups.
- On-site inspections for cyber and third-party risk, penetration testing and reviews of IT change management and cloud dependencies.
- Persistent risk data (**RDARR**) deficiencies will trigger a system wide strategy. The initial focus is on management body accountability, followed by data-quality management and IT architecture. Banks must provide evidence on data lineage, aggregation controls and the rationale for manual adjustments. Targeted on-site inspections will be deployed for severe findings, with clear escalation paths.
- Supervisors will address strategy, governance, model risk, data ethics and third-party controls through workshops and coordinated engagement with other EU authorities, including in the context of the AI Act.

Key impacts for banks:

- Expect heightened scrutiny of credit risk and capital adequacy (**CRR III**),
- intensified focus on DORA and ICT/cyber resilience (including cloud and TPRM) and
- closer oversight of C&N integration and AI adoption.

Institutions should proactively remediate vulnerabilities, strengthen frameworks and maintain constructive supervisory engagement.

Supervisory approach and planning:

- Priorities translate into an annual Supervisory Examination Programme (**SEP**) for each bank.
- The SSM will blend thematic reviews, targeted deep dives and on-site inspections (**OSIs**).
- Findings drive SREP measures and failure to meet remediation timelines can trigger binding enforcement.

In summary, while the ECM-SSM’s 2026 AWP is comprehensive and forward-looking there have been some changes between the focus, scrutiny and tone of what the ECB-SSM focused on in its 2025 AWP compared to what it plans to do in furtherance of its 2026 AWP’s objectives and the longer-term goals set in the path to 2027 or indeed 2028.

Key impacts for firms

1. Impacts common to all firms:

- ***Governance and accountability***: Boards must own the delivery of DORA, RDARR and C&N integration. Supervisors will test the quality of management information (MI), the adequacy of resources and the timeliness of remediation. Clear accountability maps are essential.

- ***Credit risk and IFRS 9***: Prepare for the underwriting thematic review and loan pricing follow-up. Strengthen affordability testing, risk-based pricing and early-warning systems. For SMEs/CRE, improve collateral valuation, sectoral monitoring and data quality. Tighten governance over provisioning overlays.

- ***Capital and ICAAP***: Run end-to-end attestations of standardised approach implementations; remediate classification and collateral-recognition defects; validate operational-risk BI inputs/mappings. Update ICAAP to reflect output-floor phasing, model/standardised interplay and geopolitical shocks; articulate feasible management actions and dividend capacity under stress.

- ***DORA and operational resilience***: Demonstrate TLPT readiness, incident response maturity and change-management controls. Map critical functions end-to-end, including all dependencies. For cloud services, show evidence of concentration analysis, exit plans and tested failover capabilities.

- ***RDARR***: Treat risk data reform as a transformation, not a patch. Strengthen data ownership, lineage and aggregation controls. Demonstrate tangible progress against a Board-owned, time-bound plan.

- ***C&N and disclosures***: Produce an actionable prudential transition plan that is integrated with strategy, risk appetite and capital planning. Improve physical risk quantification and Pillar 3 disclosure controls.

- ***AI governance***: Maintain an AI register, risk-tiering framework and clear guardrails (e.g., for explainability, privacy and third-party controls). For generative AI, ensure human-in-the-loop oversight and auditability.

2. Significant Institutions (SIs):

- ***Supervisory intensity and scope***: Expect more granular supervisory plans and wider use of horizontal benchmarking. SIs will be prioritised for thematic reviews and on-site inspections (e.g., underwriting, CRR III, cyber and third-party risk).

- ***TLPT and cyber drills***: Expect greater frequency and depth of penetration testing and cyber inspections, with explicit expectations to close findings on time and demonstrate measurable risk reduction.

- ***Cloud and third-party oversight***: Deep dives will assess Cloud Service Provider (CSP) resilience, concentration risk and substitution feasibility. Supervisors will scrutinise negotiated contractual rights and tested disruption playbooks.

- ***RDARR escalation***: The bar will be higher on BCBS 239 compliance. Systemic data quality weaknesses may trigger intrusive inspections and SREP measures if remediation lags.

Key impacts for firms

- ***C&N transition***: Expect more detailed assessment of prudential transition plans, scenario capabilities and portfolio steering, with closer linkage to ICAAP and risk appetite.

3. Less Significant Institutions (LSIs):

- **Proportionality on scope, not outcomes**: LSIs face proportionate but firm scrutiny on underwriting discipline, CRR III accuracy, DORA basics and RDARR fundamentals.

- **Resource and capability expectations**: Supervisors will look for credible remediation plans that fit an LSI's scale, such as simplified data governance, documented model policies and pragmatic exit strategies for critical vendors.

- **Targeted engagement**: LSIs with persistent ICT, data or credit risk deficiencies may be drawn into targeted reviews or OSIs, particularly where outsourcing concentrations are high or manual reporting adjustments are material.

Different readiness priorities

1. For Significant Institutions (SIs):

- **Run a structured CRR III self assessment across all standardised risk types**: with challenger recalculations and defect logs linked to remediation.
- **Establish a TLPT pipeline with a clear remediation and re-test cadence**: create a cloud concentration dashboard and exit plan drill schedule.
- **Launch or reinforce a Board owned RDARR transformation office**: with quarterly control effectiveness testing and lineage attestations.
- **Build a prudential transition plan**: with portfolio steering levers, KPIs and management actions integrated into ICAAP and risk appetite.

2. For Less Significant Institutions (LSIs):

- **Document an underwriting and pricing playbook**: improve collateral valuation independence and frequency for SME/CRE loans.
- **Validate standardised RWA classification**: both in logic and collateral recognition with sample re computations and second line checks.
- **Implement DORA minimums**: incident response, third party register with criticality ratings, exit/backup arrangements and change control essentials.
- **Create a concise RDARR roadmap** that defines data owners, golden sources, reconciliation processes and a plan to retire manual adjustments.
- **Maintain an AI/advanced analytics inventory**: and apply proportionate model risk controls to material use cases.

Contractual documentation priorities

1. ICT, outsourcing and third-party contracts (DORA-centric):

Regulators will test whether contractual frameworks tangibly deliver DORA level resilience, oversight and supervisory access.

- **Audit, access and cooperation rights**: Include unconditional audit/inspection rights (remote and on site), data and systems access, vulnerability scans and cooperation undertakings for the firm and competent authorities.
  Ensure rights extend across subcontractor chains and affiliates; prohibit refusal on "security" or "confidentiality" grounds without robust alternative access mechanisms.
- **Incident, cyber and TLPT cooperation**: Time-bound incident notification aligned to DORA; root-cause analysis, interim updates, data required for reporting; SLA (Service Level Agreement, a contract that defines the level of service expected from a vendor) linked remedies. Contractual commitment to support threat led penetration testing (**TLPT**), red team activity on in scope assets and remediation/retesting at the provider's cost where failures are material.
- **Sub outsourcing and concentration risk**: Prior approval/notification thresholds; transparency of fourth/fifth parties; ability to veto high risk chains; right to request diversification or additional controls where concentration risk rises.
- **Financial resilience and continuity**: Mandate minimum financial strength or insurance coverage. Set notification triggers for provider credit events and restrict assignment to protect service continuity.
- **Cloud specific resilience**: Multiregional availability, data portability, RPO/RTO commitments, sovereign/"trusted" cloud options where needed; customer managed keys or HSM (Hardware Security Module, a physical computing device that safeguards and manages digital keys) support; change controls for region moves.
  Contractual regulatory access to data and premises irrespective of data location; cooperation with resolution authorities and crisis playbooks.
- **Exit, termination and step in**: Detailed exit plans (asset/data inventories, formats, runbooks, migration assistance, capped transition pricing); dual running and extended termination assistance.
  Step in rights for material failure/threats to critical functions; escrow for key tools/artifacts; IP licences for continuity during exit.
- **Information security and privacy baseline**: Alignment to recognised frameworks; secure development and change controls; segregation of environments; breach indemnity beyond typical "fees paid" caps for critical functions.
  Define clear controller/processor roles, establish cross border transfer mechanisms and specify regulator led data access carveouts.
- **Liability, caps and indemnities** Set high or no caps for data loss, cyber breaches and regulatory fines. Implement a super cap for business interruption of critical functions and avoid broad "indirect loss" exclusions for regulatory remediation costs.
- **Intra group outsourcing add ons**: Apply DORA standards consistently to intragroup agreements; service levels, audit rights, data access and resolution cooperation are non-negotiable.

Contractual documentation priorities

2. Reinforcing Credit and Lending Documentation:

Legal terms must align with the supervisory focus on underwriting discipline, provisioning and C&N integration.

- **Covenants and information undertakings:** Strengthen requirements for borrower MI, ESG/transition data, collateral reporting, early warning signal (**EWS**) triggers and access to non-public information for IFRS 9 staging.

  Implement sector-specific covenants for CRE, including LTV retests, DSCR maintenance and independent, frequent valuations.

- **Pricing and margin mechanics:** Clearly document risk-based pricing logic, including rating-linked ratchets, floor mechanics and repricing for credit deterioration. Ensure interest recalculation clauses are tied to specific risk factors, observing consumer protection rules in retail.

- **ESG/transition levers:** Embed sustainability-linked KPIs with auditable baselines, verification rights and remedies for misreporting. Use portfolio-level transition alignment covenants where appropriate.

- **Security, collateral and valuation:** Secure rights for independent valuations, periodic reappraisals and data access. Include cure rights for value depletion and ensure robust collateral descriptions with control over perfection.

3. Trading and Treasury Documentation:

- **Update Credit Support An**nexes and collateral terms to reflect output floor impacts, eligibility checks and concentration limits, harmonised with risk policy.

- **Embed resilience, incident reporting and resolution cooperation clauses** in clearing and FMI contracts. Validate portability and account segregation through legal opinions.

4. Contractual Resilience for Resolution and Recovery:

- Ensure all vendor and financing contracts **recognise bail-in and temporary stays**. Prohibit termination for resolution events and mandate cooperation with resolution authorities.

- **Incorporate continuity language** for critical services, priority access to capacity during stress and mandatory participation in resolution testing.

5. Data, IP and AI Vendor terms

- **Define data ownership**, licence back and portability rights. Restrict provider data mining and model training using client data.

- **Mandate AI vendor clauses** covering model lineage, data provenance, performance warranties, bias testing, change notification, log retention, human override capabilities and IP indemnities for AI outputs.

Policy and governance documentation priorities

1. ICT, cyber and operational resilience (DORA)

- **ICT risk policy suite**: Establish a third party risk policy defining concentration metrics, tiering, due diligence, continuous monitoring, sub outsourcing controls and a regular exit testing cadence.

  Align incident management policy with DORA timelines and reporting thresholds. Implement playbooks and Board-overseen post-incident reviews.

  Implement a change management policy with gated releases, segregation of duties, rollback capabilities and acceptance criteria linked to critical services.

  Define a TLPT policy covering scope selection, threat intelligence, legal privilege management, remediation SLAs and evidence retention.
- **Business continuity and crisis communications**: Map critical functions, define impact tolerances and establish a testing programme. Prepare for cross border coordination with pre-approved regulator notification scripts.

2. RDARR/BCBS 239 and data governance

- **Board approved RDARR policy and target operating model**: Define a data ownership model, metadata standards, lineage controls and a golden source architecture.

  Implement a data quality policy with measurable KPIs, clear exception management processes and full audit trails.

  Establish a reporting governance standard for regulatory reports, including change control, end to end testing and attestations.

3. Credit risk, underwriting and IFRS 9

- **Credit risk policy**: Set clear underwriting standards by segment, including stressed affordability tests, robust collateral frameworks and a formal exception process with Board-level reporting.
- **Pricing governance**: Establish a risk based pricing methodology with periodic back testing, peer benchmarking and conduct compliance overlays for retail products.
- **IFRS 9 policy**: Overlays governance (entry/exit criteria, sensitivity), data lineage, model monitoring and alignment to macro scenarios; documentation for vulnerable portfolios (SME/CRE).
- **Collateral valuation standard**: Independence requirements, frequency triggers, model calibration and quality assurance.

4. Capital and ICAAP/ILAAP documentation

- **RWA policy for standardised approaches**: Classification rules, collateral eligibility mapping, control testing and defect remediation workflow; second line challenge procedures.
- **Operational risk BI policy**: Input mapping sources, quality controls, reconciliations and governance.
- **ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP)**: Output floor trajectory governance, management action catalogue with feasibility/lead times, stress scenarios reflecting geopolitical channels and funding/liquidity transmission.

Policy and governance documentation priorities

5. C&N-related risk

- **Prudential transition plan**: Board owned plan linking strategy, risk appetite, sectoral pathways, portfolio steering limits and client engagement triggers.
- **C&N risk policy**: Integration into origination, collateral haircuts, provisioning overlays and recovery planning; hazard data usage and physical risk mapping.
- **ESG disclosure governance**: Pillar 3 controls for dataset provenance, calculation checks and sign off; gap closure log for physical risk disclosures.

6. AI governance and model risk

- **AI policy**: Establish a risk-tiering framework for AI use cases, a model inventory and standards for explainability, fairness testing, data governance and human in the loop controls.
- **Vendor AI standard**: Create a due diligence checklist and define contractual minimums for vendor AI, including transparency, log access, testing support and ongoing monitoring.
- **Interaction with model risk policy**: Ensure AI governance is fully aligned with the firm's established model risk management lifecycle, from development and validation to change control and review.

7. Resolution readiness and legal risk management

- **Contractual recognition and continuity policy**: Maintain standard clauses for bail in, stays and resolution cooperation. Implement a periodic refresh cycle for all vendor and financing contracts.
- **Playbooks**: Establish clear legal escalation trees, decision rights and evidence packs to ensure rapid and effective regulator engagement during a crisis.

Bottom line: *Cross-functional alignment across legal, treasury, finance, IT, HR and service companies is critical, as testing will surface practical frictions in how the BUSI is run. Supervisors will equally judge firms by the traceability from Board approved policy standards to enforceable contractual rights and the evidencing that those rights can be exercised in practice.*

Outlook

Looking ahead, the ECB-SSM's sharpened supervisory focus will require institutions to demonstrate a strategic, forward-looking approach to risk management that goes beyond technical compliance. The increasing complexity of the regulatory landscape—driven by the interplay of CRR III/CRD VI, DORA and evolving ESG and AI frameworks—demands that banks embed these expectations into their core business models. Institutions should anticipate that supervisors will rigorously test the operational resilience of critical functions and the credibility of transition plans, particularly concerning climate, nature-related risks and digital transformation.

Supervisory methods will continue to evolve, with greater use of data analytics and thematic deep dives to identify outliers. Banks that invest early in data, reporting and ICT capabilities, underpinned by strong governance, will be best placed to turn regulatory pressure into a competitive advantage. The agenda signals a shift to dynamic, risk-sensitive supervision, where demonstrating resilience and responsible innovation is paramount.

SRB – sets out its SRM supervisory priorities for 2026

SRB – sets out its SRM supervisory priorities for 2026

On 26 November 2025, the SRB published its 60-page AWP outlining its key priorities for 2026.[6] Building on its "SRM Vision 2028" strategy (which is itself subject to a planned "mid-term review"),[7] the SRB's 2026 priorities include:

- rolling roll out a revamped resolvability assessment and a new multi annual testing framework;
- simplifying resolution planning to enable more testing in close coordination with the NRAs;
- operationalising resolution tools and the operational readiness of the Single Resolution Fund (**SRF**); and
- sustaining crisis readiness through deep dives, expanded on-site inspections (**OSI**s) and training, streamlined decision making, accelerated digital adoption as well as supporting the EU debate on simplification and competitiveness and hosting the SRB's inaugural economic conference on resolution related economic issues.

In addition to the AWP, the SRB on 1 December 2025 published a list of upcoming consultations and requests to the industry for 2026.[8] The list for 2026 reflects the industry's overall resolvability progress and the SRB's commitment to simplifying practices and limiting the burden on the banking sector. From 2026 onwards, many bank-specific deliverables previously requested annually will be requested only in specific instances (e.g., due to remaining gaps in overall resolvability or when information from previous submissions becomes materially outdated).

[6] Available here.
[7] See EU RegCORE analysis here.
[8] Available here.

Key takeaways from the SRB's 2026 AWP

Key takeaways from the SRB's 2026 AWP

The 2026 AWP signals a shift from designing frameworks to executing them, building on the "SRM Vision 2028" strategy. The SRB will implement a multi-year testing framework based on EBA guidelines, expand crisis simulations and OSIs and apply information and communication technology (ICT) and data tools to crisis and planning.

Resolution planning will be simplified and made more crisis-oriented. This will be achieved by embedding "crisis repositories" into Internal Resolution Team (**IRT**) workflows and increasing automation via enhancements to the Integrated Resolution Information System (**IRIS**) platform. Resolvability assessments will adopt a new Heatmap methodology, supported by rolling three-year testing programmes and more deep-dives on operational continuity in resolution (**OCIR**), liquidity-in-resolution and separability.

The SRF agenda focuses on verifying its target level, ensuring levy readiness and conducting dry runs, which may include an exercise with the European Stability Mechanism (**ESM**) common backstop. The SRB will also advance its digital transformation via its Digital Transformation Group (**DTG**) and Innovation Lab, improve its Data Quality Framework and strengthen governance across the SRM.

The SRB's 2026 agenda is also shaped by the evolving regulatory, economic and geopolitical landscape. The board is actively engaged in policy discussions concerning the Crisis Management and Deposit Insurance (**CMDI**) framework, macroprudential reviews, digital finance (DORA, MiCAR, digital euro) and alignment with the Insurance Recovery and Resolution Directive (**IRRD**) and anti-money laundering (**AML**) reforms.

The 2026 AWP provides a roadmap for strengthening the EU's crisis management and bank resolution framework. It also details the SRB's "Expectation for Banks" (**EfB**), which sets out the capabilities banks must demonstrate to be considered resolvable. The 2026 AWP is structured around three strategic areas:

- Core Business,
- SRB's Governance, Organisation and Tools and
- SRB's Human Resources.

Each area is supported by specific objectives and key performance indicators to measure progress.

Strategic area	Specific actions
1. Core Business: Crisis preparedness, resolution planning and reference leadership	a. Crisis preparedness and management: • The SRB will operationalise a newly developed multi-annual testing framework, in line with EBA guidelines and setting a rolling, bank-specific three-year test programme, to ensure banks' resolvability capabilities are effective and sustainable. • This includes comprehensive dry runs (with a strong emphasis on the Sale of Business tool), OSIs and the implementation of revamped resolvability assessments plus "standardised crisis days" in close cooperation with NRAs. • The SRB will update and integrate key ICT and business tools for crisis execution, including R4C, the valuation tool, the bail-in calculator, PIA tooling and liquidity monitoring and it will scale crisis-readiness training in communications, valuation and liquidity. • Documentation and "flashcards" migrate to interactive platforms, positioning crisis artefacts for real-time use rather than static reference.

Strategic area	Specific actions
1. Core Business: Crisis preparedness, resolution planning and reference leadership	b. Resolution planning and resolvability: • The SRB will continue to streamline the annual Resolution Planning Cycle (**RPC**), focusing on actionable and simplified resolution plans. • The 2026 RPC will prioritise separability, transferability, bail-in operationalisation and operational continuity in resolution, with enhanced Management Information System (**MIS**) capabilities. • The SRB will refine plan templates based on 2025 lessons, embed "crisis repositories" within IRT processes and enhance automation via IRIS to reduce drafting load and accelerate updates of plans and MREL decisions. • The 2026 priority letters focus on separability and transferability, bank testing of bail-in operationalisation, OCIR with a specific focus on MIS capabilities and bank-specific priorities. • The SRB expects to adopt 105 plans within the 2026 cycle. • Oversight of Less Significant Institutions (**LSIs**) will be reinforced, with a focus on consistent application of resolution standards and operational readiness across Member States. c. Oversight of LSIs: • The SRB continues its LSI oversight function, emphasising consistent SRM standards across jurisdictions. • It will deepen cooperation with NRAs, integrate lessons from the 2024 SRB-led LSI dry run and organise targeted LSI mini dry runs. • Full LSI planning coverage is expected to continue in 2026, with around 1,845 LSIs covered in 2025 and broadly similar volumes ahead and a focus on approximately 70 LSIs earmarked for potential resolution. • Group parents with LSI networks should ensure LSI playbooks are scaled, realistic and supported by shared-service arrangements that are resolution-robust, particularly for MIS, liquidity execution and OCIR. d. Single Resolution Fund - renewed readiness and testing: • The SRB will verify the SRF's target level in Q1 2026, stay prepared to raise contributions if needed and run dry runs on its application. • An ESM–SRB dry run may be organised to test the common backstop. • Treasury and legal teams should be aware of SRF procedures and prepare for rapid engagement.

Strategic area	Specific actions
1. Core Business: Crisis preparedness, resolution planning and reference leadership	e. SRM as a 'Reference in the Resolution Field’: • The SRB aims to establish the SRM as a leading authority on bank resolution. • Initiatives include launching the first SRB Economic Conference and increasing collaboration with academia. • The SRB will also contribute to key regulatory initiatives, such as the **CMDI** framework, **IRRD** and digital finance regulations (DORA, MiCAR).
2. SRB’s Governance, Organisation and Tools: efficiency, digital transformation and data capabilities	a. Strengthened governance and streamlined structure: • The SRB will simplify internal decision-making, enhance cooperation with NRAs and standardise practices to increase efficiency and transparency. • It also plans to review its ethical framework and pilot 360 degree performance reviews. b. Digital transformation and best-practice technologies: • Digital transformation is a flagship of SRM Vision 2028. • For 2026, the SRB will scale the Digital Transformation Group, test and evaluate Innovation Lab Proofs of Concept and operationalise the Data Quality Framework. • It will enhance scenario modelling, workflow automation and data analytics, improve interoperability with the ECB and NRAs and upgrade core applications supporting crisis management (R4C) and planning (IRIS). • The SRB will continue strengthening cybersecurity, infrastructure resilience and end to end system monitoring, while pursuing best practice data governance across the SRM. • Practically, institutions should expect heightened scrutiny of data lineage, timeliness and integrity across liability data, MIS for valuation and liquidity and reporting used in Heatmap and testing. • Anticipate new or refined templates and higher bars for “valuation ready” and “liquidity ready” data. Cybersecurity will be reinforced through the implementation of a new ICT Cybersecurity Framework and compliance with the EU Cybersecurity Regulation.

Strategic area	Specific actions
2. SRB's Governance, Organisation and Tools: efficiency, digital transformation and data capabilities	c. Operational efficiency governance and streamlined structure: • The SRB will invest in upgraded document management, financial planning and audit management platforms, as well as environmental management systems to promote sustainability in its operations.
3. SRB's Human Resources: talent, learning and inclusion	a. Motivated and professional workforce: • The SRB will continue to develop its talent management strategy, promoting internal and external mobility, career development and staff well-being. • Recruitment efforts will be supported by a new HR communication plan and enhanced employer branding. b. Learning and development: • The learning and development programme will be updated based on a skills gap analysis, focusing on continuous professional growth and a common training curriculum for SRB and NRA staff. c. Diversity and inclusion: • The SRB will implement targeted diversity and inclusion initiatives, including awareness campaigns and measures to foster a respectful and inclusive culture.

Key regulatory and policy developments

The SRB's 2026 AWP is set against a backdrop of geopolitical uncertainty and ongoing EU regulatory reforms. Key developments relevant to the SRB's work in 2026 include:

- Finalisation and implementation of the CMDI framework and IRRD.
- Review of the EU's State Aid framework for banks and potential alignment with resolution rules.
- Ongoing initiatives to simplify and streamline banking regulation, enhance competitiveness and complete the Banking Union.
- Increased focus on digitalisation, operational resilience (**DORA**) and the integration of new technologies in financial services.
- Continued monitoring and contribution to macroprudential framework reviews and anti-money laundering initiatives.

Performance measurement and resource allocation

The SRB has established a detailed set of key performance indicators (**KPI**s) across its strategic objectives, covering areas such as crisis preparedness, resolvability, knowledge management, governance efficiency, digital transformation, staff engagement and diversity. Planned resource allocation for 2026 reflects the SRB's commitment to its core business, governance and support functions, with a total staff complement of 533 and a budget structured to support operational priorities and innovation.

The SRB's focus for 2026 is on action and evidence. Banks will be expected to demonstrate that their resolution capabilities are executable under realistic timelines. Testing outcomes, OSI findings and Heatmap results will directly influence supervisory dialogue and potential remediation measures.

Thematic items driving supervisory engagement

The following thematic items are likely to drive SRB supervisory engagement in 2026:

- **Liquidity and funding in resolution:**

Banks will be expected to build capabilities for liquidity and funding in resolution, aligned with the SRB's principles. This includes stress-testing cashflow projections, mobilising collateral and accessing central bank facilities. Firms should be able to demonstrate intraday visibility, contingency funding plans and readiness to interface with the SRF.

- **Operational continuity in resolution (OCIR)**

OCIR remains central, with explicit focus on ICT risks and critical third-party providers given DORA driven changes to the Bank Recovery and Resolution Directive (**BRRD**) resolvability assessment. Expect deeper analysis of contractual resilience, termination/assignment/step-in rights, data portability and exit strategies. The SRB will provide targeted support to OCIR tests within the new testing framework.

This increases the importance of supplier governance and contract remediation. Banks should update service inventories, embed resolution compatible clauses in contracts and rehearse transfers based on transitional services agreements.

- **ICT and cyber risk in crisis**

The SRB and NRAs will continue assessing how ICT incidents (e.g., cyber attacks, core systems failure) interact with crisis management and resolution, incorporating DORA incident reports into resolvability judgements. IRTs will integrate digital resilience evidence into Heatmaps.

Recurrent major incidents without demonstrable remediation will weigh on resolvability. Institutions should ensure cyber business continuity plans align with resolution playbooks, including secure data rooms, fallback payment and identity controls and safe to operate states during bail in or transfer weekends.

- **Valuation in resolution**

Following public consultation, the SRB's "Expectations on Valuation Capabilities" will be published around late 2025/early 2026, setting minimum data requirements (Valuation Data Index), a Data Repository for Resolution and governance/process expectations in Valuation Playbooks. 2026 will emphasise MIS capabilities to deliver day 1/2 and open bank valuations within tight timelines.

This requires banks to have auditable, automated data pipelines with clear data lineage, as well as playbooks aligned with the needs of external valuers, proven through time boxed dry runs.

- **Separability, transfer tools and combinations**

Separability work will continue to support various resolution tools, including Sale of Business, bridge banks and asset separation, providing flexible and proportionate options.

Firms should conduct realistic separability analyses, define perimeters, segregate data, map regulatory permissions and draft rapidly-activated Transitional Services Agreements (**TSA**s) and Service Level Agreements (**SLA**s).

- **Public Interest Assessment (PIA)**

The SRB will maintain risk-based PIA updates for planning and crisis scenarios and assess the impact of CMDI reforms on PIA policy. Banks must keep their PIA data current and be prepared to revise assessments as CMDI rules are finalised.

- **MREL and quality assurance**

The SRB will continue to conduct ex-post eligibility checks and monitor adherence to MREL targets. If shortfalls hinder resolvability, the SRB may impose formal measures, such as restrictions on distributions.

Thematic items driving supervisory engagement

Firms should prioritise robust legal structuring and liability management to prevent eligibility disputes. This includes ensuring contractual recognition of bail in, proper subordination, clean holding company structures and resolving legacy intercompany entanglements.

- **Oversight of LSIs and cross sector touchpoints**

The SRB will maintain full LSI planning coverage and help NRAs operationalise plans through targeted dry runs. Banks with significant clearing roles at Central Counterparties (CCPs) should monitor CCP resolvability developments. Insurance groups should track IRRD implementation and its effect on banking group plans.

Firms face immediate legal and operational impacts. Resolution playbooks must be execution-ready, with capabilities for rapid data extraction, liquidity dashboards, tested bail-in tools and robust operational continuity arrangements. Banks should expect tests of their live data and decision-making speed, not just reviews of policy documents.

Boards should expect a shift from narrative documents to practical, execution-ready tools. These include updated playbooks, data repositories for valuation, tested liquidity mobilisation scripts and pre-drafted communications.

Further impacts include the following:

1. **Impacts common to all institutions:**

Data quality, valuation capability, digital operational resilience and contractual resilience are now central to resolvability judgments. Firms should track the finalisation of CMDI and update their planning artefacts accordingly.

Firms should consider prioritising the following actions in 2026:

- Run internal dry runs aligned to the SRB's multi annual testing framework, evidencing end to end execution for bail in, liquidity, OCIR and separability and producing artefacts that withstand OSI scrutiny and feed favourably into the Heatmap.
- Enhance MIS and valuation capabilities by creating a valuation ready data repository and testing valuation packages under time pressure.
- Maintain credible, stress resilient MREL strategies and resolve eligibility weaknesses; prepare contingency pathways if market access tightens.
- Update OCIR documentation, focusing on critical ICT suppliers and DORA aligned contractual controls and rehearse service continuity.
- Assess cross border separability and transferability to ensure resolution tools are not constrained by regulatory frictions.
- Align early intervention, PIA and crisis management playbooks with evolving CMDI expectations and SRB crisis documentation formats.
- Prepare for deeper data quality and governance reviews consistent with the SRB's digital strategy and ensure technical teams are resourced for frequent, time critical supervisory data pulls.

Thematic items driving supervisory engagement

Applying the above and viewing it through a legal lens, regulated firms should prioritise a coordinated upgrade of contractual "readiness clauses" and policy frameworks that directly support execution under SRB timelines. This may include the following:

- **OCIR contract suite**. Refresh service critical intra group and third-party agreements to be resolution compatible: assignment/novation and step in rights, non termination/change of control carve outs for resolution events, minimum service levels during transfer/bridge phases, data portability and segregation obligations, IP licences (with escrow/source code and access keys) and robust exit/transition assistance schedules (TSAs/SLAs, service descriptions, pricing and change control). Align with DORA by embedding audit, testing, resilience, major incident reporting, subcontracting controls and location/access rights for authorities.
- **Critical ICT/outsourcing addenda**. Implement DORA aligned addenda across cloud and strategic vendors: security baselines, incident response cooperation, penetration testing/Red Team rights, business continuity commitments including Recovery Time and Point Objectives (RTO/RPO), termination assistance, data residency and cross border transfer mechanics and explicit recognition of resolution authority access and information rights. Ensure portability/readiness for rapid re hosting or temporary run state during a transfer weekend.
- **Bail in and securities documentation**. For third country law liabilities, ensure robust contractual recognition of bail in and stays; cleanse legacy terms that risk acceleration/set off on entry into resolution; confirm subordination and clean holdco features for MREL eligibility; update fiscal agency, paying agent and clearing system notices/playbooks for accelerated communications and booking entries. Maintain liability management and disclosure scripts to support market/stakeholder messaging during execution.
- **Liquidity in resolution enablers**. Pre agree collateral and liquidity lines documentation (CSAs, tri party, pledge and title transfer structures) with eligibility representations aligned to central bank frameworks; maintain contingency templates for emergency facilities and SRF interfacing (including authorisations, representations and conditions precedent) to enable same day draw.
- **Separability and transfer readiness**. Maintain buyer facing document packs: perimeter definitions and asset schedules; assignability/consent matrices; employee transfer clauses and works council engagement pathways; customer communication templates; IP and data licensing/assignment mechanics; and pre negotiated TSAs. Map regulatory permissions and notification/approval steps with jurisdiction specific annexes.
- **Financial Market Infrastructure (FMI) and trading documentation**. Align with recognition of resolution stays (e.g., via protocols from the International Swaps and Derivatives Association (**ISDA**), International Capital Market Association (**ICMA**) and International Securities Lending Association (**ISLA**)) across derivatives, repo and securities lending; ensure closeout/modification mechanics do not frustrate tool selection. Review agreements with Central Securities Depositories (**CSD**s), Central Counterparties (**CCP**s) and other banking infrastructure for portability, continuity of access and step in arrangements by a bridge institution or transferee.
- **Data, valuation and confidentiality**. Hard wire access and extraction rights in vendor and intercompany contracts to populate the Valuation Data Repository; include regulatory/valuer disclosure carve outs, data retention and permitted use clauses to support day 1/2 and open bank valuations. Put in place ready to use NDAs and data room rules tailored to resolution timelines.

Thematic items driving supervisory engagement

- **Cross border recognition**. Expand use of contractual recognition of resolution powers and stays with third country counterparties; include cooperation clauses facilitating information sharing with foreign authorities and operational steps for branch/booking model transfers.
- **Authority and signatures**. Prepare weekend execution authority packs: board resolutions, delegated authorities, notarisation/apostille contingencies, Powers of Attorney (**PoA**s) and specimen signatures to complete transfers, novations and capital measures at speed.
- **Policy framework updates**. Update and secure board approval for policies and playbooks that anchor execution: OCIR policy and service inventory standard; third party risk/outsourcing policy (DORA aligned); liquidity in resolution policy and SRF interface Standard Operating Procedure (SOP); valuation policy and playbook with data governance standards; separability and transfer playbook; early intervention/crisis governance and decision trees; PIA methodology; MREL management policy (covering issuance, monitoring, waivers and eligibility controls); and crisis communications/disclosure policy.
- **Governance, assurance and repositories**. Maintain a clause library and contract registry tagged to resolvability requirements and Heatmap gaps; embed pre signing checks in procurement/treasury issuance to enforce resolution ready terms; evidence periodic legal testing (table-top and dry run sign offs) and formal closure of remediation findings.

2. Significant Institutions (SIs):

- SIs should expect more assertive and granular testing. On-site inspections and deep dives will focus on bail in operationalisation, liquidity in resolution, MIS/valuation and OCIR. Resolvability self assessments must align with the revised methodology and Heatmap framework.
- MREL scrutiny will remain intense, with eligibility quality as important as nominal levels.

3. Less Significant Institutions (LSIs):

- LSIs designated for resolution will face higher expectations on the practical operability of their plans.
- Targeted dry runs and closer SRB involvement in NRA oversight will test OCIR, MIS and liquidity execution.

Outlook

The SRB’s 2026 AWP signals a period of consolidation and innovation in the EU’s bank resolution framework. Market participants should anticipate increased supervisory scrutiny of crisis preparedness, resolvability and digital resilience, as well as ongoing engagement with regulatory reforms and policy debates. The SRB’s focus on operational readiness, digital transformation and stakeholder engagement is designed to ensure the continued stability and resilience of the EU banking sector in a rapidly evolving environment.

For firms, 2026 is an action year: strengthen capabilities, evidence them through testing, remediate findings decisively and be prepared for more intrusive and frequent supervisory dialogue at the level of IRTs, NRAs and in some areas with the SRB directly. Firms are encouraged to monitor SRB communications and participate in consultations and industry events to remain aligned with evolving expectations and best practices in resolution planning and crisis management.

2

ESAs' Supervisory Priorities for 2026

Part 2 – ESAs' Supervisory Priorities for 2026

Introduction

The three ESAs, namely the EBA, ESMA and EIOPA are all empowered, as gatekeepers of their respective mandates within the Single Rulebook and in fostering Single Market integration, to drive regulatory governance, supervisory convergence and, in certain instances, to carry out direct supervision and intervention tasks and powers in respect of specific types of firms and market participants in accordance with provisions set out in sectoral legislation. This includes, among others, ESMA's direct supervision of CRAs, TRs, SRs, DRSPs, benchmark administrators, certain third-country CCPs, and from 2026 the authorisation and direct oversight of ESG ratings providers and external reviewers of European Green Bonds, together with joint oversight with the other ESAs of Critical ICT Third-Party Providers under DORA, illustrating the ESAs' evolving role across the supervisory perimeter to ensure consistent and proportionate outcomes across the Single Market.

The ESAs' Work Programmes are usually published in the context of their Annual Work Programmes (AWPs) and their longer-term Single Programming Documents (SPDs)—for some ESAs also termed multi-annual programming (MAPs)—which should be read together as complementary instruments that communicate strategic priorities, resource allocations and concrete deliverables expected of NCAs, firms and market participants for the relevant supervisory cycle.

For 2026, ESMA's AWP sits alongside its SPD 2026–2028 and implements the 2023–2028 Strategy, while signalling the EU policy pivot from the Capital Markets Union to the Savings and Investments Union; in parallel, EBA and EIOPA deploy their own AWPs with multi-year alignment through their strategic programming, each embedding simplification and proportionality while operationalising substantial new mandates such as DORA and MiCAR. The priorities in the ESAs' AWPs and SPDs should also be read in conjunction with the Joint Committee (JC) of the ESAs' AWP, which frames cross-sectoral actions and convergence expectations, thereby providing a signal function for emerging EU-wide supervisory themes.

According to the 2026 AWP of the JC of the ESAs, the JC places particular emphasis on continued collaboration to tackle cross-sectoral risks, promote sustainability in the EU financial system and strengthen digital operational resilience, with structured EU-level coordination to ensure regulatory consistency and supervisory convergence across sectors. Four themes dominate: the first full oversight cycle under DORA for Critical ICT Third-Party Providers and operationalisation of the EU-SCICF crisis coordination framework; consumer protection under the EU's Savings and Investments Union, including potential streamlining of PRIIPs KID disclosures and enhanced sanctions reporting and financial education; sustainable finance readiness including work around the SFDR Level 1 review, potential ESG ratings disclosure RTS under the ESG Ratings Regulation and delivery of cross-sector ESG stress-testing guidelines mandated by CRD VI and Solvency II; and supervisory coherence on securitisation, financial conglomerates, innovation facilitators and model dependencies (including ECAI mappings and EMIR margining). Through the JC constellation, the ESAs will coordinate activities, exchange information and best practices among themselves and with the ESRB and other ESFS members, with expected outputs including a Union-level CTPP list, annual oversight plans, reports on major ICT incidents and updated EU-SCICF playbooks—each of which will cascade concrete governance, data and reporting expectations onto firms and NCAs.

The following sections delve into how each ESA, guided by its individual AWP, concentrates on its specialised domain while collaborating synergistically to tackle cross-sectoral challenges. By aligning their efforts under the JC's AWP and their sectoral mandates, the ESAs aim to mitigate systemic risks and foster a robust financial environment throughout the EU, particularly amidst technological change and climate-related risks, with operational supervision shifting decisively from framework build-out to data-driven execution and convergence in 2026.

Part 2 – ESAs' Supervisory Priorities for 2026

EBA focus and cross-sector execution in 2026

The EBA's 2026 AWP marks a step-change as it assumes new oversight and supervisory responsibilities under DORA, MiCAR and EMIR, while transferring AML/CFT functions to the new AMLA, and as it advances delivery under the EU Banking Package, TCBs and CMDI reforms. This expanded remit includes joint CTPP oversight under DORA with ESMA and EIOPA, direct prudential oversight impacts through a central validation function for initial margin models under EMIR and enhanced monitoring and supervision of significant asset-referenced and e-money token issuers under MiCAR. In prudential rulemaking and convergence, the EBA will progress Banking Package mandates across credit and operational risk, finalise standards for third-country branches and develop booking, capital endowment and common reporting standards for TCBs, while aligning with the Commission's pause on market risk FRTB deliverables and prioritising a structured roadmap across PSD3/PSR, FIDAR and CMDI. The EBA will intensify peer reviews and ex ante convergence through earlier, top-down guidance to NCAs, expanding reviews across MiCAR white papers, resolution planning, ICT risk and mortgage borrower treatment in arrears, and preparing for future reviews in liquidity supervision, ESG risk integration and investment firm supervision - signalling tighter and more uniform supervisory expectations across the Union.

Risk assessment capacity building is a central EBA priority for 2026, with preparations for the 2027 EU-wide stress test focusing on streamlined methodologies, reduced data burdens and integration of climate and NBFI risks, as well as enhanced assessment of geopolitical, market and operational risk including ICT incidents aligned with EU-SCICF operationalisation. These steps are supported by data and tool modernisation, including an integrated reporting framework targeting up to 25% cost reduction, greater use of EUCLID for collections and a public EU data request repository to reduce duplication and improve transparency. On innovation, the EBA will chair EFIF in 2026, support the SDFA and contribute to AI Act implementation in banking and payments while monitoring developments in AI/ML, DeFi, BigTech and bank-issued tokens, with a reinforced consumer protection lens on over-indebtedness, de-risking, payment fraud and digital product understanding—each feeding into supervisory priorities and guidance for NCAs and firms.

ESMA priorities and supervisory expansion in 2026

ESMA's 2026 AWP, read together with its SPD 2026–2028, organises delivery around three strategic priorities - effective markets and financial stability, effective supervision and retail investor protection - supported by thematic drivers on sustainable finance and the effective use of data and technological innovation, all aligned to the Savings and Investments Union agenda. This includes proportionate Single Rulebook development with simplification and burden reduction, risk monitoring via bi-annual TRV reports, coordination with ECB, ESRB and FSB on crisis preparedness, and a greater reliance on AI-enhanced analytics to drive earlier and more targeted supervisory interventions. ESMA's direct supervisory remit expands materially in 2026 to include the authorisation and supervision of CTPs for bonds and equities, ESG rating providers and external reviewers of European Green Bonds, alongside continued supervision of CRAs, TRs, SRs, DRSPs, benchmark administrators and systemically important third-country CCPs, with DORA implementation and convergence a cross-cutting enforcement theme.

Supervisory convergence will be advanced through CSAs, peer reviews, colleges and the development of common

Part 2 – ESAs' Supervisory Priorities for 2026

supervisory priorities and a single EU Supervisory Handbook, with a particular 2026 focus on digital operational resilience, ESG disclosures and implementation of new frameworks for CTPs and ESG ratings. ESMA's approach is increasingly data-driven, underpinned by its Data Strategy and the ESMA Data Platform, integrated reporting simplification across MiFIR, EMIR, SFTR, AIFMD and UCITS, and the phase-one go-live of ESAP, which together raise the bar for data quality, timeliness and machine-readable disclosures by firms. ESMA will also intensify sectoral work: in investment management, further harmonisation of AIF/UCITS reporting and liquidity tools (including new guidance on suspensions), continued MMF stress testing updates and finalisation of the fund greenwashing project; in investment services, RIS-linked updates to disclosures, costs and suitability guidance for digital distribution; in issuer disclosure and market integrity, Listing Act-aligned updates, MAR guidance on delayed disclosure and crypto-market abuse prevention; in market infrastructures and trading, EMIR 3 and CSDR Refit implementation, T+1 preparation, CTP operation and MiCAR/DLT Pilot supervision expectations.

EIOPA priorities and sectoral convergence in 2026

EIOPA's 2026 AWP places sustainable finance and digital transformation at its core, with targeted operationalisation of DORA oversight (including CTPP roles), preparations for the IRRD, deepening of

Solvency II review follow-ups and a strong push on supervisory convergence for cross-border business models. Sustainable finance delivery emphasises closing natural catastrophe protection gaps, risk-based supervision of sustainability risks and greenwashing detection using SupTech at product and entity levels, alongside establishing EIOPA as a centre of excellence for catastrophe modelling and data. This agenda requires firms to embed ESG within ORSA and governance frameworks, ensure accurate and substantiated sustainability claims and engage with catastrophe risk data initiatives. On digitalisation, EIOPA will advance AI supervision for fair and ethical outcomes, finalise policy work on ethical and fair data use under FIDAR, support AI Act implementation and address risks linked to DLT, blockchain and crypto-assets, indicating heightened expectations on AI governance, data ethics and cyber resilience in insurance and pensions.

Supervisory convergence remains central: EIOPA will operate cross-border cooperation platforms, oversee CTPPs together with the other ESAs, coordinate cyber incident reporting and threat-led penetration tests under DORA, and run mystery shopping on digital distribution; it will conduct peer reviews on reinsurance supervision and sustainability risk assessment and monitor customer-centric business model risks while promoting convergence in data reporting to reduce burdens. These initiatives collectively point to more uniform, outcome-focused supervision for cross-border insurers and IORPs, with elevated scrutiny of internal models and conduct, including through a developing conduct risk dashboard. Policy development will prioritise timely updates to technical standards, guidelines and reports post-Solvency II review, delivery under the Retail Investment Strategy (including consumer testing and IT tools) and contributions to the IORP II review and PEPP supervision, with firms needing to prepare for iterative changes to reporting architecture and governance.

Crisis preparedness and financial stability workstreams include strengthening systemic risk monitoring (including cyber) and implementing the IRRD through new roles such as resolution colleges and a resolution committee, complemented by work towards a European

Part 2 – ESAs' Supervisory Priorities for 2026

Network of National Insurance Guarantee Schemes and technical advice on common standards. This will demand robust crisis preparedness, high-quality data and credible management actions from firms. EIOPA's internal governance and operations underscore continued focus on integrity, diversity and inclusion, cyber security and EMAS accreditation, mirrored by external expectations on firm-level governance and operational resilience. Its 2026 USSP further crystallises supervisory attention on DORA and sustainability risks, with targeted areas including SCR calculations for CIUs and fair treatment in digital claims management, and with heightened expectations for ORSA-embedded scenario analysis and alignment of sustainability risk management to the prudent person principle.

Cross-cutting implications and the coordinated approach

Across the JC and each ESA, 2026 is a year of execution in which supervisory convergence, data-driven oversight and targeted regulatory development will tighten expectations and harmonise outcomes. Under DORA, the first full CTPP oversight cycle and the operationalisation of EU-SCICF will hard-wire EU-level incident analytics, crisis coordination and ICT concentration risk oversight into supervisory practice, with resulting contractual, exit and incident-management impacts cascading down firms' third-party risk frameworks and playbooks. Sustainable finance will feature prominently, with cross-sector ESG stress-testing guidelines and ESMA's incoming direct supervision of ESG ratings providers, together elevating governance and disclosure controls and requiring alignment of scenario design, model risk management and board oversight across conglomerate structures. Reporting and data reforms—ranging from ESMA's integrated reporting simplification and ESAP phase one, to the EBA's integrated reporting framework and EUCLID, to EIOPA's data infrastructure enhancements—will collectively increase the premium on high-quality, machine-readable, standardised data while aiming to reduce duplicative burdens over the medium term.

In parallel, sectoral programmes will continue to mature: ESMA's work on MiFIR/EMIR/SFTR alignment, T+1 and market integrity (including crypto-related market abuse), EBA's delivery on the Banking Package, TCBs, CMDI and MiCAR oversight, and EIOPA's post-Solvency II and IRRD implementation, each interlocking through the JC's signal function on risks, vulnerabilities and supervisory priorities. Firms should anticipate more structured cross-border coordination, joint inspections and unified expectations, including through JC-led annual risk and vulnerability outputs and EFC/FST briefings that increasingly shape supervisory agendas ex ante. This coordinated approach underscores the importance of maintaining a stable and resilient financial system in the face of evolving challenges, such as technological advancements and climate-related risks, while embedding simplification and proportionality where feasible without scaling back core protections or supervisory intensity.

EBA’s priorities for 2026 in its AWP

EBA's priorities for 2026 in its AWP

On 1 October 2025, EBA published its AWP outlining the key priorities and initiatives for 2026.[9] As in previous years, EBA's AWP is structured to address the evolving market context, legislative and regulatory changes as well as technological advancements impacting the financial services sector and those financial market participants within its mandate.

The EBA, in its role as regulator is the gatekeeper of certain parts of the Single Rulebook for financial services within its mandate and tasked with regulatory and supervisory convergence amongst NCAs and across markets. Accordingly, the EBA shapes how NCAs (both in and outside of the EU's Banking Union) apply the legislative and regulatory requirements as well as expectations in the supervision of financial market participants within EBA's regulatory mandate.

The EBA's agenda, encompassing both its current multi-annual work programme and its 2026 plan, is built upon three main priorities: (i) developing a simplified and efficient Single Rulebook; (ii) enhancing risk assessment and supervisory capacity; and (iii) fostering technological innovation and consumer protection.

These priorities are supported by seven specific activities. The EBA's 2026 programme emphasises regulatory efficiency, proportionality and the effective integration of technological advancements across the EU financial sector. In addition to delivery of the EBA's core priorities, the 2026 AWP marks a significant milestone, as the EBA assumes new oversight and supervisory responsibilities under (1) the Digital Operational Resilience Act (**DORA**), [10] where it will be overseeing designated critical ICT third-party service providers (**CTPPs**) jointly with its sister European Supervisory Authorities (**ESAs**), the European Securities and Markets Authority (**ESMA**) and the European Insurance and Occupational Pensions Authority (**EIOPA**); (2) the Markets in Crypto-assets Regulation (**MiCAR**); (3) the European Market Infrastructure Regulation (**EMIR**), while (4) transferring the EBA's existing anti-money laundering and countering the financing of terrorism (**AML/CFT**) functions to the EU's new Anti-Money Laundering Authority (**AMLA**).

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants. This Background Briefing should be read together with other thematic deep dives on reforms and developments, as well as our standalone analysis of all relevant 2026 work programmes from the European Commission, the ESAs and Banking Union authorities (ECB-SSM and SRB), AMLA,[11] and as well as the EBA's and ESMA's efficiency, simplification and burden reduction reports published in October 2025.

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[9] Available here.
[10] DORA aims to enhance digital operational resilience across the financial sector. Supervised firms must focus on effective implementation, fostering cooperation among stakeholders and addressing emerging risks. ESMA will oversee CTPPs to promote convergence and strengthen digital operational resilience. Firms should prepare for new tasks and powers conferred on ESMA related to DORA, including implementing a cyber-incident report system and developing supervisory convergence tools.
[10] Available here.

Key takeaways from EBA's 2026 AWP

As in previous years, the EBA uses its 2026 AWP to outline its strategic priorities and communicate a comprehensive roadmap and resourcing plan for its activities and publications. These publications primarily take the form of Guidelines, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**RTS**), which the EBA is mandated to publish, along with other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings). These documents set out the EBA's supervisory expectations for NCAs and market participants on how to comply with the EU's Single Rulebook for financial services.

Building upon its multi-annual priorities and those set out in its 2025 AWP, the 2026 AWP details how the EBA will deliver on the following three key priorities and seven core activities, summarised below:

1. EBA's expectations towards NCAs and financial market participants – Core priorities

Single Rulebook: contributing to an efficient, resilient and sustainable Single Market	The EBA's first priority is to continue developing and simplifying the Single Rulebook for EU financial services, with a renewed focus on simplification and efficiency. This involves proposing ways to reduce regulatory complexity, strengthen coordination among public authorities and calibrate the framework's impact to preserve financial system resilience and international credibility. The EBA will use a new methodology to assess the materiality and priority of Level 2 and Level 3 mandates, aiming to streamline deliverables and identify tasks for potential deprioritisation. Key initiatives include: • **Simplification and efficiency:** The EBA will apply a new methodology to assess the materiality and priority of Level 2 (**L2**) and Level 3 (**L3**) mandates, with a view to streamlining the regulatory framework and advising on legislative reviews. While the EBA highlights the role of L2 and L3 measures in building a coherent single prudential framework, it now acknowledges the need for a comprehensive reassessment of their appropriateness and necessity. This methodology evaluates measures based on materiality, complexity, stakeholder sensitivity, scope, burdensomeness and usefulness. The EBA estimates that up to 20% of existing measures could be deprioritised, but stresses that any final decision to abandon mandates rests with the EU co-legislators. The EBA intends to use this methodology in future policy discussions, aiming to reduce reporting costs by 25% and enhance the clarity and efficiency of rule design. This initiative will also include a review of capital, buffer, MDA, own funds, leverage and TLAC/MREL requirements, as well as a reflection on the regime for small, non-complex institutions (**SNCI**s) — though the EBA rejects calls for a separate regime, favouring a single, proportionate approach. These priorities should also be read in conjunction with the EBA's and ESMA's efficiency, simplification and burden reduction equally published in October 2025 analysed in a standalone Client Alert. • **Banking Package implementation:** The EBA will progress with mandates under the EU Banking Package, particularly regarding credit and operational risk. It will also finalise standards for third-country branches (see below) and ancillary services undertakings. Work on market risk is paused, aligning with the European Commission's decision to postpone the Fundamental Review of the Trading Book (**FRTB**). • **Third Country Branches (TCBs) and cross-border supervision:** The EBA will deliver several important measures concerning TCBs, including RTS on booking arrangements, guidelines on capital endowment and minimum common reporting. These measures will have direct implications for non-EU firms operating in the EU via branches, as well as for EU firms with cross-border activities. [11]

[11] See also further analysis available here.

Single Rulebook: contributing to an efficient, resilient and sustainable Single Market

- **Payment services and CMDI:** The EBA anticipates over 50 new mandates under the revised Payment Services Directive (**PSD3**), Payment Services Regulation (**PSR**) and the Financial Data Access Act (**FIDAR**) and will develop a roadmap to manage these efficiently. The EBA will also prioritise mandates under the Crisis Management and Deposit Insurance (**CMDI**) package, including new requirements for deposit guarantee schemes and early intervention measures.

- **Reforming supervisory convergence through rulemaking**: The EBA will intensify efforts to promote consistent supervisory outcomes, expanding peer reviews (including on Markets in Crypto-Assets Regulation (MiCAR) white papers and resolution planning) and supporting convergence in DORA and MiCAR implementation. The EBA is advocating for a shift towards more ex ante supervisory convergence, seeking to provide earlier and more top-down guidance to NCAs during the policy development process. This includes a restructuring of EBA subcommittees and a long-term ambition to rely more on directly applicable Regulations and ITS/RTS, rather than Directives and Guidelines. The EBA's leadership in this area is intended to foster greater consistency and efficiency in supervisory practices across the EU.

Risk assessment: developing capacity for effective analysis, supervision and oversight

The second priority is to strengthen the EBA's risk assessment and supervisory capabilities, particularly considering new mandates under DORA, MiCAR and EMIR.

The EBA will:

- **EU-wide risk assessments and stress testing:** Preparations for the 2027 EU-wide stress test will focus on streamlining methodologies, reducing data collection costs and integrating climate and non-bank financial intermediation (**NBFI**) risks. The EBA will also enhance its analysis of geopolitical, market and operational risks, including the impact of ICT incidents and cyber threats, which also aims in contributing to the operationalisation of the pan-European systemic cyber incident communication and coordination framework (**EU-SCICF**).[12]
- **Oversight and supervision:** The EBA, together with ESMA and EIOPA, will ramp up joint oversight of CTPPs under DORA, conduct thematic reviews and engage in direct supervision of significant asset-referenced and e-money token issuers under MiCAR. The EBA will also establish a central validation function for initial margin models under EMIR.
- **Data, tools and methodologies:** The EBA will advance its integrated reporting framework, aiming to reduce reporting costs by 25% through harmonisation, simplification and the development of a public EU-wide data request repository. The EBA will leverage the EUCLID platform for new data collections and enhance its data infrastructure to support risk assessment and policy development.

Innovation: enhancing technological capacity for all stakeholders

The third priority is to foster technological innovation across the financial sector, with a particular focus on consumer protection.

The EBA's initiatives include:

- **Innovation monitoring and knowledge-sharing:** The EBA will monitor developments, market trends, risk and opportunities in artificial intelligence (**AI**) (in particular general-purpose AI as well as third-party applications), machine learning (**ML**), crypto-assets, distributed ledger technology (**DLT**) and the digital euro. The EBA will chair the European Forum for Innovation Facilitators (**EFIF**)[13] in 2026 and support the Supervisory Digital Finance Academy (**SDFA**).
- **AI and ML:** The EBA will contribute to the implementation of the AI Act in the banking and payments sector, assess AI market trends and risks and support competent authorities in analysing AI plus ML use cases and third-party dependencies.
- **Crypto, DLT and value chain evolution:** The EBA will monitor decentralised finance (**DeFi**), commercial bank-issued tokens and the role of BigTech in EU finance and will follow up on white labelling practices and consumer disclosures.
- **Consumer protection:** The EBA will address issues of over-indebtedness, de-risking and financial education, assess compliance with the Credit Servicers Directive and Consumer Credit Directive (each of which also assessed in standalone Client Alerts) and monitor payment fraud trends to support fraud reduction objectives. The EBA will also work to improve consumer understanding of digital financial products and services.

[12] Please see further analysis on the EU-SCICF here.
[13] See analysis of the EFIF and its work here.

2. EBA's expectations towards NCAs and financial market participants – Key Activities

The EBA's 2026 AWP is structured around seven overarching activities, each supporting the Authority's strategic priorities and operational objectives:

1. EBA's contribution to policy development:	This activity focuses on developing and maintaining an effective, simple, efficient and proportionate Single Rulebook for banking and financial activities in the EU. Key deliverables include technical standards, guidelines and reports across prudential regulation, governance, payment services, crisis management, sustainable finance and innovation monitoring.
2. EBA's efforts on supervisory convergence and enforcement under existing approach:	Ahead of the proposed reforms above, the EBA promotes consistent and effective application of the Single Rulebook by fostering convergence in supervisory and resolution practices. This includes setting EU Strategic Supervisory Priorities, conducting peer reviews, benchmarking exercises, Q&A processes and providing training for competent authorities. The EBA's 2026 programme places renewed emphasis on expanded peer review activities covering MiCAR white papers, resolution planning, ICT risk and the treatment of mortgage borrowers in arrears. Other peer reviews in existing focus areas will in 2026 focus on the supervision of Pillar 3 transparency requirements, ICT risk, PSD2 authorisation, Ongoing monitoring of the implementation of the interest rate risk in the banking book (**IRRBB**), liquidity coverage ratio (**LCR**) and net stable funding ratio (**NSFR**). The EBA will also follow up on previous peer review recommendations and prepare for future reviews in areas such as liquidity supervision, Environmental, Social and Governance (**ESG**) risk integration and investment firm supervision. The EBA will continue its support for the operationalisation of resolution tools and liquidity/funding strategies in resolution, with a focus on testing and addressing obstacles to the effective use of bail-in and transfer tools.
3. EBA's regular risk and financial stability analysis:	The EBA identifies and monitors risks and vulnerabilities in the EU banking and financial sector, coordinates EU-wide stress tests and develops state-of-the-art tools and methodologies for risk and policy analysis. Deliverables include risk assessment reports, thematic notes and the integration of climate and environmental risks into stress testing.
4. EBA's direct oversight and supervision:	In 2026, the EBA will expand its direct oversight and supervisory responsibilities, particularly under DORA (for CTTPs), MiCAR (for significant asset-referenced and e-money token issuers) and EMIR (for initial margin model validation). Activities include engagement with supervised entities, risk assessments and the development of supervisory tools.
5. EBA's use of data:	The EBA aims to develop a simple and efficient reporting framework, ensure the quality and timeliness of reported data and facilitate market discipline through transparency. This involves maintaining technical standards for reporting, evolving the EUCLID platform and supporting integrated reporting initiatives to reduce reporting costs and redundancies.
6. EBA's governance:	This activity supports the EBA's governing bodies and management, coordinates stakeholder engagement and ensures accountability. It includes planning and monitoring the execution of the work programme, providing legal advice, managing internal control and risk frameworks and overseeing communication strategies.
7. EBA's operations and resource allocation:	The EBA will continue to ensure the efficient delivery of its daily operations, including finance, procurement, human resources, IT and corporate support. Operational priorities include the execution of the IT strategy, implementation of cybersecurity frameworks and optimisation of internal processes to support the EBA's expanding mandate. The EBA's resource plan for 2026 reflects the transfer of **AML/CFT** functions to AMLA and the need for additional staff to deliver new oversight and supervisory tasks under DORA, MiCAR and EMIR. The EBA will be supported by 274 staff, with targeted increases in oversight and supervision functions, particularly for DORA, MiCAR and EMIR-related activities. The EBA has requested a modest increase in EU contributions, offset by industry fees and the mutualisation of overhead costs. The EBA will continue to invest in IT infrastructure, data management and operational support to enable its expanded mandate.

The above should also be read in conjunction with the proposed deprioritisation of key policy areas in 2026.

3. EBA's deprioritisation of policy areas

The EBA has indicated that approximately 20% of its current L2 and L3 measures could be deprioritised, but the final decision to formally abandon or postpone these measures rests with the EU co-legislators. These measures have been identified based on the EBA's new methodology, which considers materiality, complexity, stakeholder-sensitivity, scope, burdensomeness and usefulness.

The deprioritised measures include the following along with a summary of the EBA's stated rationale:

Maintenance of credit risk lists (including eligible public-sector entities):	**External Credit Assessment Institutions (ECAI) mapping:** This is a resource-intensive, ongoing task with limited added value, as the lists are now stable and changes are infrequent. The process is burdensome for both the EBA and firms and the regulatory benefit is marginal compared to the effort required.
Monitoring report on capital treatment of STS synthetics:	The market for simple, transparent and standardised (**STS**) synthetic securitisations is relatively small and stable. Ongoing monitoring yields diminishing returns and the information can be captured through other supervisory channels.
Monitoring report on the treatment of NPL in securitisation:	Similar to STS synthetics, the NPL securitisation market is not rapidly evolving. The regulatory framework is now well established and further monitoring reports are unlikely to yield significant new insights.
Monitoring of Pillar 3 disclosures:	With the harmonisation and digitalisation of Pillar 3 disclosures, ongoing manual monitoring is less necessary. The EBA is moving towards automated data collection and analysis, reducing the need for separate monitoring exercises.
Guidelines on specific publication requirements:	These guidelines are considered to add complexity without significant benefit, as most publication requirements are already addressed in primary or secondary legislation. The marginal utility of further guidance is low.
Data support to regulatory work and technical advice to the European Commission:	This support is resource-intensive and often duplicative of other data collection and analysis efforts. The EBA is prioritising core regulatory and supervisory activities over ad hoc technical advice.
Data support to supervisory benchmarking:	With the move towards integrated and automated reporting frameworks, the need for separate data support for benchmarking is reduced. The EBA is focusing on streamlining data processes.
Training of NCA and EBA users on data and analysis tools:	While training is important, it is not a core regulatory deliverable. The EBA is shifting responsibility for training to national authorities or integrating it into broader capacity-building initiatives.
Guidelines on prudential and AML/ Financial Intelligence Units (FIU) authorities' cooperation for third country branches (TCB):	Given the transfer of the EBA's AML/CFT responsibilities to AMLA and the existence of other cooperation frameworks, additional guidelines are seen as duplicative and of limited incremental value.
RTS on the exclusion of losses:	This RTS is considered low materiality and stakeholder-sensitivity. The exclusion of losses is a niche issue and existing rules are deemed sufficient for most cases.

In respect of the above, firms should monitor further communications from the EBA and the European institutions for confirmation of which measures will be officially deprioritised.

RTS on categorisation within the specialised lending exposure class:	The categorisation of specialised lending exposures is already well defined in the current framework. Further technical standards would add complexity without clear benefit.
Guidelines on artificial cash flow and discount rate:	These guidelines address a highly technical and narrow area. The EBA has assessed that the regulatory and supervisory impact is limited and the burden of developing and implementing such guidelines outweighs the benefits.
RTS on rules and procedures on conflict of interests:	Conflict of interest rules are already embedded in primary legislation and existing guidelines. Additional RTS would be duplicative and add unnecessary complexity.
RTS on dilution risk:	Dilution risk is a specialised topic with limited impact on the broader prudential framework. For most institutions, dilution risk is not a material driver of credit risk capital requirements. The EBA has determined that further technical standards are not a priority. Market participants (in particular those CRR firms with significant factoring or receivables financing business) must continue to apply the current provisions under the CRR and relevant EBA guidelines, which already require banks to assess and hold capital for dilution risk where material (see CRR Articles 128, 153 and 154). The deprioritisation signals that, unless a firm has significant exposures to assets subject to dilution risk (e.g., large trade receivables portfolios), this area will not be a focus of regulatory scrutiny. However, in the absence of further harmonised technical standards, there may be some divergence in how NCAs interpret and supervise dilution risk across Member States.

In respect of the above, firms should monitor further communications from the EBA and the European institutions for confirmation of which measures will be officially deprioritised.

Outlook

The EBA's 2026 AWP signals a period of significant change for the EU financial regulatory landscape, with a strong focus on simplification, supervisory convergence and technological innovation. Financial institutions should prepare for new and evolving requirements in prudential regulation, payments, digital finance and operational resilience and should engage proactively with the EBA's consultations and supervisory initiatives. The EBA's comprehensive approach aims to ensure a resilient, efficient and sustainable single market for financial services, responsive to emerging risks and technological developments.

Supervised firms should proactively engage with these evolving regulatory landscapes by conducting thorough internal reviews of their current compliance frameworks. This includes updating policies and procedures documents including internal models to align with on-going reforms, enhancing data infrastructure to meet new reporting standards and integrating ESG risk assessments into their overall risk management strategies. Firms should also invest in training and development programs to ensure that their staff are well-versed in the new regulatory requirements and capable of implementing necessary changes effectively. By taking these steps, financial institutions can not only ensure compliance but also position themselves as leaders in a rapidly evolving financial ecosystem.

ESMA's 2026 priorities in its AWP

ESMA’s 2026 priorities in its AWP

On 3 October 2025, ESMA published its AWP for 2026 outlining its focus on key strategic priorities and implementation of new mandates.[14] The AWP 2026 should be read in conjunction with its SPD 2026-2028.[15] Its earlier SPD for 2024-2026 was previously published on 31 January 2024. Both SPDs build upon the longer-term “ESMA Strategy 2023-2028”, which was published in October 2022.[16]

The 2026 AWP is particularly significant. It coincides with major EU legislative and policy shifts. Notably, it marks the transition from the Capital Markets Union (**CMU**) to the Savings and Investments Union (**SIU**). It also involves implementing new and revised regulations across virtually all EU financial services sectors. The CMU focused on deepening and integrating EU capital markets to facilitate cross-border investment and access to finance. The SIU, however, signals a broader and more ambitious agenda. The SIU aims to enhance market integration and competitiveness. It also seeks to make EU capital markets more accessible, attractive and efficient for both retail and institutional investors. This shift is designed to support the EU’s long-term economic resilience, strategic autonomy and financing of key policy priorities like the green and digital transitions.

As in previous years, ESMA’s AWP addresses the evolving market context, legislative and regulatory changes (including the transition from CMU to SIU) and technological advancements impacting the financial services sector and financial market participants under its mandate. ESMA, as a regulator, serves as the gatekeeper for specific parts of the Single Rulebook for financial services within its mandate. It is tasked with ensuring regulatory and supervisory convergence among NCAs and across markets.

ESMA, particularly through the AWP, shapes how NCAs apply legislative and regulatory requirements and ESMA's supervisory expectations for financial market participants. ESMA also directly supervises credit rating agencies (**CRAs**), trade repositories (**TRs**), securitisation repositories (**SRs**), data reporting service providers (**DRSPs**), certain EU benchmark administrators and systemically important third-country central counterparties (**CCPs**). In 2025, ESMA began selecting consolidated tape providers (**CTPs**), supervised as DRSPs. Additionally, within the EU’s Regulation for a Digital Operational Resilience Act (**DORA**), ESMA will equally oversee designated critical together with other thematic deep dives on reforms and developments, as well as our standalone analysis of all relevant 2026 work programmes from the European Commission, the ESAs and Banking Union authorities (ECB-SSM and SRB), AMLA,[11] and as well as the EBA’s and ESMA’s efficiency, simplification and burden reduction reports published in October 2025.

The section below discusses relevant issues and key legal and regulatory considerations for market participants. This Background Briefing should be read together with other thematic deep dives on reforms and developments. It also complements our standalone analysis of all relevant 2026 work programmes from the European Commission, the ESAs, Banking Union authorities (ECB-SSM and SRB), AMLA[17] as well as the EBA’s and ESMA’s efficiency, simplification and burden reduction reports published October 2025.

[14] Available here.
[15] Available here.
[16] Available here.
[17] Available here.

Key takeaways from ESMA's 2026 AWP

As in previous years, ESMA uses its 2026 AWP to outline its strategic priorities. It communicates a comprehensive roadmap and resourcing plan for ESMA's activities and publications. Primarily, these publications include Guidelines, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**RTS**) that are mandated. Other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings) set out ESMA's supervisory expectations for NCAs and market participants. Annex IV to the AWP 2026 provides a list of ESMA outputs by type.

ESMA expects firms to stay abreast of these communications and expectations. This ensures compliance and helps avoid potential enforcement actions.

The 2026 AWP contains close to 60 pages of detail. It focuses on the following key areas, summarised below, relating to both the market and ESMA's own operational priorities:

1. ESMA's expectations towards NCAs and financial market participants

	ESMA's 2026 AWP is structured around three 'strategic priorities' — (i) effective markets and financial stability, (ii) effective supervision and (iii) retail investor protection — supported by two 'thematic drivers': (a) sustainable finance and (b) the effective use of data and technological innovation.
Effective markets and financial stability	ESMA will continue to develop a proportionate and effective Single Rulebook. It particularly focuses on simplification and burden reduction for market participants. ESMA will support the integration and competitiveness of EU capital markets. This includes providing technical advice and regulatory input into the SIU legislative agenda. In 2026, ESMA will review and update existing rules and guidance. This ensures they remain fit for purpose given evolving market practices, technological innovation and new business models. This also includes a focus on proportionality, ensuring rules are meaningful and effective without imposing unnecessary burdens. This is particularly important for smaller firms or those with limited cross-border activity. The European Commission's SIU Strategy drives further integration, aiming to deepen and unify EU capital markets. ESMA is expected to play a central role. It will support legislative proposals addressing trading and post-trading market infrastructure integration, facilitating cross-border fund provision and reducing operational barriers for asset managers. For regulated firms, this means the regulatory environment will become more harmonised, with less scope for national divergence. Firms operating across borders will benefit from more consistent rules and supervisory expectations. However, firms must also prepare for changes to existing processes and systems as rules are updated and harmonised. ESMA will also maintain its risk monitoring activities. It will publish bi-annual Trends, Risks and Vulnerabilities (**TRV**) reports and sectoral market reports. ESMA will coordinate with EU and international bodies to enhance financial stability and crisis preparedness. Firms should expect ESMA's risk monitoring to increasingly leverage advanced analytics. This includes artificial intelligence (**AI**) and big data tools, to detect anomalies and potential market instability sources. This will likely result in more timely and targeted interventions, with less reliance on periodic or reactive supervision. Therefore, firms must ensure their risk management frameworks are robust, data-driven and capable of responding quickly to supervisory requests for information or action. Crisis preparedness is another focus area. ESMA coordinates closely with other EU and international bodies. These include the European Central Bank (**ECB**), the European Systemic Risk Board (**ESRB**) and the Financial Stability Board (**FSB**). This ensures a coordinated response to potential market shocks. Activities include participating in crisis management exercises, stress-testing CCPs and developing contingency plans for market disruptions. Regulated firms, especially those considered systemically important or interconnected (such as CCPs, Central Securities Depositories (**CSDs**) and large asset managers), should expect increased scrutiny of their crisis management and recovery plans, as well as potential participation in industry-wide stress tests or fire drills.

Effective supervision

The 2026 AWP marks a significant broadening of ESMA's direct supervisory remit.[18] Historically, ESMA's direct supervision was limited to a relatively narrow set of entities. These included credit rating agencies (**CRA**s), trade repositories (**TR**s), securitisation repositories (**SR**s), benchmark administrators and systemically important third-country central counterparties (**TCE-CCP**s). ESMA has historically and will continue to foster supervisory convergence among NCAs.

From 2026, ESMA will directly supervise a wider range of market participants. This includes Consolidated Tape Providers (**CTP**s) for bonds and equities, Environmental, Social and Governance (**ESG**) rating providers and external reviewers under the European Green Bond Regulation. This expansion directly responds to the increasing complexity and cross-border nature of EU financial markets. It also addresses the need for consistent application of new regulatory frameworks in areas like sustainable finance and market transparency. ESMA will also focus on implementing and enforcing DORA, with particular emphasis on Information and Communication Technology (**ICT**) risk and cyber resilience.

For regulated firms, this shift means that entities falling within these new categories will be subject to ESMA's authorisation, ongoing supervision and enforcement processes. ESMA typically sets rigorous standards and expectations, with a strong emphasis on robust governance, internal controls, data quality and transparency. Firms should expect detailed scrutiny of their organisational arrangements, risk management frameworks and compliance cultures. The initial registration and authorisation processes will likely be resource-intensive, requiring comprehensive documentation and evidence of compliance with all relevant regulatory requirements. Once authorised, firms will be subject to ongoing reporting, periodic reviews and the possibility of on-site inspections and thematic investigations.

A core theme of the 2026 AWP is the drive for greater supervisory convergence across the EU. ESMA is intensifying its efforts to harmonise supervisory practices among NCAs through various mechanisms. These include Common Supervisory Actions (**CSA**s), peer reviews, supervisory colleges and developing a single EU Supervisory Handbook. The aim is to ensure similar risks and issues are addressed consistently across all Member States. This reduces the scope for regulatory arbitrage and ensures a level playing field for market participants.

For firms operating in multiple jurisdictions, supervisory expectations and enforcement approaches will become more uniform, regardless of the home Member State. ESMA's convergence toolkit includes coordinating thematic reviews, sharing best practices and developing common supervisory priorities. This includes specific Union-wide Strategic Supervisory Priorities (**USSP**s) to be finalised in 2026. A particular focus will be placed on digital operational resilience (in light of DORA), ESG disclosures and implementing new requirements for CTPs and ESG rating providers. Firms should anticipate more frequent and coordinated supervisory actions, including joint inspections and information requests.

ESMA's supervisory approach is increasingly risk-based and data-driven. The authority leverages large volumes of regulatory data to identify emerging risks, prioritise supervisory actions and assess the effectiveness of firms' controls and governance. This approach is supported by the ongoing development of the ESMA Data Platform, which will facilitate the integration and analysis of data from multiple sources, enabling more sophisticated risk monitoring and early detection of potential issues.

[18] See also analysis on ESMA's Registration Guide available here.

Effective supervision

Firms should be prepared for a supervisory environment where data quality, timely reporting and transparency are paramount. ESMA will likely use advanced analytics, including AI-powered tools, to detect anomalies, market abuse and other forms of misconduct. This will require firms to invest in their own data management and compliance infrastructures. They must ensure they can meet ESMA's expectations for accurate, complete and timely data submissions.

Another important aspect of ESMA's 2026 agenda is promoting supervisory independence among NCAs. ESMA, together with the ESAs, will conduct joint assessments of supervisory independence. This ensures NCAs are free from undue influence and can take robust enforcement actions when necessary. This is particularly relevant where national interests may conflict with EU-wide objectives, such as supervising large cross-border groups or enforcing new sustainability requirements.

For firms, enforcement actions will likely become more consistent and potentially more stringent across the EU. ESMA will continue to promote a common enforcement culture. This includes using common enforcement tools, publishing sanctions and administrative measures and sharing enforcement outcomes. Firms, particularly those newly subject to ESMA's direct supervision, should ensure their compliance frameworks are robust enough for increased scrutiny. They must also prepare to respond to enforcement actions in a timely and effective manner.

Retail investor protection

Retail investor protection is a central pillar of ESMA's 2026 AWP. This reflects both the EU's political priorities and the evolving financial services landscape. The AWP underscores ESMA's commitment to achieving greater convergence and consistency in supervisory approaches to investor protection. This is particularly important given technological innovation, the digitalisation of financial services and the evolving sustainable finance framework. The focus is on adequately protecting retail investors as they increasingly participate in EU capital markets, whether directly or through digital channels. This includes, in particular:

1. **Retail Investment Strategy (RIS)[19] :** The EU's (formerly CMU now SIU-driven) RIS aims to enhance transparency, comparability and value for money for retail investors, while also simplifying and clarifying the information provided to them. ESMA is set to introduce new requirements for disclosures, costs, charges and benchmarks. ESMA is likely to be tasked with further developing technical standards and providing technical advice to the European Commission on these topics Firms will need to review and, where necessary, overhaul their disclosure practices to ensure compliance with new RIS requirements and ESMA guidelines. This includes providing clear, reliable and comparable information in both traditional and digital formats and ensuring that disclosures are tailored to the needs and understanding of retail investors.

2. **Product governance and suitability:** ESMA will review and potentially update its guidelines on product governance and suitability, considering the outcomes of 2025's common supervisory actions and consultations on the retail investor experience. This will include a focus on the appropriateness of products offered to retail clients, the processes for assessing suitability and the governance of product design and distribution. Firms must ensure robust product governance frameworks, with clear processes for assessing the suitability and appropriateness of products for retail clients. This includes regular reviews of product performance, costs and target market definitions, as well as effective oversight of distribution channels.

[19] The EU's RIS is a comprehensive framework aimed at enhancing the participation of retail investors in the financial markets. This strategy is designed to ensure that retail investors have access to a wide range of investment opportunities, while also being protected through robust regulatory measures. The primary objectives of the strategy include increasing transparency, improving financial literacy and ensuring that retail investors receive fair treatment. One of the key components of the RIS is the emphasis on transparency. This involves providing retail investors with clear and comprehensible information about investment products, including their risks and costs. The strategy mandates that financial institutions disclose all relevant information in a manner that is easily understandable, enabling investors to make informed decisions. Additionally, the strategy seeks to enhance the comparability of different investment products, allowing investors to evaluate their options more effectively. Improving financial literacy is another crucial aspect of the RIS. The EU recognises that a well-informed investor base is essential for the proper functioning of the financial markets. As such, the strategy includes initiatives aimed at educating retail investors about the basics of investing, the risks involved and the importance of diversification. These educational efforts are intended to empower investors to take control of their financial futures and make decisions that align with their long-term goals. Ensuring fair treatment of retail investors is also a central tenet of the strategy. This involves implementing measures to prevent conflicts of interest and ensuring that financial advisors act in the best interests of their clients. The strategy includes provisions for stricter oversight of financial advisors and the introduction of standards for professional conduct. By fostering a culture of integrity and accountability, the EU aims to build trust in the financial system and encourage greater participation from retail investors.

Retail investor protection

3. **Digitalisation and the retail investor journey:** The AWP highlights the increasing importance of digitalisation in the provision of investment services to retail clients. ESMA is conducting a holistic analysis of the "retail investor journey," including how information is presented and accessed in digital environments, the use of digital marketing and social media and the risks and opportunities presented by new technologies such as AI. The aim is to ensure that digitalisation enhances, rather than undermines, investor protection. As digital channels become increasingly important, firms must pay close attention to the design and delivery of digital disclosures, the use of digital marketing and social media and the management of risks associated with online investment recommendations and the use of AI. Firms should be prepared for supervisory scrutiny of their digital practices, including through mystery shopping and thematic reviews.

4. **Thematic reviews and mystery shopping:** ESMA will continue to coordinate thematic reviews and mystery shopping exercises across Member States, focusing on the quality of services provided to retail clients, the effectiveness of disclosures and the conduct of firms in digital and cross-border contexts. These exercises are designed to identify areas of potential consumer harm and to promote best practices among firms. Firms operating across multiple Member States should expect more consistent supervisory expectations and less scope for regulatory arbitrage. ESMA's focus on cross-border activities means that firms must ensure compliance with harmonised standards and be prepared for coordinated supervisory actions.

5. **Financial education and awareness:** In collaboration with NCAs, ESMA will promote financial education initiatives to increase retail investors' understanding of investment products and processes. This is particularly important as the range and complexity of products available to retail investors continues to grow. Firms are encouraged to support financial education initiatives and to engage proactively with clients to enhance their understanding of investment products and processes. This not only supports regulatory objectives but can also enhance client trust and satisfaction.

a) Sustainable finance

Supporting the EU's sustainability agenda, ESMA will work to streamline sustainability-related requirements, enhance the quality of ESG disclosures and address greenwashing risks. The authority will build on previous work, including greenwashing reports and supervisory actions and will develop practical and digital supervisory tools to support NCAs and market participants. ESMA will also contribute to international standard-setting in sustainable finance. ESMA is working closely with the European Commission to streamline the regulatory framework for sustainability, aiming to reduce unnecessary burdens and ensure that requirements are both effective and proportionate. This includes leveraging the 2024 ESMA Opinion on simplifying the legislative framework and supporting the reduction of duplicative or inconsistent obligations for market participants. For regulated firms, this means that whilst the volume and complexity of sustainability-related rules may increase in the short term, there is a clear policy direction towards greater coherence and simplification in the medium term. Firms should monitor ongoing consultations and be prepared to adapt their compliance frameworks as new, more integrated requirements are phased in.

A notable development in the 2026 AWP is ESMA's specific attention to transition finance - the financing of activities and sectors that are moving towards greater environmental sustainability but are not yet fully "green." ESMA will publish thematic notes on transition finance, providing guidance and expectations for market participants. This focus is likely to influence the design and marketing of financial products, the structuring of transition bonds and the assessment of transition plans by corporates and financial institutions. Firms should ensure that their transition finance strategies are robust, credible and well-documented, as these will be subject to increasing regulatory and supervisory scrutiny.

Retail investor protection

a) Sustainable finance

From mid-2026, ESMA will assume direct supervisory responsibility for ESG rating providers and external reviewers of European Green Bonds. This is a significant regulatory development, as it introduces new registration, authorisation and ongoing compliance obligations for these entities. ESG rating providers will need to prepare for a rigorous application process, ongoing supervisory engagement and the possibility of enforcement action in the event of non-compliance. ESMA will also provide guidance and organise workshops to clarify regulatory expectations and facilitate the registration process. For issuers and users of ESG ratings and green bond reviews, this enhanced oversight is expected to improve the reliability and transparency of ESG assessments but may also lead to increased costs and operational requirements.

b) Effective use of data and technological innovation

ESMA's 2023–2028 Data Strategy underpins a multi-year transformation of how data is collected, processed and used by both regulators and market participants. In 2026, ESMA will continue to implement this strategy by developing the ESMA Data Platform - a cloud-based, collaborative environment designed to integrate data from multiple sources and provide advanced analytics and dashboards to both ESMA and NCAs. This platform will facilitate more efficient risk monitoring, supervision and supervisory convergence across the EU.

A key element of this strategy is the drive towards integrated and simplified reporting frameworks. ESMA is working with the European Commission and other ESAs to streamline reporting requirements, eliminate duplicative or inconsistent obligations and promote the use of common data formats and identifiers (such as Legal Entity Identifiers (**LEI**s) and International Securities Identification Number (**ISIN**s)). In 2026, firms can expect further progress on the holistic review of transactional reporting under Markets in Financial Instruments Regulation (**MiFIR**), European Market Infrastructure Regulation (**EMIR**) and Securities Financing Transactions Regulation (**SFTR**), as well as the development of integrated supervisory data collection for funds under Alternative Investment Fund Managers Directive (**AIFMD**) and Undertakings for Collective Investment in Transferable Securities (**UCITS**). The aim is to reduce compliance costs for firms while ensuring that regulators have timely access to high-quality, standardised data.

A major milestone for 2026 will be the completion of the first phase of the European Single Access Point (**ESAP**). ESAP will provide a centralised portal for public access to financial, sustainability and capital markets information disclosed by regulated entities. For firms, this means that disclosures will need to be machine-readable, standardised and accessible to a wide range of stakeholders, including investors, analysts and regulators. The increased transparency and comparability of data will likely intensify market scrutiny and competition but also offer opportunities for firms that can leverage high-quality disclosures as a competitive advantage.

ESMA is actively exploring the use of supervisory technology (**SupTech**) and regulatory technology (**RegTech**) to enhance its own supervisory capabilities and to support NCAs. In 2026, ESMA will continue to pilot and implement AI-powered tools for anomaly detection, market abuse prevention and data quality assurance. These tools are expected to improve the efficiency and effectiveness of supervision, enabling earlier identification of risks and more targeted interventions.

For regulated firms, this signals a shift towards a more data-driven and technologically sophisticated supervisory environment. Firms should anticipate that supervisors will increasingly use advanced analytics and AI to detect patterns of non-compliance, market manipulation, or emerging risks. This will require firms to invest in their own data governance, analytics and compliance monitoring systems to ensure they can respond effectively to regulatory inquiries and demonstrate robust controls.

Retail investor protection

b) Effective use of data and technological innovation

Beyond data collection and analytics, ESMA is monitoring and supporting the adoption of innovative technologies such as blockchain, distributed ledger technology (**DLT**) and AI across the financial sector. The authority is participating in European and international workstreams on digital finance and will contribute to the implementation of the AI Act in the financial sector. ESMA will also continue to assess the impact of tokenisation and DLT on market structure, regulatory frameworks and the entities it supervises.

Firms deploying AI or DLT in their business models should be prepared for increased regulatory scrutiny, including potential new guidelines on AI governance, risk management and transparency. ESMA's monitoring of AI use cases and risks will inform future policy and supervisory convergence and firms should expect that best practices in AI ethics, explainability and risk controls will become increasingly important.

ESMA recognises that the value of data-driven supervision depends on the quality and usability of the underlying data. In 2026, the authority will continue to issue data quality outputs, validation rules and technical reporting instructions and will work to foster data literacy both within ESMA and among NCAs. Firms should expect ongoing engagement with ESMA on data quality issues and may be required to participate in consultations or pilot projects aimed at improving data standards and reporting processes.

Key regulated sectors and entities

The 2026 AWP details ESMA's planned activities across a broad range of sectors. Each sector has specific objectives aimed at promoting effective markets, financial stability, supervision convergence, retail investor protection, sustainable finance, technological innovation and effective use of data. This can be summarised as follows:

a. Investment management:
The investment management sector will experience significant regulatory and supervisory developments in 2026. ESMA's focus will be on further harmonising the regulatory framework for alternative investment funds (**AIFs**), UCITS, money market funds (**MMFs**) and other collective investment vehicles. Notably, ESMA will issue new guidelines on the suspension of subscriptions and redemptions, providing clarity for competent authorities and market participants on when and how such powers should be exercised. This is particularly relevant in times of market stress, where liquidity management is critical.

ESMA will also advance the integration of supervisory data collection under the AIFMD and UCITS regimes, aiming to reduce duplicative reporting and enhance data quality. Firms should prepare for more standardised and possibly more frequent data submissions, as well as increased scrutiny of leverage, liquidity and interconnectedness risks. The annual update of MMF stress testing guidelines will continue, reflecting evolving market conditions and risk factors.

Sustainability remains a central theme, with ESMA finalising its project on tackling greenwashing risks in sustainable investment funds. Asset managers should expect heightened supervisory attention to the accuracy and substantiation of ESG claims, as well as the alignment of fund names and marketing materials with actual investment strategies and portfolio holdings. The sector will also be impacted by potential changes to the Packaged Retail and Insurance-based Investment Products (**PRIIPs**) Regulation and the Sustainable Finance Disclosure Regulation (**SFDR**) frameworks, which may introduce new or revised disclosure and governance requirements.

Key regulated sectors and entities

b. Investment services:
Continued work on Markets in Financial Instruments Directive II (**MiFID II**), Crowdfunding Regulation and the Investment Firms Regulation; emphasis on retail investor protection, cross-border services and simplification of reporting. For investment firms and providers of investment services, ESMA's 2026 agenda includes a strong focus on retail investor protection, digitalisation and cross-border activity. The implementation of the RIS may bring new technical standards and guidance on disclosures, costs, charges and benchmarks. ESMA will also review and update guidelines on suitability and product governance, particularly in light of digital distribution channels and the increasing use of technology in client interactions.

Supervisory convergence will be promoted through CSAs, peer reviews and the development of methodologies for consumer testing. Firms should anticipate more harmonised supervisory expectations across Member States, especially regarding the provision of cross-border services and the use of digital platforms for marketing and distribution. ESMA's annual reports on cross-border investment services and crowdfunding will provide further insights into supervisory priorities and emerging risks.

c. Issuer disclosure:
Issuer disclosure requirements will continue to evolve, with ESMA playing a key role in the development and enforcement of rules under the Prospectus Regulation, Transparency Directive, Corporate Sustainability Reporting Directive (**CSRD**) and related frameworks. The implementation of the Listing Act will require issuers to adapt to new disclosure obligations, particularly regarding the timing and content of inside information disclosures.

ESMA will update its Q&As and guidelines to reflect changes introduced by the Listing Act[20] and will monitor the implementation of these changes through annual market reports and enforcement activities. The authority will also contribute to the development of European Sustainability Reporting Standards (**ESRS**) and the endorsement of International Financial Reporting Standards (**IFRS**), ensuring that EU issuers remain aligned with global best practices. Issuers should prepare for increased scrutiny of both financial and sustainability disclosures, as well as potential changes to the Shareholder Rights Directive and the Taxonomy Regulation.

d. Market integrity:
Market integrity remains a core priority, with ESMA enhancing its supervisory convergence efforts under the Market Abuse Regulation (**MAR**) and the Short Selling Regulation (**SSR**). The authority will issue revised guidelines on the delayed disclosure of inside information, taking into account new rules introduced by the Listing Act. ESMA will also provide guidance on the prevention and detection of market abuse in crypto-asset trading, reflecting the growing importance of digital assets in EU markets.

Firms should expect increased monitoring of suspicious transaction and order reports (**STORs**), as well as greater coordination between NCAs and ESMA in the detection and investigation of market abuse. The use of AI and advanced analytics in market surveillance will be explored, potentially leading to new supervisory expectations for firms' own surveillance systems.

[20] See analysis in the following Client Alerts here and here.

Key regulated sectors and entities

e. Benchmark providers::
ESMA's direct supervision of benchmark administrators, particularly those providing critical or third-country benchmarks, will intensify. The authority will focus on the robustness and resilience of benchmark methodologies, as well as the transparency and governance of benchmark administration. The ongoing review of the Benchmarks Regulation (**BMR**) may result in new or revised supervisory mandates for ESMA, requiring firms to adapt their compliance frameworks accordingly.

Following the completion of a CSA on ESG disclosures by benchmark administrators, ESMA will identify and implement follow-up actions to address any deficiencies or concerning practices. Administrators should ensure that their internal controls, periodic reporting and ESG disclosure practices meet the highest standards of accuracy and transparency.

f. CRAs:
Ongoing supervision of critical benchmarks (e.g., EURIBOR) and CRAs, with a focus on methodology robustness, transparency and compliance with evolving regulatory requirements. ESMA will continue its risk-based, data-driven supervision of EU-based CRAs, with a particular focus on business strategies, rating methodologies and operational resilience. The authority will closely monitor the use of AI-based tools in rating processes, as well as outsourcing practices and compliance with DORA.

CRAs should expect updates to ESMA's guidelines on disclosure and periodic reporting, as well as increased scrutiny of their governance and internal control frameworks. The authority will also maintain its engagement with international standard-setters and third-country supervisors, ensuring the continued integrity and comparability of credit ratings in the EU.

g. ESG Rating Providers and External Reviewers:
From mid-2026, ESMA will begin the registration and direct supervision of ESG rating providers and external reviewers of European Green Bonds. These entities will be subject to new authorisation, reporting and compliance requirements, with ESMA providing guidance and support during the initial registration phase. Firms in these categories should engage early with ESMA's processes and ensure that their methodologies, governance and disclosure practices are robust and transparent.

h. Market transparency infrastructures:
ESMA's supervision of market transparency infrastructures—including trade repositories (**TRs**), data reporting service providers (**DRSPs**) and securitisation repositories (**SRs**)—will focus on data quality, operational resilience and compliance with DORA. The authorisation and supervision of the first CTPs for bonds and equities will be a major development, requiring firms to adapt to new data reporting and transparency obligations.

Firms should also prepare for the implementation of new or updated technical standards and guidelines, particularly in relation to EMIR, SFTR, MiFIR and the Securitisation Regulation. ESMA's annual reports on data quality and the use of transaction data will provide further insights into supervisory expectations and emerging risks.

i. CCPs and CSDs
The supervision of CCPs and CSDs will be shaped by the implementation of EMIR 3 and the Central Securities Depositories Regulation (**CSDR**) Refit, with ESMA focusing on the resilience, governance and risk management of these critical market infrastructures. The transition to T+1 settlement will require significant operational changes, with ESMA playing a central role in coordinating the preparedness of the EU financial sector.

CCPs and CSDs should expect new or revised technical standards, guidelines and reporting requirements, as well as increased participation in supervisory colleges and crisis management exercises. ESMA's annual stress tests and peer reviews will continue to inform supervisory priorities and best practices.

Key regulated sectors and entities	j. Trading, Crypto-assets and DLT: In the trading space, ESMA will oversee the implementation of revised MiFID II/MiFIR requirements, with a focus on transparency, market structure and the operation of CTPs. The authority will also continue its work on the implementation of the Markets in Crypto-Assets Regulation (**MiCAR**) and the DLT Pilot Regime, providing guidance on the authorisation and supervision of crypto-asset service providers (**CASPs**) and DLT market infrastructures. Firms active in these areas should prepare for new supervisory expectations around market surveillance, classification of crypto-assets and the prevention of market abuse. The use of AI and advanced analytics in both firm-level and supervisory surveillance will be a key area of focus. k. DORA DORA will remain a cross-cutting priority, with ESMA (in coordination with the other ESAs) overseeing the designation and supervision of CTPPs. All regulated entities will need to ensure compliance with new requirements on ICT risk management, incident reporting and operational resilience. ESMA will provide guidance and support to facilitate the consistent implementation of DORA across the financial sector.

2. ESMA's own internal operational priorities

ESMA is embedding simplification and burden reduction (**SBR**) principles across all new mandates, aiming to reduce duplicative and inconsistent requirements. The expansion of ESMA's mandates will be funded by new fee regimes, which will impact the cost structures of supervised entities. Firms should monitor ESMA's SBR initiatives for opportunities to streamline compliance processes, but also budget for potential increases in supervisory fees.

In terms of ESMA specific activities these can be summarised as follows:

ESMA's governance and external affairs	ESMA's 2026 AWP places significant emphasis on strengthening its own governance structures and external engagement. The authority is committed to ensuring the robust functioning of its governance bodies, including the Board of Supervisors, Management Board and the Securities and Markets Stakeholders Group (**SMSG**). This includes strategic planning, transparent reporting and effective communication both internally and with external stakeholders such as EU institutions, NCAs and international regulatory bodies. For regulated firms, this means ESMA will be a more visible and active participant in shaping the EU's financial regulatory landscape. Firms can expect more frequent and structured opportunities for consultation, as ESMA seeks input through formal channels (e.g., working groups, open hearings and targeted outreach). ESMA's focus on transparency and accessibility—such as making documents easily available and using infographics and social media—will also make it easier for firms to stay informed about regulatory developments and expectations.
ESMA's focus on its legal and compliance measures	Internally, ESMA is prioritising the minimisation of legal risks and the enhancement of the legal soundness of its actions. This includes systematic legal review of all key documents, technical standards, guidelines and supervisory decisions. ESMA is also focused on defending its actions in case of legal challenge, handling requests for access to documents and promoting a strong compliance and integrity culture within the organisation. For regulated firms, this internal focus translates into more robust and defensible regulatory outputs. Firms should expect ESMA's technical standards and guidelines to be more thoroughly vetted for legal clarity and consistency, reducing the risk of ambiguity or conflicting interpretations. ESMA's commitment to transparency in its own processes (e.g., handling complaints, access to documents) also sets a standard for regulated entities, particularly around good administration and data protection.
ESMA's human resources and organisational development	ESMA's People Strategy 2024–2028 and Diversity, Equity and Inclusion Strategy 2024–2027 underpin its internal HR priorities. The authority is investing in attracting and retaining diverse talent, promoting flexible talent management and fostering a culture of engagement and continuous learning. This includes competency-based recruitment, internal mobility, secondments and a wide range of training opportunities, including digital and bite-sized learning formats. The implications for regulated firms are potentially twofold. First, ESMA's growing and increasingly skilled workforce will be better equipped to handle complex supervisory and policy challenges, leading to more sophisticated and data-driven supervision. Second, ESMA's focus on diversity and inclusion may influence expectations for similar values and practices within regulated firms, especially as these themes become more prominent in the broader EU policy context.

Key ESMA's finance, procurement and fee structures	With the expansion of its mandates, ESMA is also evolving its financial and procurement processes. The authority is integrating new fee-funding sources, such as those from ESG rating providers and external reviewers under the European Green Bond Framework and is working with the European Commission to streamline its fee model for greater flexibility and sustainability. ESMA's budget planning is increasingly activity-based, supported by advanced cloud-based tools and its procurement processes are being digitalised for efficiency. For regulated firms, this means that the cost of supervision may rise, particularly for those in newly supervised sectors. Firms should monitor ESMA's fee consultations and budgetary developments, as changes in the fee model could impact their operational costs. The move towards more transparent and activity-based budgeting may also provide firms with greater clarity on how supervisory fees are determined and allocated.
ESMA's corporate services and ICT operations	ESMA is committed to providing a modern, safe and sustainable working environment for its staff and visitors. This includes planning for new office premises, maintaining and adapting facilities and supporting environmental performance through the Eco-Management and Audit Scheme (EMAS). On the ICT front, ESMA is focused on maintaining and upgrading digital workplace tools, enhancing cybersecurity and ensuring business continuity through crisis preparedness drills. For regulated firms, ESMA's investment in ICT and cybersecurity is particularly relevant. As ESMA strengthens its own digital infrastructure and resilience, it is likely to expect similar standards from regulated entities, especially in the context of DORA. Firms should anticipate more rigorous supervisory expectations around ICT risk management, incident reporting and cyber resilience.
ESMA's data strategy and digital transformation	A cornerstone of ESMA's internal priorities is the effective use of data and technological innovation. The authority is developing the ESMA Data Platform to integrate data from various sources, provide advanced analytics and support both internal and NCA users. ESMA is also exploring AI-powered tools for supervision, anomaly detection and market abuse prevention and is fostering data literacy within its organisation. For regulated firms, this signals a shift towards a more data-driven and technologically advanced supervisory approach. Firms will need to ensure high-quality, timely and accurate data reporting and may face increased scrutiny through advanced analytics and AI-driven supervisory tools. ESMA's own digital transformation will likely accelerate the adoption of similar technologies and practices across the industry.
ESG in ESMA's operations	ESMA is integrating ESG considerations into its own operations, including setting targets for greenhouse gas emissions reduction and promoting diversity and inclusion. The authority's internal ESG agenda is aligned with its external supervisory priorities, reinforcing the importance of sustainability across the financial sector. Regulated firms should note that ESMA's internal ESG commitments are likely to inform its supervisory expectations and policy initiatives. Firms may be expected to demonstrate similar commitments to sustainability, diversity and responsible governance in their own operations and disclosures.

Outlook

ESMA's 2026 AWP signals a period of significant regulatory and supervisory transition, with a strong focus on supporting the SIU Strategy, implementing new legislative mandates and enhancing the efficiency and resilience of EU capital markets. Market participants should anticipate increased supervisory scrutiny, particularly in areas such as digital operational resilience, sustainable finance and data reporting. Firms are advised to monitor ESMA’s outputs closely, ensure robust compliance frameworks and engage proactively with forthcoming regulatory developments.

Considering ESMA's 2026 AWP, financial services firms and market participants must prepare for a more rigorous and harmonised regulatory environment. The stronger emphasis on supervisory convergence and the implementation of new legislative frameworks such as DORA and MiCAR will necessitate significant adjustments in compliance strategies. Firms should anticipate increased scrutiny for existing but also new mandates from both ESMA and NCAs, in particular in areas such as digital operational resilience, sustainable finance and retail investor protection. It is imperative that all firms (not just those subject to direct ESMA supervision) proactively engage with these legislative, regulatory and supervisory developments, ensuring that their internal controls, governance structures and IT systems are robust and compliant with the evolving standards and expectations. Firms should anticipate more rigorous and coordinated supervisory actions, including joint on-site inspections and collaborative efforts within Colleges of Supervisors.

Moreover, the focus on enhancing data quality and leveraging technology for supervision underscores the need for firms to invest in advanced data management and reporting systems. The implementation of the ESAP and the development of a common data dictionary will require firms to ensure that their data is accurate, consistent and timely. This will not only facilitate compliance but also enable firms to better manage risks and improve operational efficiency. Additionally, the continued emphasis on sustainable finance and combating greenwashing will require firms to enhance their ESG disclosures and integrate sustainability risks into their business models.

Finally, the evolving market context, characterised by legislative and regulatory transitions as well as the overall shift to the SIU strategy, presents both challenges and opportunities for financial services firms and the wider market as well as for regulators and supervisors. The (welcome) shift towards a more agile framework, including one that embraces SBR, aims to reduce compliance burdens while promoting market efficiency and investor protection but it does not mean a scaling back in full. Firms should leverage this opportunity to streamline their operations, innovate and enhance their competitive edge but not hope for a reversal but rather targeted streamlining of standards and requirements. By aligning their strategies with ESMA's strategic priorities and thematic drivers, firms can navigate the complex legislative, regulatory and supervisory landscape effectively, contributing to a more resilient and sustainable financial sector in the EU.

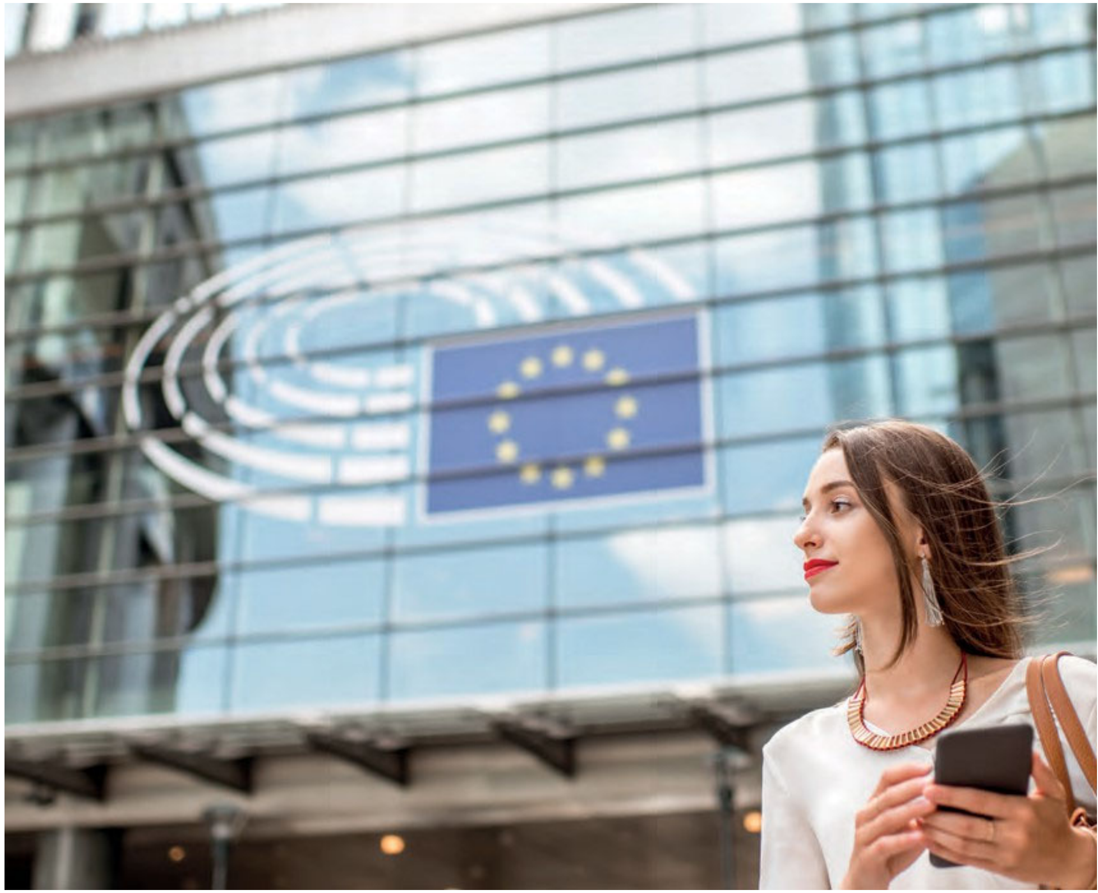
ESMA’s priorities in its 2026–2028 SPD

ESMA's priorities in its 2026–2028 SPD

On 31 January 2025 ESMA published its SPD i.e., the 2026–2028 Programming Document.[25] The SPD for 2024–2026 was published on 31 January 2024. Both SPDs build upon the longer-term 'ESMA Strategy 2023–2028,' published in October 2022.[26] Markets and geopolitical realities have however certainly changed considerably since then.

As with ESMA's 2025 AWP, the 2026–2028 SPD, which also hints at what will be in the SPD for 2027–2029, sets out what, how and by when ESMA will advance certain key priorities, publications (in particular technical standards and guidelines) as well as operationalisation of ESMA's new mandates that extend or refine how it directly supervises various types of market participants.

Like with the 2025 AWP, the 2026–2028 SPD also in numerous instances indicates that ESMA will, within the aspects in its control, advance points raised in its Position Paper "Building More Effective and Attractive Capital Markets in the EU" (the **ESMA CMU Position Paper**).[27] This is certainly the case concerning ESMA's contribution to the completion of theEU's Capital Markets Union (**CMU**), albeit now with the current (less catchy but perhaps more (national) politically palatable) rebrand as an "European Savings and Investment Union (**SIU**)".



[25] Available here.
[26] Available here.
[27] Available here – see standalone coverage on that position paper in "Deciphering the Draghi Report plus Lessons from the Letta Report and Policymakers Responses in the context of the Single Market for Financial Services" from our EU RegCORE.

ESMA’s priorities in its 2026–2028 SPD

As in previous years ESMA uses its 2026–2028 SPD to outline its strategic priorities and communicate a comprehensive roadmap plus resourcing plan for ESMA’s activities and publications. Primarily, these publications take the form of Guidelines, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**RTS**) that are mandated to be published along with other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings) setting out ESMA’s supervisory expectations as addressed to NCAs and market participants. ESMA expects that firms stay abreast of these communications and expectations to ensure compliance and avoid potential enforcement actions.

While the ESMA’s SPD 2026–2028 general direction of travel is in keeping with previous AWPs and SPDs, the 108 pages of this current SPD details what it plans to do with respect to (a) strategic priorities and thematic drivers as well as (b) key regulated sectors and entities (both within its direct supervisory mandate as well as where ESMA coordinates the activities of NCAs):

The SPD 2026–2028’s strategic priorities and thematic drivers – which include:

1. Effective markets and financial stability:

ESMA aims to contribute to the development of a meaningful, proportionate and effective Single Rulebook (certainly for the Chapters) within its remit. This includes ESMA assisting in:

- **Development of the CMU to a Savings and Investments Union (SIU)**:

ESMA will support (i) the creation of an integrated Single Market in financial services by promoting global standards and (ii) the SIU’s efforts on re-focusing priorities from previous ESMA AWPs and CMU and action plans.

- **Future-proofing the Single Market for financial services**:

ESMA will lead on the selection, authorisation and supervision of consolidated tape providers, the establishment of a one-stop shop for financial disclosures in the European Single Access Point (**ESAP**) and the transition to a shorter settlement cycle (T+1), which ESMA has recommend is achieved by what it considers to be the “optimal date” of Monday 11 October 2027.[28]

The compression of the settlement cycle to T+1 aims to reduce risk in the system, which should translate into lower margin requirements, reduced costs and improve the competitiveness of EU markets.

- **Risk monitoring and financial stability**:

ESMA will continuously monitor market developments and new financial activities to assess risks to investors, markets and financial stability. This includes bi-annual Trends, Risks and Vulnerabilities (**TRV**) reports and the ESMA Market Report series. ESMA also plans in line with the EMIR 3 reforms to focus on enhancing CCP resilience by updating the CCP rulebook, conducting CCP stress tests, promoting supervisory convergence, including by conducting peer reviews of CCP supervision by NCAs as well as establishing and chairing a Joint Monitoring Mechanism (**JMM**) to monitor clearing developments and interconnectedness risks.

2. Effective supervision:

   One of ESMA’s core objectives includes promoting a common, effective, risk-based, data-driven and outcome-focused

[28] While this date is one that both the EU, Switzerland and the UK will aim to move to, including in a bid to avoid the difficulties of such a substantial project going live in November or December or the first Monday in October as that would be the first Monday after quarter-end, 11 October 2027 is not only a U.S. public holiday (Columbus Day/Indigenous Peoples’ Day), however most US markets have historically and will presumably remain open for that day, but equally a Canadian public holiday (Thanksgiving Day), where most Canadian markets are closed but also a religious holiday (start of Yom Kippur). While September has historically had more down markets, October has historically been the month of global market crashes (The Bank Panic of 1907, the Stock Market Crash of 1929 and Black Monday 1987).

supervisory and enforcement culture across EU supervisors and more efficiency in the regulatory framework (including reflecting and delivering upon recommendations from the Draghi and Letta Reports).[29] Key activities during the 2026–2028 period (and indeed in further SPDs and AWPs) include a focus on:

- **New mandates**:

ESMA will experience a significant evolution in the coming years as new entities will fall under its remit including Consolidated Tape Providers (**CTPs**), external verifiers of EU Green Bonds and ESG rating providers. ESMA will in addition have an enhanced role as regards EU CCPs. Together with the other European Supervisory Authorities, ESMA is also establishing a joint team to oversee critical ICT third-party providers and contribute to strengthen the resilience of the financial system to information security risk in line with DORA. Under CSDR Refit changes, ESMA will also participate in supervisory colleges of certain central securities depositories (**CSDs**). More crucially ESMA has a number of tasks on its to do list as part of the full operationalisation of the EU's legislative, regulatory and supervisory framework, since 30 December 2024 under the Markets in Crypto-Assets Regulation (**MiCAR**) and since 17 January 2025 on DORA – details of which are discussed in dedicated coverage in a series of Client Alerts.

- **Amendments to existing direct supervision**: ESMA will make targeted amendments in how and whom it directly supervises Credit Rating Agencies (**CRAs**), Trade Repositories (**TRs**), Securitisation Repositories (**SRs**), Benchmark Administrators and certain Data Reporting Service Providers (**DRSPs**). These firms may face more rigorous and data-driven supervision, requiring ever more robust internal controls and compliance systems. ESMA also expects these firms to place a greater emphasis on mitigating supervisory risks, necessitating proactive risk management and compliance strategies.
- **Supervisory convergence**: ESMA plans to step up its work with NCAs to further develop a common understanding of key risks and promote effective supervisory practices and more consistent enforcement actions across the EU.

3. Retail investor protection:

Another core task of ESMA is achieving greater convergence and consistency in NCAs' supervisory approaches and practices related to investor protection, particularly in light of technological developments and the evolution of the sustainable finance framework. This includes:

- **Monitoring retail investor trends**: ESMA will make greater use retail risk indicators to identify potential causes of consumer and investor harm and review product-related consumer trends. ESMA will increased scrutiny on financial services firms' marketing practices, especially those involving social media and innovative products and together with NCAs be clearer in requiring firms to adopt transparent and compliant marketing strategies.
- **Simplification of disclosures**: ESMA will increase its efforts to ensure that financial services firms and market participants use simplified disclosures and clear language to enhance retail investor participation in capital markets. Furthermore, financial services firms must be prepared forpotential regulatory changes under the Retail Investment Strategy (**RIS**)[30], including new disclosure requirements and principles on cost transparency.

4. Sustainable finance:

ESMA remains committed to facilitating the EU's transition towards a more

sustainable economy, promoting high-quality sustainability disclosures and addressing greenwashing risks. This includes specifically:

[29] See coverage available here.

- **Addressing greenwashing risks**: ESMA will monitor and mitigate greenwashing risks in the funds industry and promote high-quality sustainability disclosures.
- **Enhancing ESG expertise**: ESMA will support the development of supervisors' ESG expertise through targeted training and capacity-building initiatives.

5. ESMA's effective use of data and technological innovation:

During 2026 to 2028, ESMA aims to deliver on its Data Strategy and enhance its role as a data hub plus data driven regulator, improve data access and quality andleverage technological innovations such as artificial intelligence (**AI**) and blockchain for supervisory purposes. Key initiatives include:

- **ESMA's delivery of its "Data Strategy" and role as a data hub**: is set to grow through the implementation of the subsequent phases of the ESAP for financial market information. ESAP aims to help enhance market transparency and promote investor protection. ESMA will, as part of its wider Data Strategy progress with implementing integrated reporting envisaged under the AIFMD and UCITS Directives. This serves to reduce compliance costs for market participants and enhance the quality of data for relevant authorities notably for UCITS where a new EU-wide reporting regime is to be established. Moreover, the creation of a CCP supervisory database under EMIR 3 and the expansion of ICT systems resulting from reforms from the MiFIR review will trigger compliance action points by financial services firms as well as ESMA's own organisational set-up.
- **Development of the ESMA Data Platform**: This platform will integrate data from various sources to improve risk monitoring and supervisory convergence. Equally, as a result of RIS, ESMA may need to develop benchmarks and tools allowing the comparison of information on the cost and performance of investment funds, to facilitate retail investors' access to information on whether investment products offer good value for money.
- **AI-powered tools for supervision**: ESMA will explore the use of AI for anomaly detection and market abuse prevention.

ESMA's priorities in the SPD 2026–2028 for key regulated sectors and entities:´

A. Investment management:

ESMA will focus on the development of the Single Rulebook for the investment management sector, including AIFMD, UCITS, MMF Regulation and SFDR. Notable activities include:

- **Guidelines on fund suspensions**: ESMA will develop guidelines for NCAs on the activation of fund suspensions. Enhanced stress testing and risk monitoring will require firms to strengthen their liquidity and leverage management practices.
- **Tackling greenwashing**: A project on tackling greenwashing risk in the sustainable investment fund market will be finalised. Firms must comply with new guidelines on fund suspensions, greenwashing risk management and integrated supervisory data collection.

B. Investment services:

ESMA will continue to develop the single rulebook for the investment services sector, focusing on retail investor protection and supervisory convergence. Key activities include:

[30] The EU's RIS is a comprehensive framework aimed at enhancing the participation of retail investors in the financial markets. This strategy is designed to ensure that retail investors have access to a wide range of investment opportunities, while also being protected through robust regulatory measures. The primary objectives of the strategy include increasing transparency, improving financial literacy and ensuring that retail investors receive fair treatment. One of the key components of the RIS is the emphasis on transparency. This involves providing retail investors with clear and comprehensible information about investment products, including their risks and costs. The strategy mandates that financial institutions disclose all relevant information in a manner that is easily understandable, enabling investors to make informed decisions. Additionally, the strategy seeks to enhance the comparability of different investment products, allowing investors to evaluate their options more effectively. Improving financial literacy is another crucial aspect of the RIS. The EU recognises that a well-informed investor base is essential for the proper functioning of the financial markets. As such, the strategy includes initiatives aimed at educating retail investors about the basics of investing, the risks involved and the importance of diversification. These educational efforts are intended to empower investors to take control of their financial futures and make decisions that align with their long-term goals. Ensuring fair treatment of retail investors is also a central tenet of the strategy. This involves implementing measures to prevent conflicts of interest and ensuring that financial advisors act in the best interests of their clients. The strategy includes provisions for stricter oversight of financial advisors and the introduction of standards for professional conduct. By fostering a culture of integrity and accountability, the EU aims to build trust in the financial system and encourage greater participation from retail investors.

- **Mystery shopping exercises**: Increased coordination of mystery shopping exercises to assess services provided to retail clients. An increased focus on cross-border investment services will require firms to enhance their compliance with EU-wide supervisory practices.
- **Prudential regime for investment firms**: Cooperation with the EBA on the development of the prudential regime for investment firms and new technical standards which may require some firms to review and possibly adjust their capital and risk management framework.

C. Issuer disclosure standards:

ESMA will promote supervisory convergence in financial and sustainability reporting, the EU's Prospectus Regulation framework and corporate governance. Enhanced disclosure requirements under the Prospectus Regulation and the Listing Act's reforms will necessitate more comprehensive and transparent reporting. Some firms must equally further align their reporting practices with updated European Sustainability Reporting Standards (**ESRS**) and International Financial Reporting Standards (**IFRS**).

ESMA's key activities include:

- **Annual European common enforcement priorities (ECEP)**: Supervisory convergence through ECEP and subsequent reporting.
- **Support for digital reporting requirements**: Implementation of new digital reporting requirements under the European Single Electronic Format (**ESEF**).

D. Market integrity:

ESMA will step up its focus on monitoring market developments, enhancing coordination under the Market Abuse Regulation (**MAR**) and the Short Selling Regulation (**SSR**). Firms must ensure robust market surveillance and compliance with MAR and SSR requirements. Increased scrutiny by ESMA and NCAs on social media and AI in trading may require some firms to adopt advanced monitoring and compliance tools.

Outlook

In light of ESMA's 2025 AWP but also the communicated outlook set out in the 2026–2028 and the 2027–2029 SPDs, financial services firms and market participants must prepare for a more rigorous and harmonised regulatory environment. The stronger emphasis on supervisory convergence and the implementation of new legislative frameworks such as DORA and MiCAR may necessitate significant adjustments in compliance strategies for some firms and market participants.

Accordingly, stakeholders may wish for forward plan for ESMA's actions and in particular increased scrutiny for existing but also new mandates from both ESMA and NCAs, in particular in areas such as digital operational resilience, sustainable finance and retail investor protection. Firms should also expect more frequent and more rigorous use of ESMA-coordinated common supervisory actions, including joint on-site inspections and collaborative efforts within Colleges of Supervisors.

Given the above, it is imperative that all firms (not just those subject to direct ESMA supervision) proactively engage with these legislative, regulatory and supervisory developments, ensuring that their internal controls, governance structures and IT systems are robust and compliant with the evolving standards and expectations.

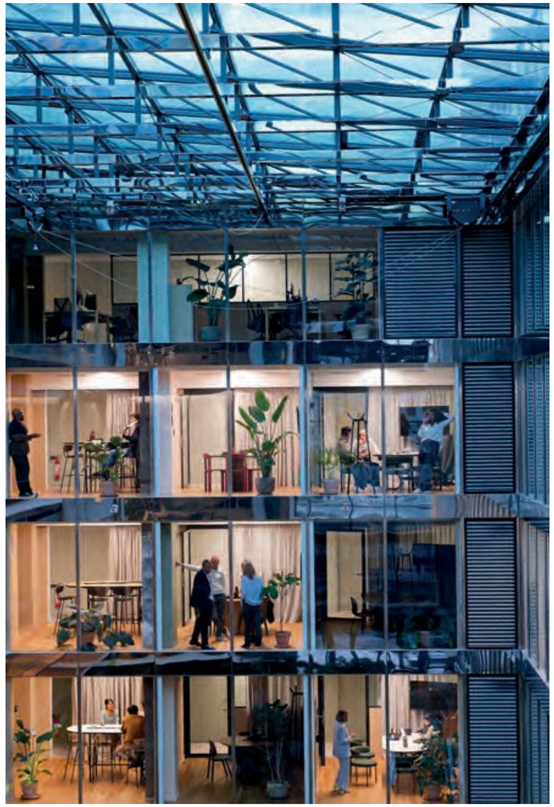
EIOPA’s priorities in its 2026 AWP

EIOPA’s priorities in its 2026 AWP

On 29 September 2025, EIOPA published its AWP for 2026,[31] which should be read in conjunction with its (revised) SPD for 2025-2027[32] as supplemented by its Union-Wide Strategic Supervisory Priorities – Focus areas for 2026[33] (**USSP 2026**). As in previous years, the 2026 AWP and the USSP 2026 reflect EIOPA’s continued commitment to sustainable finance, digital transformation, supervisory convergence, policy development, financial stability, governance and consumer protection, digital transformation and geopolitical tensions as well as the growing “pensions gap”. As in 2025, supervised firms should note the emphasis on integrating Environmental, Social and Governance (**ESG**) considerations into their risk management frameworks, particularly considering new guidelines and reporting requirements under the Solvency II Directive (**Solvency II Review**) plus the interplay with the EU’s Insurance Distribution Directive (**IDD**) and the Sustainable Finance Disclosure Regulation (**SFDR**). Additionally, firms must prepare for increased scrutiny on digital operational resilience, with the Digital Operational Resilience Act (**DORA**) coming into effect on 17 January 2025, mandating robust IT systems and oversight of Critical Third-Party Providers (**CTPP**).

As in 2025, EIOPA's continued focus on supervisory convergence and the harmonisation of practices across Member States means that firms engaged in cross-border activities should anticipate more consistent regulatory oversight and be prepared for potential adjustments in their compliance frameworks. Lastly, the 2025 publications signal a proactive stance on emerging risks such as cyber threats and the ethical use of artificial intelligence (**AI**), indicating that firms should bolster their cybersecurity measures and ensure fair and non-discriminatory AI practices. Overall, the 2026 publications when compared to priorities for 2025 and certainly 2024 outline a more comprehensive regulatory landscape that demands heightened vigilance, adaptability and proactive engagement from supervised firms to align with EIOPA's strategic objectives (and as executed in supervision carried out by the NCAs) for a more resilient and sustainable financial sector.

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between EIOPA’s 2025 and 2026 AWPs. It should be read together with other thematic deep dives on reforms and developments as well as our standalone analysis of all relevant 2026 work programmes from the European Commission and EIOPA’s sister European Supervisory Authorities (the **ESAs**) as well as those of the Banking Union authorities (ECB-SSM and SRB).[34]



[31] Available here.
[32] As published in its revised form on 19 December 2024 available here.
[33] Available here.
[34] In addition to our analysis for 2026, analysis from previous years is equally available on our EU RegCORE webpage.

Key takeaways from EIOPA's 2026 AWP

As in previous years, EIOPA uses its 2026 AWP to outline its strategic priorities and communicate a comprehensive roadmap and resourcing plan for EIOPA's activities and publications (through Guidelines, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**RTS**) that it is mandated to publish along with other rulemaking instruments and statements on supervisory expectations.

In addition to the above, EIOPA will increase its focus on enhancing the quality and effectiveness of supervision, moving from horizon scanning to "practical supervision", integrating sustainable finance considerations, supporting digital transformation of the market (in particular open insurance, AI, decentralised finance (**DeFi**) and crypto-assets) and ensuring financial stability.

In terms of more "practical supervision", EIOPA's role in Colleges of Supervisors continues to aim at supporting group supervisors and addressing and following up on relevant risks. When needed, joint on-site inspections will be proactively sought. As announced in the 2025 AWP, supervisory priorities from the EU's Union-Wide Supervisory Priorities for oversight tasks will be followed during 2026 and beyond. Since 2025, EIOPA is conducting oversight for DORA's purposes on CTPPs. EIOPA will assist NCAs in overseeing digital operational resilience and implementing new regulations like threat-led penetration tests and cyber incident reporting for firms.

In addition to the overarching themes introduced above, EIOPA will pursue the following main priorities as part of its annual activities in 2026:

EIOPA's 2026 agenda at a glance

Sustainable finance	A central pillar of EIOPA's 2026 agenda is sustainable finance. EIOPA is intensifying its efforts to close natural catastrophe protection gaps by promoting best practices in risk assessment and management, with a particular focus on overcoming demand-side barriers to insurance uptake. EIOPA is also committed to strengthening risk-based supervision of sustainability risks, monitoring the implementation of sustainability-related requirements and actively combatting greenwashing. This will involve the deployment of supervisory technology (**SupTech**) tools to detect misleading sustainability claims at both the product and entity level. Furthermore, EIOPA aims to enhance its role as a centre of excellence for catastrophe modelling and data, facilitating the sharing of innovative methodologies and best practices across the sector. The integration of ESG risks into the prudential framework, support for the analysis of sustainability risks,active participation in the EU and international sustainable finance initiatives will be key features of the EIOPA's work. For regulated firms, this means a heightened expectation to embed ESG considerations into risk management frameworks, ensure the accuracy and substantiation of sustainability claims and participate in industry-wide efforts to address protection gaps and improve catastrophe risk modelling.
Digitalisation	Digitalisation remains a major focus for EIOPA, as it continues to support the digital transformation of the insurance and pensions sectors. The supervision of artificial intelligence (**AI**) will be a priority, with an emphasis on ensuring fair and ethical treatment of consumers and monitoring the development of the cyber insurance market. Equally, as announced in the 2025 AWP, EIOPA will finalise policy work on ethical and fair data use under the Financial Data Access Regulation (**FIDAR**) framework, clarify data ethics and leverage SupTech to enhance supervisory tools and processes. EIOPA will also support NCAs in adopting innovative technologies, contribute to the implementation of the AI Act and address risks associated with distributed ledger technology (**DLT**), blockchain and crypto-assets. For firms, this translates into a need to strengthen AI governance, ensure compliance with evolving data ethics standards and bolster cyber resilience in line with regulatory expectations.

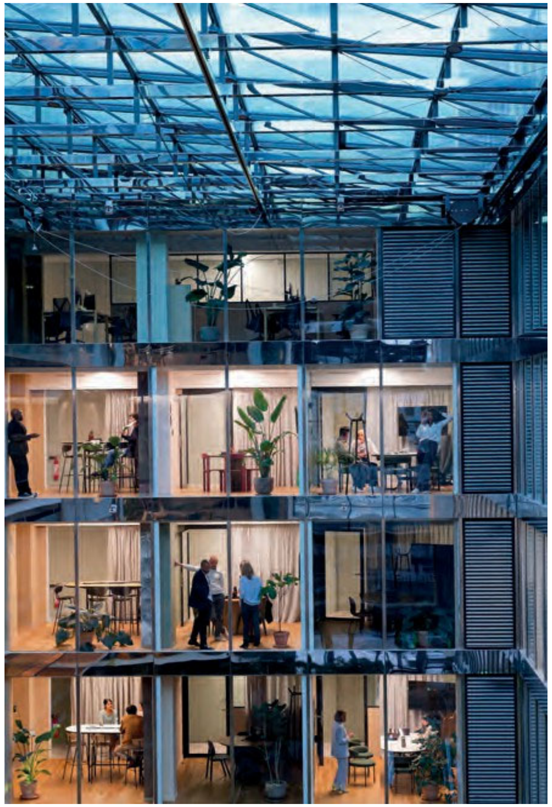
Supervision and supervisory convergence	Supervision and supervisory convergence are at the heart of EIOPA's strategy for 2026 and beyond. EIOPA will operate cross-border cooperation platforms to coordinate supervisory responses and support enforcement at the EU level, particularly for services provided under freedom of establishment or freedom to provide services. EIOPA will oversee CTPPs in collaboration with other ESAs, contribute to the supervision of digital operational resilience—including cyber incident reporting and threat-led penetration testing—and conduct mystery shopping exercises on digital distribution. Peer reviews on reinsurance supervision and sustainability risk assessment, as well as the monitoring of customer-centric business models and the development of a conduct risk dashboard, will further enhance supervisory responsiveness. EIOPA will also address issues related to internal models, participate in colleges of supervisors and promote convergence in data reporting to reduce the reporting burden on firms. These initiatives signal to firms the importance of robust cross-border compliance, effective internal model governance and readiness for increased supervisory scrutiny, particularly in digital and conduct risk areas.
Policy development	Policy development will be another key area of activity, with EIOPA prioritising the timely update of technical standards, guidelines and reports following the Solvency II review, with a strong emphasis on proportionality and simplification. EIOPA will execute mandates under the EU's Retail Investment Strategy (**RIS**) limb of the EU's Savings and Investments Union, including the development of IT tools and consumer testing and contribute technical expertise to the review of the Institutions for Occupational Retirement Provision (**IORP II**) Directive and the Pan-European Personal Pension Product (**PEPP**) Regulation. These efforts are aimed at addressing pension gaps and supporting the development of supplementary pensions. Firms should therefore anticipate ongoing developments in policy and reporting requirements, particularly under Solvency II, the Retail Investment Strategy and the IORP II Directive and prepare for the associated operational and compliance challenges.
Financial stability contributions	Financial stability remains a core objective for EIOPA, which will further enhance its framework for assessing economic, market and emerging risks, with particular attention to systemic risk monitoring—including non-conventional risks such as cyber threats. The implementation of the Insurance Recovery and Resolution Directive (**IRRD**) will strengthen crisis prevention and preparedness, while EIOPA's contribution to the development of a European Network of National Insurance Guarantee Schemes and the provision of technical advice on minimum common standards will further bolster the sector's resilience. Firms will be expected to demonstrate robust crisis preparedness, high data quality and effective risk management practices in response to these initiatives.
Governance of EIOPA and its interoperations with NCAs	Governance and organisational resilience are also prominent in EIOPA's 2026 agenda. EIOPA will maintain a strong corporate culture and cost-effective operating model, with continued focus on high standards of integrity, diversity and inclusion. Strengthening its cybersecurity posture and aligning with evolving EU standards, as well as reducing the environmental impact of its operations and maintaining accreditation under the EU's Eco-Management and Audit Scheme, are key operational objectives. For firms, this underscores the importance of strong governance, cyber resilience and sustainability in their own operations.
The look further ahead	Looking ahead, EIOPA's 2026 AWP signals a continued evolution towards a more resilient, sustainable and digitally enabled insurance and pensions sector in the EU. Supervised firms are advised to proactively engage with these developments, ensuring alignment with EIOPA's strategic objectives and regulatory expectations. The focus on supervisory convergence, sustainable finance, digital transformation and robust governance will require firms to maintain high standards of compliance, innovation and consumer-centricity in the year ahead.

EIOPA's priorities in its 2026 AWP

On 29 September 2025, EIOPA published its AWP for 2026,[31] which should be read in conjunction with its (revised) SPD for 2025-2027[32] as supplemented by its Union-Wide Strategic Supervisory Priorities – Focus areas for 2026[33] (**USSP 2026**). As in previous years, the 2026 AWP and the USSP 2026 reflect EIOPA's continued commitment to sustainable finance, digital transformation, supervisory convergence, policy development, financial stability, governance and consumer protection, digital transformation and geopolitical tensions as well as the growing "pensions gap". As in 2025, supervised firms should note the emphasis on integrating Environmental, Social and Governance (**ESG**) considerations into their risk management frameworks, particularly considering new guidelines and reporting requirements under the Solvency II Directive (**Solvency II Review**) plus the interplay with the EU's Insurance Distribution Directive (**IDD**) and the Sustainable Finance Disclosure Regulation (**SFDR**). Additionally, firms must prepare for increased scrutiny on digital operational resilience, with the Digital Operational Resilience Act (**DORA**) coming into effect on 17 January 2025, mandating robust IT systems and oversight of Critical Third-Party Providers (**CTPP**).

As in 2025, EIOPA's continued focus on supervisory convergence and the harmonisation of practices across Member States means that firms engaged in cross-border activities should anticipate more consistent regulatory oversight and be prepared for potential adjustments in their compliance frameworks. Lastly, the 2025 publications signal a proactive stance on emerging risks such as cyber threats and the ethical use of artificial intelligence (**AI**), indicating that firms should bolster their cybersecurity measures and ensure fair and non-discriminatory AI practices. Overall, the 2026 publications when compared to priorities for 2025 and certainly 2024 outline a more comprehensive regulatory landscape that demands heightened vigilance, adaptability and proactive engagement from supervised firms to align with EIOPA's strategic objectives (and as executed in supervision carried out by the NCAs) for a more resilient and sustainable financial sector.

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between EIOPA's 2025 and 2026 AWPs. It should be read together with other thematic deep dives on reforms and reforms and developments as well as our standalone analysis of all relevant 2026 work programmes from the European Commission and EIOPA's sister European Supervisory Authorities (the **ESAs**) as well as those of the Banking Union authorities (ECB-SSM and SRB).[34]



[31] Available here.
[32] As published in its revised form on 19 December 2024 available here.
[33] Available here.
[34] In addition to our analysis for 2026, analysis from previous years is equally available on our EU RegCORE webpage.

Key takeaways from the Union-wide Strategic Supervisory Priorities (USSPs)

EIOPA's USSPs set out the focus areas for attention that will guide NCAs and, by extension, regulated (re-)insurance undertakings across the EU. The priorities reflect the evolving risk landscape, regulatory developments and persistent consumer protection concerns within the sector. For 2026, EIOPA's focus areas—DORA and Sustainability Risks—are complemented by targeted areas of attention, namely the Solvency Capital Requirement (**SCR**) calculation for Collective Investment Undertakings (**CIU**s) and the fair treatment of consumers in claims management, particularly in the context of digitalisation. These priorities reflect both the maturing regulatory environment and the increasing complexity of risks facing the sector.

With the implementation of DORA, regulated firms must ensure that their ICT risk management frameworks are robust, proportionate and fully integrated into their overall business and ICT strategies. Supervisory scrutiny will extend to the active engagement of boards and senior management in ICT risk oversight, the adequacy of incident response and reporting mechanisms and the comprehensiveness of third-party risk management, especially regarding CTPPs. Firms should anticipate more frequent and detailed supervisory interactions, including both onsite and offsite reviews and must be prepared to demonstrate operational readiness and resilience through well-documented policies, procedures and testing programmes.

Sustainability risks are now firmly embedded in the prudential and conduct supervisory agenda. EIOPA expects firms to conduct materiality assessments of sustainability risks within their Own Risk and Solvency Assessment (**ORSA**) processes, ensuring these are tailored to the firm's specific risk profile and business strategy. Scenario analysis, particularly in relation to climate change, must be credible and underpinned by sound assumptions. The risk management function should be equipped with the necessary expertise and governance structures to oversee sustainability risks and there must be clear alignment between sustainability risk management and investment decision-making, consistent with the prudent person principle.

Furthermore, firms must ensure that any sustainability-related claims made inrelation to products or their overall profile are accurate, substantiated and aligned with EIOPA's principles to prevent greenwashing. Product design and distribution processes should be reviewed to ensure that value for money and transparency—especially regarding exclusions or limitations related to sustainability—are maintained.

The increasing concentration of CIUs in insurers' investment portfolios has prompted EIOPA to intensify its scrutiny of SCR calculations. Firms with significant exposures (20% or more of investments in CIUs) will be subject to detailed assessments of their application of the look-through approach, data quality and consistency in supervisory reporting. Inaccuracies or inconsistencies may trigger targeted supervisory interventions and firms should ensure that their governance arrangements for investment risk management are robust, particularly where exposures to private equity and alternative investment funds are material.

Persistent issues in claims management, highlighted by recurring consumer complaints and low satisfaction rates, have led EIOPA to prioritise the fair treatment of consumers in this area.

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly between EIOPA's 2025 publications and the 2026 AWP.

Key takeaways from the Union-wide Strategic Supervisory Priorities (USSPs)

Firms should review their claims handling processes, with particular attention to the impact of digitalisation and outsourcing. Supervisory authorities will monitor claims management practices, identify outliers (such as high claims denial ratios) and may require remediation where issues are identified. Firms must ensure that their processes are transparent, timely and consumer-centric, with clear communication and fair outcomes at the forefront.

Considering these developments, regulated firms are advised to adopt a proactive and integrated approach to compliance and risk management. This includes conducting gap analyses against supervisory expectations, enhancing board and senior management oversight of key risk areas, investing in data quality and reporting systems and embedding consumer protection and sustainability considerations throughout their operations. The evolving supervisory landscape will demand heightened vigilance, adaptability and engagement from firms to ensure alignment with EIOPA’s strategic objectives and to mitigate the risk of regulatory intervention.

Key messages and differences between EIOPA’s 2025 AWP and SPD and 2026 AWO

The 2026 AWP, as supplemented by the USSP 2026, marks a shift from preparatory and mapping work in both publications i.e., the 2025 AWP and SPD for 2025-2027 to concrete implementation, delivery of new tools and enhanced supervisory scrutiny, especially in digital, sustainability and consumer protection domains. The level of operational detail, resource allocation and specificity of outputs is significantly increased in the 2026 AWP even if it is narrower in tangible focus for that year when compared to the multi-annual priorities set out in the SPD 2025-2027.[35]

EIOPA’s 2026 agenda at a glance

Sustainable finance	A central pillar of EIOPA’s 2026 agenda is sustainable finance. EIOPA is intensifying its efforts to close natural catastrophe protection gaps by promoting best practices in risk assessment and management, with a particular focus on overcoming demand-side barriers to insurance uptake. EIOPA is also committed to strengthening risk-based supervision of sustainability risks, monitoring the implementation of sustainability-related requirements and actively combatting greenwashing. This will involve the deployment of supervisory technology (**SupTech**) tools to detect misleading sustainability claims at both the product and entity level. Furthermore, EIOPA aims to enhance its role as a centre of excellence for catastrophe modelling and data, facilitating the sharing of innovative methodologies and best practices across the sector. The integration of ESG risks into the prudential framework, support for the analysis of sustainability risks,active participation in the EU and international sustainable finance initiatives will be key features of the EIOPA’s work. For regulated firms, this means a heightened expectation to embed ESG considerations into risk management frameworks, ensure the accuracy and substantiation of sustainability claims and participate in industry-wide efforts to address protection gaps and improve catastrophe risk modelling.
Digitalisation	Digitalisation remains a major focus for EIOPA, as it continues to support the digital transformation of the insurance and pensions sectors. The supervision of artificial intelligence (**AI**) will be a priority, with an emphasis on ensuring fair and ethical treatment of consumers and monitoring the development of the cyber insurance market. Equally, as announced in the 2025 AWP, EIOPA will finalise policy work on ethical and fair data use under the Financial Data Access Regulation (**FIDAR**) framework, clarify data ethics and leverage SupTech to enhance supervisory tools and processes. EIOPA will also support NCAs in adopting innovative technologies, contribute to the implementation of the AI Act and address risks associated with distributed ledger technology (**DLT**), blockchain and crypto-assets. For firms, this translates into a need to strengthen AI governance, ensure compliance with evolving data ethics standards and bolster cyber resilience in line with regulatory expectations.

[35] For a review of the differences between 2024 and 2025 please see here.

Topic – running order as used in publications	
Supervision and supervisory convergence	Supervision and supervisory convergence are at the heart of EIOPA's strategy for 2026 and beyond. EIOPA will operate cross-border cooperation platforms to coordinate supervisory responses and support enforcement at the EU level, particularly for services provided under freedom of establishment or freedom to provide services. EIOPA will oversee CTPPs in collaboration with other ESAs, contribute to the supervision of digital operational resilience—including cyber incident reporting and threat-led penetration testing—and conduct mystery shopping exercises on digital distribution. Peer reviews on reinsurance supervision and sustainability risk assessment, as well as the monitoring of customer-centric business models and the development of a conduct risk dashboard, will further enhance supervisory responsiveness. EIOPA will also address issues related to internal models, participate in colleges of supervisors and promote convergence in data reporting to reduce the reporting burden on firms. These initiatives signal to firms the importance of robust cross-border compliance, effective internal model governance and readiness for increased supervisory scrutiny, particularly in digital and conduct risk areas.
Policy development	Policy development will be another key area of activity, with EIOPA prioritising the timely update of technical standards, guidelines and reports following the Solvency II review, with a strong emphasis on proportionality and simplification. EIOPA will execute mandates under the EU's Retail Investment Strategy (**RIS**) limb of the EU's Savings and Investments Union, including the development of IT tools and consumer testing and contribute technical expertise to the review of the Institutions for Occupational Retirement Provision (**IORP II**) Directive and the Pan-European Personal Pension Product (**PEPP**) Regulation. These efforts are aimed at addressing pension gaps and supporting the development of supplementary pensions. Firms should therefore anticipate ongoing developments in policy and reporting requirements, particularly under Solvency II, the Retail Investment Strategy and the IORP II Directive and prepare for the associated operational and compliance challenges.
Financial stability contributions	Financial stability remains a core objective for EIOPA, which will further enhance its framework for assessing economic, market and emerging risks, with particular attention to systemic risk monitoring—including non-conventional risks such as cyber threats. The implementation of the Insurance Recovery and Resolution Directive (**IRRD**) will strengthen crisis prevention and preparedness, while EIOPA's contribution to the development of a European Network of National Insurance Guarantee Schemes and the provision of technical advice on minimum common standards will further bolster the sector's resilience. Firms will be expected to demonstrate robust crisis preparedness, high data quality and effective risk management practices in response to these initiatives.
Governance of EIOPA and its interoperations with NCAs	Governance and organisational resilience are also prominent in EIOPA's 2026 agenda. EIOPA will maintain a strong corporate culture and cost-effective operating model, with continued focus on high standards of integrity, diversity and inclusion. Strengthening its cybersecurity posture and aligning with evolving EU standards, as well as reducing the environmental impact of its operations and maintaining accreditation under the EU's Eco-Management and Audit Scheme, are key operational objectives. For firms, this underscores the importance of strong governance, cyber resilience and sustainability in their own operations.
The look further ahead	Looking ahead, EIOPA's 2026 AWP signals a continued evolution towards a more resilient, sustainable and digitally enabled insurance and pensions sector in the EU. Supervised firms are advised to proactively engage with these developments, ensuring alignment with EIOPA's strategic objectives and regulatory expectations. The focus on supervisory convergence, sustainable finance, digital transformation and robust governance will require firms to maintain high standards of compliance, innovation and consumer-centricity in the year ahead.

	EIOPA’s 2025 publications	EIOPA’s 2026 AWP
Macroeconomic and Political Developments	• Continued focus on the challenging European macroeconomic environment, with added emphasis on the impact of geopolitical tensions, particularly Russia’s invasion of Ukraine and the need for forward-looking risk identification. • Enhanced focus on consumer protection, particularly in the context of high inflationary trends, digitalisation, AI usage and ESG risks. • Monitoring the opening of the EU Single Market in financial services to the Microstates, aiming for adequate supervision and enforcement. • Continued emphasis on addressing protection gaps, with a new focus on improving consumer risk awareness and understanding of risk-based prevention measures and alignment across public and private initiatives. • Introduction of activities to establish EIOPA as a Centre of Excellence in catastrophe models and data and focus on identifying, monitoring and addressing greenwashing cases. • Mention of the need for data to develop appropriate tools for supervision and operate according to powers and responsibilities. • Continued monitoring of political developments, including the European Parliament elections in 2024 and the new European Commission and their impact on EIOPA’s activities. • Increased cooperation with different EU authorities due to the horizontal nature of regulation.	• EIOPA will place emphasis on continued macro/geopolitical monitoring, with enhanced focus on consumer risk awareness and risk-based prevention. • New activities to establish EIOPA as a Centre of Excellence in catastrophe models/data are set to be advanced. • EIOPA will drive increased cooperation with EU authorities and emphasis on data for supervisory tools.
Solvency II Review	• EIOPA will map where changes are needed to be drafted and review technical standards and guidelines once there is more clarity on the negotiations of the Solvency II Review. • Regulatory initiatives on sustainability risks and factors, including the Taxonomy Regulation, SFDR and CSRD, will start to take effect, impacting Solvency II ORSA. • EIOPA will respond to requests for reports on sustainability issues as part of Solvency II, after more clarity on the outcome of negotiations between EU institutions.	• EIOPA will prioritise updates of technical standards/guidelines post-Solvency II review. • Major new version of data collection infrastructure. • EIOPA will roll-out open-source modelling of climate change risks. • Improved collection of insured loss data, ongoing dashboard updates and engagement with Member States on protection gaps.

Solvency II Review	EIOPA's 2025 publications	EIOPA's 2026 AWP
	• EIOPA will develop a major new version of the data collection infrastructure based on significant updates to the XBRL taxonomies and the data warehouse for insurance and IORPs returns. • EIOPA will progress in areas of activity referenced in the EU Strategy for financing the transition to a sustainable economy and the EU Strategy on Adaptation to Climate Change, as well as in Commission's proposals for additional mandates as part of the Solvency II Review. • EIOPA will promote access to open-source modelling of climate change risks and improve the collection of uniform and comprehensive insured loss data. • EIOPA will continue updating its EU-wide dashboard on natural catastrophe insurance protection gaps and engage with Member States, industry and consumers on policy solutions to address demand-side barriers.	
Insurance Recovery and Resolution Directive (IRRD)	• EIOPA will continue to deliver high-quality advice and other policy work, including the implementation of the IRRD, which will include new roles and responsibilities such as setting up a resolution committee or participating in resolution colleges. • EIOPA is preparing for the implementation of the IRRD, which will include new responsibilities such as the development of technical standards and guidelines and other permanent tasks like setting up a resolution committee or participating in resolution colleges. • The IRRD and the Solvency II Review will have a significant impact on EIOPA, requiring the preparation and review of a significant number of instruments (guidelines, ITS, RTS, reports) and new permanent tasks, necessitating changes in EIOPA's governance structure. • EIOPA has continuously strengthened its methodological approach to prioritisation to boost efficiency and dynamically (re)deploy resources based on needs. The revised publication timeline for Solvency II and IRRD, along with additional resources for DORA, has helped to manage conflicting priorities. • The main priority will be the work related to the IRRD, which is dependent on the political process. • EIOPA will continue enhancing its crisis prevention and preparedness, focusing on internal processes and procedures and promoting sound recovery and resolution policies related to the IRRD. • EIOPA will promote consistency in the implementation of the IRRD by hosting relevant fora. • Placeholder for potential data requests needed for the development of IRRD-related instruments (Guidelines/ITS/RTS).	

RIS	• EIOPA will actively contribute to the legislative proposals on the RIS published on 24 May 2023, including possible work on technical advice, technical standards, guidelines and development of other tools such as databases relating to the Packaged Retail and Insurance-based Investment Products (**PRIIP**s) Regulation and the IDD. • EIOPA will assess its ongoing 'Value for Money' work to draw on lessons learned and inform any new mandates under the RIS. • EIOPA is expected to deliver policy work for several legislative initiatives, including the RIS, with a focus on ensuring strong and consistent protection of consumer interests across the EU. • EIOPA will focus on developing the digital single market and supporting innovation to ensure transparency and a consumer-friendly environment. • EIOPA will continue to support the further development of a single rulebook in the insurance and pensions sectors, particularly regarding the implementation of the RIS. • EIOPA will use its experience and lessons learned from supervisory convergence work to feed the regulatory cycle, focusing on further analysing the application of the IDD and preparing for its future revision. • EIOPA expects to receive new mandates deriving from the RIS, such as RTS, technical advice, guidelines and development of new IT tools, with work possibly commencing as early as Q2 2025. **New priorities from the previous publication include**: • EIOPA will carry out its first coordinated mystery shopping exercise to ensure its supervisory approach is more outcomes-focused. • EIOPA will focus on promoting products that ensure value for money are simpler and easy to understand and correspond to consumers' needs to promote more financial inclusion. • EIOPA will address both existing and emerging risks such as dark patterns in digital distribution and the usage of AI for underwriting purposes. • EIOPA will establish strategic conduct priorities and develop a conduct risk dashboard. • EIOPA will coordinate supervisory activities in relation to PEPP, focusing on supervisory approaches, coordination of supervisory plans and monitoring the market.
DORA	• EIOPA is focused on the effective implementation of cross-sectoral legislation such as DORA, fostering cooperation among stakeholders and addressing emerging risks. • EIOPA will continue to deliver high-quality advice and other policy work, including DORA, Solvency II Review, IRRD, European Single Access Point (**ESAP**), AI Act, Cyber Security and Information Security Regulations. • EIOPA has already shifted resources towards the preparatory work of DORA, lowering activity in other areas, including oversight work. • EIOPA will, together with the other ESAs, initiate the oversight of CTPPs to promote convergence and strengthen digital operational resilience. • EIOPA will support the implementation of the ESRB Recommendation on a pan-European systemic cyber incident coordination framework for relevant authorities. • EIOPA will receive fees revenue required to assume its new tasks and powers in relation to the oversight mandate of CTPPs included in DORA. • EIOPA will implement actions in line with the revised EIOPA Digital Strategy, focusing on areas where it can add value within a general strategic concentration on consumer outcomes. • EIOPA will enhance the incorporation of cyber risk assessment into the current insurance risk dashboard framework and will continue to monitor the development of the cyber insurance market. • EIOPA will support NCAs in supervising the digital transformation of entities as well as on the implementation of DORA. • EIOPA will deliver the necessary policy work to support DORA implementation together with other ESAs.

DORA

- EIOPA will implement the DORA, assess the prudential and conduct framework of the sector and ensure financial soundness and supervisory convergence.
- EIOPA will deliver the RTS and ITS from DORA and assess and develop supervisory convergence tools on DORA supervision.
- EIOPA will implement a cyber-incidents report system and develop a feasibility study on further centralisation of the cyber-incident reporting.
- EIOPA will manage the cyber-incidents report system and prepare an Annual Report on major ICT-related incidents.
- EIOPA will gradually implement the pan-European systemic cyber incident coordination framework for relevant authorities (**EU-SCICF**).

AI Act

EIOPA’s 2025 publications

- EIOPA will focus on the effective implementation of cross-sectoral legislation, including the AI Act, fostering cooperation among stakeholders and addressing emerging risks.
- EIOPA will continue to deliver high-quality advice and other policy work, considering the effects of new horizontal regulation, including the AI Act.
- EIOPA will support preparations from a policy and supervisory perspective in view of the expected finalisation of negotiations between the co-legislators on the AI Act.
- EIOPA will enhance conduct of business supervision, addressing discriminatory practices emerging from the usage of AI in pricing and underwriting.
- EIOPA will focus on supporting NCAs on the supervision of the AI Act and integrating their role as market surveillance authorities in the context of insurance and pensions sectoral legislation.
- EIOPA will assess remaining AI supervisory and regulatory aspects, including measures relevant for addressing risks for consumers.
- EIOPA will support and monitor the implementation of the AI Act and possible EIOPA Guidelines on AI, aiming for cross-sectorial consistency while reflecting on sectorial specifics.
- EIOPA will deliver guidance on AI Act, including any policy work that might emerge from the final agreement on the AI Act.
- EIOPA will deliver guidance on areas not covered by the AI Act to promote convergence and provide clarity to the market about supervisory expectations.
- EIOPA will monitor, identify and address the benefits and risks arising from the use of AI in insurance, including potential unfair treatment of consumers or discriminatory practices.

EIOPA’s 2026 AWP

- EIOPA will support and monitor AI Act implementation.
- EIOPA will deliver Guidelines on AI.
- EIOPA will continue to implement supervisory convergence guidance for NCAs as market surveillance authorities.
- EIOPA will develop measures in addressing discriminatory AI practices.
- EIOPA will advance new supervisory tools using AI and machine learning.
- EIOPA will leverage ESAP for machine learning and conduct risk assessment.

	EIOPA's 2025 publications	EIOPA's 2026 AWP
AI Act	• EIOPA will enhance digital finance monitoring, including in areas such as AI and DeFi, by assessing the results of the 2023 survey and taking lessons for future activities. • EIOPA will develop and implement new supervisory tools leveraging data and new technologies, including using NLP to analyse qualitative non-structured information. • EIOPA will assess how to leverage ESAP to improve the tool on machine learning and use of data to assess conduct of business risks. • EIOPA will further improve methodological tools for the assessment and reporting of risks in the insurance and pensions sectors based on different econometric techniques, including the development of AI and machine learning techniques.	
ESAP	**EIOPA's 2025 publications** • EIOPA will contribute to the implementation of ESAP to improve public access to entities' financial and non-financial information, pending final decision by the co-legislators and will act as a data collector within the insurance and pension sectors. • EIOPA will prepare for the implementation of ESAP in cooperation with the European Securities and Market Authority (**ESMA**) and the European Banking Authority (**EBA**), including the development of technical standards. • EIOPA's role as a data hub for the EU insurance and pensions sector is emphasised, with increasing tasks related to data analysis, publication and sharing, including ESAP. • EIOPA will focus on the policy work and implementation of ESAP, DORA and AI Act and support the Proposal for a Regulation on a Framework for Financial Data Access (**FIDAR**). • EIOPA will contribute to the implementation of ESAP, focusing on areas where it can add value within a general strategic concentration on consumer outcomes. • EIOPA will implement actions in line with the revised EIOPA Digital Strategy, including the implementation of ESAP. • EIOPA will deliver policy work and implementation for ESAP, among other legislative initiatives, with overlapping timing increasing staff resource constraints.	**EIOPA's 2026 AWP** • EIOPA will continue its implementation of ESAP in cooperation with ESMA/EBA; EIOPA as data hub for insurance/pensions. • EIOPA will focus on policy work and implementation support for FIDAR even if overlapping timing with DORA/AI Act increases resource constraints on EIOPA.

Outlook

The AWP 2026 details a wide range of annual operational objectives, including the integration of sustainable finance considerations across all areas of work, support for digital transformation through the implementation of FIDAR, ESAP and the AI Act and the enhancement of SupTech capabilities.

EIOPA will promote supervisory convergence via peer reviews, training programmes and the development of supervisory handbooks, while also enhancing the quality and effectiveness of prudential and conduct supervision, with a focus on cross-border collaboration, consumer protection and the oversight of internal models. The management and development of EIOPA's data infrastructure will support the effective application of Solvency II and other regulatory frameworks, while timely and accurate financial stability analysis, the development of robust methodological frameworks for risk assessment and the strengthening of crisis prevention and management processes will further underpin EIOPA's work. Effective communication, stakeholder engagement and operational efficiency—including robust internal governance, risk management and talent development—round out EIOPA's operational objectives.

For supervised firms, the implications are clear. There will be increased scrutiny of sustainability claims and the integration of ESG risks into risk management frameworks, enhanced supervisory focus on digitalisation—including AI, data ethics and cyber resilience—and greater convergence in supervisory practices, particularly for cross-border activities and internal model approvals. Firms should also expect ongoing developments in policy and reporting requirements including as a result of the EU's wider reaching Savings and Investments Union efforts. This includes reforms notably under Solvency II, the Retail Investment Strategy and the IORP II Directive, as well as heightened expectations regarding crisis preparedness, data quality and consumer protection.

Finally, the emphasis on supervisory convergence and cross-border cooperation amongst NCAs as coordinated by EIOPA will result in more consistent regulatory oversight across Member States. Firms engaged in cross-border activities should expect to see minor changes contributing to the multi-annual and very much continued aim of greater harmonisation of supervisory practices. This is likely to manifest in increased peer reviews and the potential for a higher pace of joint on-site inspections. The focus on crisis preparedness, financial stability and the implementation of the IRRD will require firms to demonstrate robust crisis management capabilities and high standards of data quality.

In conclusion, the future of EIOPA and NCA supervision will be characterised by a more integrated, resilient and sustainable regulatory framework. The 2026 EIOPA agenda demands a proactive, integrated approach to compliance, risk management and innovation, positioning firms to navigate a more complex and demanding regulatory environment. By better aligning their operations with EIOPA's strategic objectives, firms can navigate the complex regulatory landscape effectively over the forthcoming supervisory cycle and contribute to a more resilient financial sector.

JC of the ESAs' priorities for 2026

JC of the ESAs' priorities for 2026

On 16 October 2025, the Joint Committee (**JC**) of the European Supervisory Authorities (**ESAs**)—comprising the European Banking Authority (**EBA**), the European Insurance and Occupational Pensions Authority (**EIOPA**), and the European Securities and Markets Authority (**ESMA**)—published its 2026 Annual Work Programme (**AWP**)[36]. The AWP sets out the JC's cross-sectoral priorities for the coming year, with a continued focus on digital operational resilience, consumer protection, financial innovation, sustainable finance, risk assessment, securitisation, financial conglomerates, innovation facilitation and external credit assessment institutions. The 2026 agenda is shaped by ongoing geopolitical tensions, the EU's simplification agenda, and the need for supervisory convergence and regulatory consistency across the financial sector.

The sections below discusses the relevant issues and key legal and regulatory considerations for relevant market participants.

[36] Available here.

Key takeaways from EIOPA's 2026 AWP

As in previous years the JC of the ESAs' have outlined an ambitious and comprehensive work programme for 2026, aimed at enhancing regulatory consistency, supervisory convergence and consumer protection across the European financial sector. The ESAs are committed to fostering cross-sectoral regulatory consistency and supervisory convergence. This involves regular coordination of activities within their respective responsibilities to ensure uniformity in practices.

The JC's 2026 agenda consolidates cross sector supervisory convergence while operationalising new structures created by recent legislation. Four themes dominate:

i. the first full oversight cycle under the Digital Operational Resilience Act (**DORA**) for Critical ICT Third-Party Providers (**CTPPs**) and a more mature Pan-European Systemic Cyber Incident Coordination Framework (**EU-SCICF**);
ii. consumer protection under the EU's Savings and Investments Union (**SIU**), including potential Packaged Retail and Insurance-based Investment Products Key Information Document (**PRIIPs KID**) Regulatory Technical Standards (RTS), sanctions reporting and financial education
iii. sustainable finance, with Sustainable Finance Disclosure Regulation (**SFDR**) Level 1 review preparations, possible Environmental, Social, and Governance (**ESG**) ratings disclosure RTS and cross sector ESG stress testing guidelines; and
iv. supervisory coherence on securitisation, financial conglomerates, innovation facilitators and model dependencies (External Credit Assessment Institutions (**ECAIs**), European Market Infrastructure Regulation (**EMIR**) 3 margining).

Firms should expect more structured EU level coordination, clearer expectations on third party, cyber and model risk, and tighter, more consistent enforcement across Member States.

In particular the ESAs will focus on the following priorities:

1. Digital operational resilience (DORA): full CTPP oversight and crisis playbooks

The JC will run the first complete CTPP oversight cycle in 2026. Through the Oversight Forum, each designated CTPP will have a lead overseer and Joint Examination Teams undertaking risk assessments, setting annual and multi annual oversight plans, conducting initial examinations and issuing recommendations with follow ups.

Alongside this, the JC will advance supervisory convergence on DORA implementation with competent and resolution authorities, the ECB and ESRB, and ramp up incident reporting analytics culminating in an annual report on major ICT incidents.

A major operational priority is the EU-SCICF. 2026 will focus on operationalising and testing procedures, protocols and taxonomies, and on establishing practical cooperation with other EU and international frameworks (including EU Cyclone, the G7 Cyber Experts Group and CERTEU). Expected outputs include the annual Union level CTPP list, oversight plans, an Oversight Forum activity report, a report on major ICT incidents, and updated EU-SCICF documents and playbooks.

Implications for firms include more robust demands on ICT concentration risk management, exit/substitutability planning, and incident classification and root cause analysis aligned with supervisory taxonomies. Contractual repapering pressures may arise as CTPP recommendations cascade down to access, audit, data portability, sub outsourcing and termination/exit provisions. Firms should also expect heightened expectations around participation in cross border cyber exercises and timely situation reporting.

Key takeaways from EIOPA’s 2026 AWP

2. Consumer protection and financial innovation: PRIIPs KID, sanctions reporting and financial education

Consumer protection remains central in the Commission’s SIU. Subject to co legislators’ outcomes on the Retail Investment Strategy, the ESAs expect to draft RTS to streamline the PRIIPs KID—particularly performance and cost disclosures—while continuing supervisory convergence work and providing guidance on practical application. The ESAs will also publish annual reporting on administrative sanctions and measures imposed under PRIIPs. In parallel, they will run a workshop to exchange good practices in financial education and continue sectoral education projects with national competent authorities (**NCAs**).

Manufacturers and distributors should plan for a possible KID update cycle (methodology recalibrations, templates, governance approvals and distributor communications) and anticipate tighter, more consistent supervisory expectations on fair, comprehensible presentation of performance and costs. Enforcement data will be used to inform risk based supervisory targeting.

3. Sustainable finance: SFDR review readiness, ESG ratings disclosures and cross sector stress testing

The JC will continue to monitor the SFDR Level 1 review and prepare for potential empowerments (including consumer testing if required). In line with the simplification agenda, the ESAs will not issue the Article 18 SFDR report on principal adverse impact (PAI) disclosure quality in 2026, but they will continue supervisory convergence and practical guidance on existing obligations. Depending on legislative progress, work may commence on RTS for website disclosures where firms use ESG ratings in marketing, pursuant to the ESG Ratings Regulation.

Crucially, by January 2026 the ESAs will deliver joint guidelines setting high level principles for ESG risk stress testing under Capital Requirements Directive (CRD VI) and Solvency II, to foster consistent approaches across sectors.

Firms should sustain current SFDR controls while preparing for definitional or template changes following the Level 1 review. Where ESG ratings are referenced in marketing, firms should design durable, standardised disclosures and strengthen governance around rating use. Banks and insurers will need to align scenarios, model governance and board oversight to the new cross sector ESG stress testing principles, with conglomerates expected to demonstrate coherence across banking and insurance entities.

4. Cross sector risk assessment: supervisory “signal function”

The JC will continue to provide joint analyses of risks and vulnerabilities to financial stability, with regular presentations to the Council’s Economic and Financial Committee and Financial Stability Table, alongside publication of the annual joint Risks and Vulnerabilities report. These outputs act as early indicators of coordinated supervisory priorities, including liquidity, interest rate and credit migration risks, market structure stresses, operational resilience and sustainability transition risks.

5. Securitisation: follow up to the Article 44 review, convergence and third country monitoring

Following the second JCSC report (31 March 2025), the JCSC will undertake follow up tasks including technical advice/opinions and support implementation of SIU actions to revitalise securitisation on a sound basis. The committee will intensify supervisory convergence on SECR implementation and enforcement via concrete case discussions, common understandings, best practices and supervisory tools. It will also conduct market monitoring—particularly third-party risk financing for collateralised loan obligations (CLOs)—and track regulatory developments in the US and UK to identify divergence risks. Addressing data limitations for risk monitoring may form part of the 2026 workplan.

Key takeaways from EIOPA's 2026 AWP

Originators, sponsors and institutional investors should expect tighter consistency in supervisory expectations on due diligence, risk retention, STS criteria and reporting completeness/accuracy. Market participants in CLOs should prepare for deeper scrutiny of funding dependencies and risk transfer mechanics, with potential data remediation.

6. Financial conglomerates: reporting architecture and stress testing coherence

The ESAs will maintain cross sectoral consistency under the Financial Conglomerates Directive (FICOD), updating the annual list of identified conglomerates and operationalising reporting templates for intragroup transactions and risk concentrations. They will progress development of capital adequacy reporting templates and map current stress testing practices to identify gaps - particularly interconnectivity risks not captured by sectoral tests—culminating in an analytical note with potential recommendations.

Conglomerates should advance group data models and reconciliations across banking and insurance ledgers, prepare for capital adequacy templates, and develop coherent, group wide stress testing scenarios that articulate contagion channels and credible, board approved management actions.

7. Innovation facilitation: BigTech/MAG mapping and sandbox coordination with AI Act

Under the European Forum for Innovation Facilitators (EFIF), the JC will continue the 2025 initiatives mapping and collecting data on BigTechs and Mixed Activity Groups (**MAGs**) providing financial services in the EU. It will also support coordination between financial sector regulatory sandboxes and the new Artificial Intelligence (AI) regulatory sandboxes that Member States must establish under the AI Act, to strengthen communication and consistency among national innovation facilitators.

Traditional firms can expect supervisory benchmarking against BigTech/MAG operating models in data governance, explainability and AI model risk. Participants in sandboxes should prepare for clearer, multi authority testing objectives, consumer safeguards and exit/scale up conditions.

8. ECAIs and model dependencies: ongoing mappings and potential Implementing Technical Standards (ITS)

Pursuant to Capital Requirements Regulation (CRR) Article 136 and Solvency II Article 109a(1), the ESAs will continue producing mappings for newly registered ECAIs and monitoring existing mappings, preparing draft implementing technical standards as needed. Banks and insurers should monitor capital impacts from mapping changes, ensure timely policy/system updates, and maintain robust change management and validation routines.

9. Other joint work with near term operational effects

The ESAs will organise the 13th Joint Consumer Protection Day in 2026. They will support ESMA on European Single Access Point implementation, looking beyond phase 1 to subsequent phases. Further guidance on EMIR bilateral margining may follow the EMIR 3 amendments on initial margin model authorisation/validation, with EBA mandates to develop technical standards and guidelines in cooperation with EIOPA and ESMA. The fit and proper assessments database will be finalised with the addition of legal persons and then enter regular change management. A joint assessment of competent authority independence will proceed based on 2023 criteria, potentially influencing NCA supervisory approaches and resourcing.
In addition to the implications stemming from the above, the JC of the ESA's AWP has a number of key implications that regulated firms will need to prepare for.

Boards and senior management should reinforce governance over operational resilience, sustainability risk and cross sector risk themes, ensuring that DORA implementation, forthcoming ESG stress testing principles and emerging macro financial risks are embedded in board agendas, risk appetite statements and clearly owned management action plans. Firms should be prepared for more coordinated supervisory interactions across the EU and for participation in exercises under the EU SCICF.

Key takeaways from EIOPA's 2026 AWP

Decision useful management information must track progress on remediation, incident trends and third-party dependencies to evidence effective oversight.

Third party risk management and contractual frameworks will require proactive attention ahead of the first full CTPP oversight cycle. Firms should review and, where necessary, re paper audit and access rights, data portability provisions, sub outsourcing controls and termination/exit clauses to align with DORA expectations and potential recommendations issued to CTPPs. Demonstrable management of ICT concentration risk, credible substitutability assessments and executable exit runbooks tied to defined impact tolerances will be scrutinised. Incident management disciplines should also beharmonised with DORA taxonomies, thresholds and timelines, strengthening root cause analysis, lessons learned processes and linkage to risk appetite, while maintaining readiness for EU SCICF notifications and coordinated crisis exercises.

Product manufacturers and distributors need to maintain disclosure readiness across retail and sustainability regimes. In anticipation of potential RTS to streamline the PRIIPs KID, firms should plan for methodology recalibrations, template updates and end to end governance approvals, alongside clear distributor communications.

Under SFDR, firms must sustain disclosure quality and controls during the Level 1 review and should establish standardised, well governed website disclosures wherever ESG ratings are referenced in marketing, with robust oversight of rating use and update processes. Conduct focused supervisory convergence and sanctions reporting will increasingly inform risk-based targeting, making consistency and clarity in consumer facing materials more critical.

Risk models and capital methodologies will be a focal point of supervisory expectations. Banks and insurers should align climate and broader ESG stress testing frameworks to the ESAs' joint guidelines, including scenario design, model risk governance and board oversight, while conglomerates ensure coherence across banking and insurance entities and capture interconnectivity risks. Derivatives participants must enhance initial margin model governance and validation pipelines in light of EMIR 3, ensuring comprehensive documentation, back testing and change controls. In parallel, firms should monitor ECAI mapping changes and promptly operationalise any capital impacts through policy and system updates. Group wide data architecture and reporting will need to mature to meet new templates and convergence work under FICOD.

Conglomerates should advance data models capable of producing high quality intra group transactions and risk concentration reports and prepare for capital adequacy reporting templates, supported by rigorous cross entity reconciliations.

Stress testing methodologies should be coherent at group level, articulating contagion channels and credible management actions, and ensuring assumptions are consistent across banking and insurance businesses.

In respect of the ongoing securitisation reforms, originators, sponsors and institutional investors should conduct gap analyses against converging supervisory expectations under the Securitisation Regulation, with particular focus on due diligence documentation, risk retention evidence and reporting completeness and accuracy. Firms active in CLOs shouldanticipate deeper supervisory interest in funding dependencies and risk transfer mechanics and be prepared to address data limitations identified in market monitoring. Ongoing tracking of the Securitisation Regulation review outcomes and potential divergence with third country regimes, notably the US and UK, remains essential for cross border issuance and investment strategies.

Finally, regulatory monitoring and engagement will be increasingly data driven and coordinated. Firms should track the JC's annual Risks and Vulnerabilities report and regular Economic and Financial Committee (EFC)/Financial Stability Table (FST) presentations as early indicators of thematic supervisory priorities and align internal narratives accordingly. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Own Risk and Solvency Assessment (ORSA) disclosures should reflect those risk themes and demonstrate credible, board approved management actions and resilience posture, ensuring consistency across group entities and regulatory regimes.

Outlook

The 2026 AWP underscores the JC of the ESAs' commitment to deepening supervisory convergence, strengthening risk monitoring and advancing targeted regulatory development across the EU financial sector. Set against ongoing legislative reviews and the EU's simplification agenda, the year ahead will prioritise digital operational resilience, sustainable finance and innovation facilitation, with consumer protection and group wide coherence increasingly supported by sharper supervisory tools. Market participants should expect greater consistency in supervisory approaches, more structured cross border coordination and a clearer "signal function" from joint risk assessments, and should calibrate their programmes accordingly throughout 2026.

Operationally, supervision is moving decisively from framework build out to active, data driven scrutiny. DORA enters a maturity phase with tangible oversight of systemic ICT dependencies via CTPP examinations, formal oversight plans and EU level incident and crisis coordination under the EU SCICF. In parallel, the supervisory perimeter around retail disclosures, sustainability and model risk will tighten, with potential new PRIIPs KID technical standards, continued SFDR monitoring, emerging ESG ratings disclosures and cross sector ESG stress testing guidelines mandated by CRD6 and Solvency II. For conglomerates, securitisation and innovation facilitators, the JC of the ESAs' work will crystallise in more coherent reporting architectures, convergence in enforcement and clearer expectations on data, methodology and governance.

Firms should approach 2026 as a year of execution. Those investing early in third party resilience, model governance, data integrity and clear, consumer facing disclosures will be best placed to navigate coordinated, outcome focused EU supervision. In practical terms, boards should maintain close oversight of DORA readiness and ESG stress testing, ensure alignment of disclosure controls across PRIIPs and SFDR, and embed robust governance over any use of ESG ratings in marketing. At the same time, groups should mature their data architectures for conglomerate reporting, reinforce securitisation controls and prepare for more formalised model validation and margin requirements under EMIR 3, while monitoring ECAI mappings for capital impacts.

Beyond AMLA's first AWP

Beyond AMLA's first AWP

At the start of July 2025, AMLA - the EU's new "Authority for Anti-Money Laundering and Countering the Financing of Terrorism" published its Annual Work Programme (**AWP**) for 2025.[37] The AWP marks the foundational phase and outlines AMLA's establishment in Frankfurt, its governance structures, its recruitment and digital infrastructure development. AMLA has a dual mandate it is both (i) regulator and (ii) supervisor for anti-money laundering (**AML**) and countering the financing of terrorism (**CFT**) in the EU. AMLA's role is to act as a central authority, co-ordinating all national AML and CTF supervisors, in (a) the regulated (not just those in the financial services sector)[38] and (b) non-regulated sectors[39]. This centralisation aims to improve the effectiveness and consistency of AML and CTF supervision of obliged entities (**OEs**) and enforcement across the EU. Although the AMLA will not replace national AML and CTF supervisors, it will have direct supervisory powers, for AML/CFT purposes, over certain high-risk financial institutions and ultimately also crypto-asset service providers (**CASPs**) and potentially, over the longer term, much more.

AMLA, in its role as regulator, is tasked with regulatory and supervisory convergence amongst National Competent Authorities (**NCAs**) and across markets. Accordingly, AMLA shapes how NCAs apply the legislative and regulatory requirements as well as expectations in the supervision of financial market participants within AMLA's regulatory mandate. In this regard, the 2025 AWP is structured around policy and convergence work, risk assessment and data activities, governance, coordination and support tasks.

AMLA, in its role as supervisor, is tasked in supervising AML/CFT activities and coordinating EU Member States' Financial Intelligence Units (**FIUs**), focusing on harmonising supervisory practices, completing the EU's Single Rulebook and its chapters on AML/CFT and enhancing cooperation among stakeholders (also known as the "**FIU Pillar**". AMLA's key priorities include indirect supervision of high-risk sectors such as crypto-asset service providers, development of regulatory technical standards (**RTS**) and preparation for AMLA's direct supervisory engagement starting in 2028.

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[37] Available here.

[38] Regulated Sector OEs include: Credit institutions, financial institutions, payment institutions, e-money institutions, investment firms, life insurance undertakings and intermediaries, collective investment undertakings, crypto-asset service providers, and certain holding companies. These entities are already subject to prudential regulation and supervision, and the new framework builds on existing obligations, but with enhanced harmonisation and direct applicability.

[39] Non-regulated sector OEs include: Auditors, external accountants, tax advisors, notaries, lawyers (when participating in certain transactions), trust and company service providers, estate agents, persons trading in precious metals, stones, high-value goods, cultural goods, providers of gambling and professional football clubs, among others. Many of these entities are newly or more explicitly brought within the scope of AML/CFT obligations, with sector-specific nuances and, in some cases, exemptions or tailored requirements.

Key takeaways from AMLA's first AWP

AMLA's AWP focuses on several foundational and operational readiness priorities that were advanced during 2025 to date. These initial milestones include:

1. Establishment in Frankfurt: AMLA's headquarters in Frankfurt became operational in February 2025, with the final lease agreement for its permanent premises in the Messe Tower signed in April 2025. Facility management services were launched, ensuring operational readiness

2. Governance structures: were established, including the appointment of the Chair and the Executive Board. The General Board held its meetings and rules of procedure, including a conflict-of-interest policy were adopted.

3. Recruitment and onboarding: was commenced, aiming to reach up to 120 staff members by late 2025, with personnel already onboarded in key functions such as HR, IT, finance and procurement. Service level agreements with the European Commission were concluded to support HR services. The implementation of a performance management cycle and the development of a learning and development framework will be initiated in the second half of 2025. By 2028 AMLA aims to have 430 staff in operation.

4. Digital infrastructure development: AMLA began building a secure, interoperable IT environment to support its mission, including the digital workplace, the transfer of the EuReCA system from the EBA and the design of the Central AML/CFT Database as well as assumption of responsibility such as FIU.net. Cybersecurity planning is progressing in coordination with CERT-EU.

5. Institutional cooperation: AMLA signed Memoranda of Understanding (**MoU**) with the ESAs and the ECB, formalising inter-institutional cooperation. EEA/EFTA States – Iceland, Liechtenstein and Norway - have been welcomed as observers in AMLA's General Board.

6. Policy mandates in preparation for AML/CFT supervision: AMLA launched several cross-functional and pillar-specific workstreams to prepare the first of the 23 level 2 and level 3 (**L2/3**) mandates that must be delivered before July 2026. These mandates cover supervisory processes, risk understanding and mitigating measures by OEs as well as the functioning of FIUs. The L2/3 mandates will be delivered through:

a. Regulatory Technical Standards (**RTS**) and Implementing Technical Standards (**ITS**) on risk assessment, customer due diligence (**CDD**), internal controls and reporting; as well as

b. Supervisory Guidelines on business-wide risk assessments, ongoing monitoring and sector-specific obligations.

7. Setting the supervisory approach – direct and indirect supervision: the above serves to empower AMLA in its two supervisory roles:

a. Indirect supervision (from July 2025):
Oversight of NCAs, with a focus on high-risk sectors such as CASPs and the non-financial sector. Financial institutions that are not directly supervised by the AMLA (defined in the AMLA Regulation as "non-selected obliged entities") will be supervised by their national supervisors. However, they will be subject to AMLA's indirect supervision, which should be limited to interaction with the relevant national supervisors and should not include direct interaction with financial institutions. AMLA will also be able to settle disagreements between national supervisors on measures to be taken by

financial institutions who are not subject to AMLA's direct supervision. For indirect supervised financial institutions AMLA will ensure that AML and CTF supervisory colleges are established and functioning. AMLA will also coordinate national thematic reviews (including by aligning or synchronising these reviews, and facilitating any activities that national supervisors might wish to carry out, whether jointly or otherwise; and

b. Direct supervision (from 1 January 2028): AMLA will directly supervise a selection of high-risk financial institutions (currently up to 40), including CASPs and possibly, over the longer term, much more based on risk-based criteria and methodologies currently under development. Directly supervised institutions will not have to deal with multiple national supervisors in different EU Member States. Instead, AMLA will supervisor their compliance with the AML/CTF chapters of the Single Rulebook and take enforcement action in the event of breach. AMLA direct supervision will eliminate the need for national supervisors of home and host Member States to coordinate and align measures taken with regard to various parts of the same financial group. Once AMLA is fully operational, around 200 of its anticipated 430 staff members will workon the direct supervision of financial institutions. They will work in joint supervisory teams (**JSTs**) that include staff of the relevant national supervisors.

Each JST will be led by an AMLA JST coordinator. JSTs will be based at the AMLA's seat in Frankfurt, although they will be able to carry on their supervisory activities in any Member State where the selected financial institution has its operations. ITS will be developed specifying, among other things, the conditions under which national supervisors are to assist the AMLA.

8. Jointly building up inter-institutional coordination and the "FIU Pillar": AMLA's FIU Pillar started as the facilitator of cross-border financial crime fighting, committed to building a strong, connected and future-proof EU framework for financial intelligence. AMLA aims to establish a robust Support & Coordination Framework, install an effective and operational FIU Delegates Group, enhance information exchange, joint analyses and strategic threat assessments, ensure legal and operational clarity for FIUs across the EU and drive innovation and collaborative impact. AMLA will coordinate and participate in supervisory colleges, thematic reviews and peer assessments, particularly in cross-border and high-risk contexts. Further powers to support the above include AMLA's operationalisation of intra-institutional powers (including outside of the FIU Pillar) and approach to:

a. Coordination: National supervisors will be coordinated by AMLA to increase their mutual support and co-operation, and ensure the consistent, high-quality application of supervisory standards, approaches and risk assessment methodologies. AMLA will also help national supervisors increase their effectiveness in enforcing the AML/CTF chapters of the Single Rulebook.

b. Mutual assistance: In addition, to benefits from coordination, national supervisors will benefit from the new arrangement when they face specific challenges (for example, a lack of resources), as mutual assistance from AMLA or other national supervisors will be available on request. This could involve the exchange of personnel, secondments, training or sharing best practices.

c. Close cooperation: AMLA will work in close cooperation with relevant national and EU bodies relevant to the financial and non-financial sector including by way of MoUs. AMLA will also have power to enter arrangements with authorities in third countries that have AML and CTF regulatory or supervisory competences and help the Commission with its activities as a member of the Financial Action Task Force (FATF)

Key takeaways from AMLA's first AWP

AMLA's Activities for the second half of 2025 include:

9. Strategic framework development: AMLA will initiate the start of a strategic framework development for AMLA's Mission and Vision and the drafting of two Single Programming Documents (**SPDs**), for the periods 2026–2028 and 2027–2029. This process will develop AMLA's vision, mission strategic objectives and priority actions for the medium term. The SPDs will have a wide-reaching impact on the direction and priorities of supervision and enforcement activity advanced by the NCAs and FIUs.

10. Laying the foundation for AML/CFT supervision: AMLA's main objective is to commence laying down the rules, processes and requirements for AMLA regarding direct and indirect supervision and oversight and to set standards to enhance convergence of supervisory practices of NCAs based on L2/3 work already done by the ESAs and to strengthen cooperation among supervisors both in the financial and non-financial sector.

11. Policy work AML/CFT supervision: AMLA considers the RTS on the selection of the 40 financial institutions for direct supervision and the RTS on the risk assessment methodology of financial and non-financial OEs to be of high relevance for AMLA's work. AMLA plans to develop a draft Implementing Technical Standard (**ITS**) with the Working Group on Cooperation and to conduct a two-month public consultation starting late in 2025.

12. AMLA Database: AMLA will draft RTS to specify the procedures, formats and timelines for the transmission of information by relevant authorities to AMLA; the scope and level of detail required for the information to be transmitted; the modalities of information sharing, including necessary consents; and the criteria for obligatory transmission, such as the required level of materiality for breaches.

13. Home/Host Cooperation between supervisors: AMLA will draft RTS to detail the duties of home and host supervisors and the modalities of cooperation between them to ensure that all parties have a clear understanding of their respective roles and responsibilities.

14. Policy workstream on 'Risk and Measures': AMLA is responsible for delivering mandates aimed at ensuring that OEs clearly understand relevant risks and effectively implement mitigating measures. AMLA has prioritised three mandates: (i) RTS on lower thresholds and criteria to identify business relationships, (ii) Guidelines on business-wide risk assessment and (iii) Guidelines on ongoing monitoring of a business relationship.

15. Relevant work by EBA under the 'Call for Advice' AMLA has been participating in the work carried out by the EBA in two dedicated sub-groups. These subgroups are working on mandates in the context of the Call for Advice, including the risk assessment for the purpose of selection for direct supervision, the methodology for assessing the inherent and residual risk profile of OEs in the financial sector, customer due diligence (CDD), pecuniary sanctions, administrative measures and periodic penalty payments, guidance on the base amounts for pecuniary sanctions and minimum requirements for group-wide policies.

16. Policy workstreams on the FIU Pillar: AMLA will take over the work initiated by the European Commission's Expert Group on FIU matters, including the ITS on templates and formats for suspicious activity and suspicious activity reports (SARs), suspicious transaction reports (STRs) and transaction records. OEs that report may experience changes in the way SARs/STRs and other financial intelligence are handled, with a move towards more standardised formats and processes. Enhanced cooperation between FIUs and law enforcement may lead to more effective follow-up on SARs/STRs and increased feedback to reporting entities.

Key takeaways from AMLA's first AWP

17. Operational work on the FIU Pillar: AMLA will Develop and implement peer review processes and mapping of FIU capabilities across the EU. AMLA aims to establish a robust Support & Coordination Framework, install an effective and operational FIU Delegates Group, enhance information exchange, joint analyses and strategic threat assessments, ensure legal and operational clarity for FIUs across the EU and drive innovation and collaborative impact.

18. Cooperation with law enforcement. AMLA will start up negotiations with EPPO, OLAF, Europol and Eurojust AMLA shall draft and implement working arrangements that enhance strategic, operational and technical collaboration with OLAF, Europol, Eurojust and EPPO.

19. Building up AMLA: mindful of the capacity constraints, dependence on external timelines, legal uncertainties, IT and data security as well as reputational pressures, AMLA is concentrating in its own accelerated capacity build on:

a. Human resources: AMLA will continue recruiting intensively, manage increasing staff levels, adopt relevant HR policies and implementing rules, introduce formal performance management, develop a learning and development framework, enhance attraction package for staff, boost organisational culture and implement a strategic forward plan for HR.

b. Information and communication technology: AMLA will build an effective, secure, interoperable and future-ready digital infrastructure, including the transfer of existing AML/CFT systems, designing and implementing new platforms and cooperation and exchange of experiences with other ESAs.

c. Budget and finance: AMLA will set up the accounting and budget management system (SUMMA), prepare and adopt financial rules, adopt financial circuits, implement the 2025 budget, adopt the 2026 budget, implement the procurement plan, appoint an accounting officer, manage treasury and analyse associations with interinstitutional Framework Contracts (FWC).

d. Building and logistics: AMLA will ensure the timely delivery of AMLA's permanent operational premises, supervise fit-out works, relocate staff to permanent premises, procure and install long-term furniture, develop facility management services and define and implement "Rules of Behaviour".

e. Communications: AMLA will further develop the Communications Strategy, build off the finalised logo and broader visual identity, engage in media and events, conduct Chair visits to all Member States, manage the website and social media and populate the intranet.

f. Governance: AMLA will adopt an ethical framework, implement further conflict of interest policies, update the rules of procedure of the General Board, finalise AMLA's organisation chart, prepare for hearings of the Chair, reply to questions from the European Parliament and prepare the first annual report.

g. Data protection: AMLA will appoint a Data Protection Officer (DPO), set up the role, prepare necessary rules and texts, release data protection templates and guidelines and conduct training on data protection fundamentals.

All of the above has a number of strategic and operational implications for OEs in the regulated (including beyond financial services) and non-regulated sectors.

Strategic and operational implications for OEs

With the advent of AMLA's operationalisation, the transition to a harmonised regime AML/CFT regulatory and supervisory regime transitioning to the EU's AML Regulation (**AMLR**), certain OEs may need to carry out significant adjustments to their internal policies, procedures and controls to ensure compliance with new EU-wide standards. Some of these considerations include:

- OEs in high-risk sectors (notably CASPS) should expect early engagement from AMLA, including participation in thematic reviews, peer assessments and potentially requests to inform multi-agency "joint analysis reports".
- AMLA will promote convergence in national approaches to supervision, addressing risks of jurisdiction shopping and inconsistent controls. OEs should prepare for more rigorous and harmonised AML/CFT requirements and enhanced supervisory engagement.
- OEs operating in multiple Member States will benefit from greater regulatory clarity and predictability, but will also face less opportunity for regulatory arbitrage.
- OEs with cross-border operations should prepare for more coordinated and intrusive supervisory reviews, with less tolerance for local deviations. OEs may face increased requests for information and more frequent engagement with FIUs, especially in cases involving cross-border transactions or typologies.

  Peer reviews and thematic assessments may result in public identification of best and poor practices, increasing reputational risks for non-compliance.
- Non-financial sector OEs: given the current lack of harmonisation, AMLA's work will have a significant impact on non-financial OEs, such as lawyers, accountants and real estate agents. These OEs should anticipate new, more prescriptive EU-level requirements and closer oversight.
- All OEs must ensure their (business wide) risk assessments[40], customer due diligence (CDD)[41], beneficial ownership[42] and ongoing monitoring and reporting processes are robust and adaptable to evolving EU standards including the Central AML/CFT Database as well as outsourcing and reliance arrangements.[43] In regards to reporting, OEs will be required to provide data in specified formats and within defined timelines,[44] increasing transparency and facilitating cross-border supervision.
- The transfer of the EuReCA system and the development of new reporting templates will standardise and potentially increase the volume and granularity of data OEs (notably non-financial entities) must submit. Enhanced data sharing and analytics will likely lead to earlier detection of compliance deficiencies and more targeted supervisory interventions.

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[40] All OEs must conduct a documented, business-wide risk assessment, considering EU, national, and sectoral risk assessments, and update it regularly. Financial sector OEs are expected to have mature risk assessment frameworks; the Regulation codifies and standardises these expectations, with detailed requirements for group-wide assessments and information sharing. Non-Financial sector OEs face a step-change: many will need to develop or significantly enhance their risk assessment processes, often for the first time and align with new EU-level guidance and technical standards.

[41] Standard CDD applies for transactions ≥ EUR 10,000, with lower thresholds for higher-risk sectors or transactions (to be specified by AMLA). Financial sector OEs must apply CDD at onboarding, for occasional transactions, and on a risk-sensitive basis throughout the relationship. Enhanced due diligence (EDD) is required for high-risk customers, products, or geographies, with specific rules for politically exposed persons (PEPs), cross-border correspondent relationships, and high-value asset management. Non-Financial sector OEs must apply CDD when participating in specified transactions (e.g., real estate, company formation, high-value goods). The Regulation clarifies when CDD is triggered, especially for intermediaries and professionals and introduces new requirements for ongoing monitoring and beneficial ownership verification.

[42] All OEs must identify and verify the beneficial owners of their customers, using harmonised EU definitions and methodologies. Legal entities must report and update beneficial ownership information to central registers within 28 days of creation or change. Financial sector OEs are already familiar with these requirements, but must now ensure stricter, harmonised compliance and reporting. Non-Financial sector OEs (e.g., lawyers, accountants, real estate agents) must adapt to more rigorous and standardised beneficial ownership checks, with limited exemptions for legal privilege.

[43] Financial sector OEs may outsource certain AML/CFT tasks but remain fully responsible for compliance. Critical functions (e.g., risk assessment, CDD decisions, suspicious activity reporting) cannot be outsourced except within the same group and under strict conditions. Non-Financial sector OEs face similar restrictions, with AMLA to issue guidelines on permissible outsourcing and reliance, particularly relevant for smaller firms and professional partnerships.

[44] All OEs must report suspicious activity and transactions to the FIU without delay, using harmonised templates and formats (to be developed by AMLA). Financial sector OEs are required to respond to FIU requests within 5 working days (or 24 hours in urgent cases). Non-Financial sector OEs (notably lawyers and notaries) benefit from exemptions for information obtained in the course of legal advice or judicial proceedings, except where the professional is complicit in, or aware of, money laundering or terrorist financing.

Strategic and operational implications for OEs

- In light of greater data driven supervision, OEs should assess and, where necessary, upgrade their data management, reporting and IT systems to ensure compliance with new technical standards and cybersecurity requirements.
- Enhanced cooperation with law enforcement (Europol, Eurojust, EPPO, OLAF) may lead to faster escalation of SARs/STRs and greater exposure to criminal investigations.

The rapid establishment of AMLA and the ambitious implementation timeline create transitional risks. AMLA's ability to deliver on its mandate depends on successful recruitment and retention of qualified staff. Delays or capacity constraints may affect the pace of regulatory change and supervisory engagement that OEs should be aware of. Moreover, all OEs are encouraged to maintain close engagement with their national supervisors and industry associations to stay abreast of developments and emerging expectations during the transition over to the AML-R and the operationalisation of AMLA.

Outlook

The establishment of AMLA in 2025 marks a transformative development in the EU's regulatory landscape, with profound implications for OEs across both the financial and non-financial sectors as well as CASPs regardless of where they operate. For regulated firms, the most immediate and significant implication is the drive towards a Single Rulebook for AML/CFT. AMLA is tasked with completing this rulebook, which will ensure regulatory convergence and consistency across all Member States. This will have a direct impact on compliance frameworks, as OEs will need to adapt to a more uniform set of requirements, reducing the scope for national divergence but also eliminating the possibility of regulatory arbitrage. The harmonisation effort will extend to both financial and non-financial sectors, including CASPs, which have historically operated under divergent national regimes. OEs operating in multiple jurisdictions will benefit from greater clarity and predictability, but they will also face a period of adjustment as legacy national requirements are replaced or superseded by EU-level standards.

A key operational change for regulated firms will be the shift in supervisory dynamics. AMLA's initial focus is on indirect supervision—overseeing the activities of NCAs and supporting the convergence of supervisory practices. This will involve the collection of risk information, participation in supervisory colleges and the development of best practices and recommendations. For firms, this means that supervisory expectations will become more consistent across the EU and there will be increased scrutiny of cross-border activities, particularly in high-risk sectors such as crypto-assets. The risk of jurisdiction shopping by high-risk actors will be mitigated, but firms will need to ensure that their internal controls and risk assessments are robust and aligned with the new EU-wide standards.

For OEs in the non-financial sector, the establishment of AMLA also brings significant changes, albeit with some distinct considerations. The harmonisation effort will extend to non-financial sectors, including real estate agents, legal professionals and other service providers, which have historically operated under less stringent and more varied national regimes. Non-financial entities will need to adapt to a more uniform set of requirements, reducing the scope for national divergence but also eliminating the possibility of regulatory arbitrage through much more centralised oversight of the NCAs and FIUs.

In summary, the establishment of AMLA represents a paradigm shift in the EU's approach to AML/CFT regulation and supervision. Regulated firms will face a more harmonised, risk-based and data-driven regulatory environment, with heightened expectations around compliance, reporting and cross-border cooperation. The transition will require significant investment in compliance infrastructure, proactive engagement with regulatory developments and a commitment to embedding a culture of financial integrity and transparency across all levels of the organisation.

3

EU policymakers' priorities for 2026

European Commission’s AWP for 2026

European Commission's AWP for 2026

On 21 October 2025, the European Commission (the **EC**) published its 2026 Annual Work Programme (**AWP**) including annexes detailing legislative updates as well as a separate 'strategic communication' on "Europe's Independence Moment".[45] The EC's AWP continues to prioritise digital operational resilience, consumer protection and financial innovation alongside sustainable finance, risk assessment, securitisation, financial conglomerates, innovation facilitation and external credit assessment institutions. While ongoing geopolitical tensions and the EU's simplification plans shape the 2026 agenda, the AWP intensifies efforts on supervisory convergence and driving regulatory consistency across the financial sector, focusing on completing the Savings and Investment Union (**SIU**) and advancing the digital finance and payments agenda.

[45] Available here.

Key takeaways from the European Commission's 2026 AWP

The EC's 2026 AWP, its annexes and the strategic communication on "Europe's Independence Moment" collectively signal a concerted push to complete the EU's SIU plans by 2028, modernise the retail and capital markets rulebook and hard wire "digital sovereignty" through horizontal acts (Cloud and AI, Quantum, Advanced Materials) and simplification. For financial services, the most immediate touchpoints are:

- Continued legislative processing of the payments package (PSD3/PSR), digital euro (including non-euro Member State provisions) and the Financial Data Access framework (open finance).
- Securitisation proposals amending the STS framework and CRR capital treatment.
- Retail Investment Strategy proposals affecting MiFID II, UCITS/AIFMD, Solvency II and IDD, alongside PRIIPs KID modernisation.
- New initiatives slated for 2026 on shareholder rights (Q4 2026) and the European venture capital funds Regulation (Q3 2026).
- Better regulation push: simplification, reduced reporting burden (especially for SMEs) and Shareholder Rights Directive evaluations (Q4).
- The proposal to withdraw the legacy financial transaction tax (FTT) initiative.
- An explicit commitment to complete the remaining proposals to "complete the Savings and Investment Union" and deliver a "comprehensive analysis on competitiveness in our banking sector".

Regulated firms should expect incremental but material changes across disclosure, product governance, data access and portability, prudential treatment of securitisation, payments conduct and fraud controls, ICT governance linkages to DORA and potential adjustments to capital markets infrastructures as open finance and payments reforms advance. These changes translate into tangible compliance and strategic planning impacts over 2025–2026 for firms operating in the EU, particularly in the following areas:

Key takeaways from the European Commission's 2026 AWP

Capital markets and prudential reforms

- **Securitisation reform:** Proposals to amend the general framework for securitisation (STS and non-STS) and adjust CRR requirements for securitisation exposures are on the legislative track. Firms should expect recalibration of risk weights, due diligence and disclosure templates, with knock-on effects for bank capital, structuring and investor reporting.
- **Shareholder rights:** An evaluation is scheduled (Q4 2026) and an update of rules on shareholder rights is planned (Q4 2026). Firms can expect modernisation around voting, engagement and transparency, possibly harmonising cross-border processes and strengthening retail participation.
- **EuVECA:** Updates to the European venture capital funds Regulation are planned (Q3 2026). Expect expanded eligibility and investment flexibilities, with ramifications for fund manager permissions and product design.

Retail investor protections and disclosure reforms

- **Retail investor package**: Pending proposals to amend UCITS, Solvency II, AIFMD, MiFID II and IDD seek consistent retail protections, inducement rules and product governance are set to be advanced. Firms should anticipate enhanced suitability/appropriateness frameworks, clearer disclosures and possible inducements constraints.
- **PRIIPs KID modernisation**: The proposal to update the Key Information Document aims to improve comparability and performance narratives. This may require firms to re-tool templates, methodologies and systems for KID production across banking, insurance-based investment products and asset management.

Payments, data and digital

- **Payments package (PSD3/PSR):** The pending proposals on payment services and electronic money services (PSD3), together with the new Regulation on payment services in the internal market (PSR), reinforce fraud prevention (including authentication), transparency and competition. Significant operational changes are expected for payment institutions (**PI**s), e-money issuers (**EMI**s), payment service providers (**PSP**s), card schemes, acquirers and PIs/EMIs.
- **Digital euro**: The two existing proposals (core Regulation and services for non-euro Member State PSPs) remain pending. Even prior to issuance of a digital euro, firms should consider liquidity, settlement, AML/CFT and wallet design assumptions, plus potential impacts on retail deposits and merchant acquiring.
- **Financial Data Access (open finance):** The pending framework for financial data access interfaces with DORA. Firms should expect compulsory data sharing for defined financial datasets, enforceable data access rights and governance requirements for "data holders" and "data users". This will likely affect banks, insurers, investment firms and fintech aggregators, with strong implications for APIs, data minimisation and customer consent frameworks.
- **Cloud and AI Development Act**: A horizontal instrument planned for Q1 2026 is expected to reshape standards and obligations around cloud and AI deployment. Financial services firms should anticipate alignment points with DORA's ICT risk management, outsourcing oversight and model risk controls, particularly for AI-enabled credit, trading as well as customer interfaces.

Key takeaways from the European Commission's 2026 AWP

SME/small mid-cap simplification

MiFID II and critical entities resilience (CER) adjustments: A proposal amending MiFID II to extend certain mitigating measures for SMEs to "small mid-caps" and further simplifications is on track. Relevant firms may wish to forward-plan for targeted alleviations (e.g., research unbundling flexibilities, IPO on-ramp type measures, lighter issuer reporting in specified contexts) intended to improve public markets access without diluting retail protections.

Horizontal "simplification" and better regulation

The EC's simplification thrust targets a 25% burden reduction overall and 35% for SMEs, with omnibus measures and reality-check dialogues. Market participants should prepare for the method to be applied to reporting regimes (e.g., harmonising templates, removing duplicative reports), permitting for cross-border operations and aligning sector frameworks with proportionality - while the EC stresses no lowering of standards.

SIU, competitiveness and simplification

The EC signals an intent to "complete the Savings and Investment Union", including initiatives such as:

- Strengthening shareholder rights (new initiative in Q4 2026) and evaluating the Shareholder Rights Directive (Q4 2026).
- Updating the European venture capital funds (**EuVECA**) Regulation (Q3 2026).
- Screening and withdrawing proposals that are misaligned with priorities, including withdrawal of the enhanced cooperation FTT proposal.

The programme embeds a "simplification drive" (cutting administrative burdens, especially for SMEs and "small mid-caps"), systematic use of proportionality and streamlined reporting. For financial services, this will interact with disclosure, supervisory reporting and documentation requirements under sectoral rulebooks.

Banking sector competitiveness

The AWP promises "a comprehensive analysis on competitiveness in our banking sector". Firms can expect supervisory and regulatory refinements aimed at efficiency, scale and market integration (complementing ongoing CRR/CRD reforms and CMU measures) and potential re-examination of obstacles to cross-border consolidation and secondary market functioning.

Notable items the EC chose to de prioritise

Given the EC's stated intention to withdraw the enhanced cooperation FTT proposal, contingency planning for an EU level financial transaction tax can be de emphasised unless the initiative is revived in a different form.

Practical implications of the AWP for regulated firms

The EC's dual focus on completing the SIU and embedding digital sovereignty, despite simplification promises, will still elevate compliance standards across several domains. These changes also present opportunities in data driven services and capital markets intermediation for early movers. Proportionality and simplification should be interpreted as a move towards fewer, clearer reports and processes, not a relaxation of controls. Early execution in open finance and payments will likely be a competitive differentiator and mature, DORA aligned governance will be crucial to absorb forthcoming horizontal digital legislation without costly rework.

Practical implications by sector:

Banks and investment firms

- **Prudential**: Firms should reassess securitisation pipelines and risk transfer structures to reflect expected capital impacts and firms should refresh investor disclosures to address revised prudential assumptions.
- **Prudential**: Firms may want to run parallel capital and RWA scenarios to test sensitivity to securitisation and related CRR changes.
- **Conduct and distribution**: Firms should remap inducements policies and suitability and appropriateness processes to tighter retail frameworks and firms should upgrade PRIIPs KIDs and pre contractual disclosures.
- **Conduct and distribution**: Firms may want to pilot revised distributor oversight and attestations to evidence compliance.
- **Data and digital**: Firms should build open finance APIs and consent tooling and firms should reinforce DORA consistent ICT governance for cloud and AI use cases and firms should enhance payments fraud controls aligned with PSD3 and PSR.
- **Capital markets**: Firms should monitor SME and small mid cap adjustments under MiFID II and firms should upgrade issuer services and research offerings and firms should prepare for changes to shareholder rights processes.

Payment institutions and e-money issuers

- **Compliance uplift**: Firms should strengthen strong customer authentication and fraud reporting and firms should enhance incident management to meet PSD3 and PSR expectations.
- **Data access**: Firms should calibrate lawful basis and consent granularity and data minimisation for open finance and PIS and AIS models.
- **Data access**: Firms may want to establish data sharing governance forums with key partners to standardise consent flows and dispute handling.
- **Digital euro readiness**: Firms should assess operational capability for distribution and AML and CFT workflows and user interfaces and firms should evaluate impacts on fees and settlement and liquidity management.

Asset managers and insurers

- **Retail distribution**: Firms should update retail frameworks to reflect harmonised investor protections and disclosures and firms should implement PRIIPs changes across IBIPs and funds.
- **Product governance**: Firms should strengthen target market definition and value assessment and conflicts management and firms should factor potential inducements constraints into distribution economics.
- **Data and AI**: Firms should implement controls for model use in portfolio construction and advice and firms should enhance supplier assurance for cloud and firms should use open finance personalisation opportunities consistent with data protection obligations

Market infrastructures and custodians

- **Voting and shareholder communications:** Firms should invest in interoperable messaging standards and auditability and traceability to support streamlined cross border processes.

Practical implications of the AWP for regulated firms

- **Payments and settlement:** Firms should prepare technical and operational integrations for the digital euro and firms should assess collateral and liquidity and intraday funding impacts.
- **Data pipelines:** Firms should align resilience and incident reporting and third party risk management with DORA and open finance and firms should strengthen data lineage and recovery capabilities.

Cross-cutting themes for all sectors

Across the sector, simplification and proportionality may offer opportunities to streamline reporting and compliance processes and firms should actively map current obligations to identify candidates for standardisation or removal as omnibus measures progress. At the same time, the better regulation agenda will be paired with firmer enforcement, increasing the premium on demonstrable effectiveness of control frameworks.

The digital sovereignty strand, anchored in the Cloud and AI Development Act, necessitates careful assessment of cloud strategies, data residency, AI use cases and third party risk management, coordinated with DORA. For firms serving SMEs and small mid caps or supporting their access to capital markets, the facilitation measures envisaged under the SIU umbrella may create new pathways and mitigations that warrant early engagement with issuers, advisers and market infrastructure providers.

Timelines

The legislative pipeline from 2025 will continue through trilogues into 2026 and several high impact files—notably the payments package, retail investor reforms and open finance—are already well advanced. The 2026 AWP adds new legislative initiatives, including the Cloud and AI Development Act and updates to capital markets and sets hard deadlines for evaluations and simplification deliverables. Application dates are likely to be phased, with transitional regimes. Firms should therefore plan for layered compliance programmes rather than a single implementation event. This includes notably the following

- **New initiatives in 2026**: update of shareholder rights (Q4), EuVECA (Q3), antitrust procedures (Q3), taxation omnibus (Q2). These are not yet proposed texts and will follow the usual impact assessment and legislative path.
- **Evaluations in 2026**: Shareholder Rights Directive (Q4). Evaluations can lead to further proposals or guidance changes.
- **Pending proposals already with COM numbers**: PSD3/PSR, digital euro (and non-euro service provision), Financial Data Access, Retail Investment Strategy, PRIIPs KID modernisation, securitisation (STS and CRR) and capital markets SME simplification measures. Firms should plan for possible adoption in late 2025–2026 and phased application thereafter.
- **Withdrawals within six months**: notably the legacy FTT proposal under enhanced cooperation.

Firms will want to also consider the below as part of their planning:

Initiative	Status/timeline	Who is affected	What changes to expect
Securirisation framework amendments (and CRR securitisation exposures)	Pending proposals (June 2025)	Banks, investment firms, structured finance issuers and investors	Recalibrated risk weights; enhanced due diligence; updated disclosure templates; structuring and capital planning implications
Payments package (PSD3/PSR)	Pending (since 2023)	PSPs, EMIs, card schemes, merchants, market infrastructures	Stronger fraud/AML controls; SCA enhancements; transparency duties; data access alignment with open finance; operational upgrades
Digital euro	Pending (since 2023)	Credit institutions, PSPs, market infrastructures	Wallet design, distribution rules; AML/CFT; settlement impacts; deposit competition; merchant acceptance considerations
Financial Data Access (open finance)	Pending (since 2023)	Banks, insurers, investment firms, fintechs	Mandatory dataset sharing via APIs; consent management; data governance; alignment with DORA ICT controls
Retail investor package + PRIIPs	Pending (since 2023)	Banks, asset managers, insurers, distributors	Product governance tightening; inducements scrutiny; KID template changes; suitability/appropriateness recalibration
MiFID II simplification for SMEs/small mid-caps	Proposal (May 2025)	Investment banks, exchanges, SME issuers, research providers	Targeted reliefs to support listings and research coverage; potential adjustments to disclosure/research funding rules
Shareholder rights Directive update	Evaluation (Q4 2026); update (Q4 2026)	Issuers, custodians, intermediaries, asset managers	Streamlined cross-border voting; enhanced transparency; possible retail engagement measures
EuVECA update	Q3 2026	Fund managers, VC sponsors, investors	Expanded scope and flexibilities; changes to eligibility and portfolio composition rules
Cloud and AI Development Act	Q1 2026	All financial firms using cloud/AI	Standardisation for cloud/AI; model governance; supplier assurance; DORA alignment for ICT risk/outsourcing

Outlook

The 2026 AWP, together with annexes and pending proposals, points to material change in the EU financial services landscape over the next 12–18 months. The agenda concentrates on completing the SIU, modernising retail protections and disclosures, advancing digital payments and open finance and easing compliance burdens. Regulated firms should update horizon scanning and implementation plans now—particularly for PSD3/PSR, open finance, retail investor measures, securitisation and shareholder rights—while positioning to use the simplification track to streamline reporting and controls.

In execution terms, many firms may want to review how they map pending files to business lines and concrete obligations, assign accountable owners and track milestones across payments, data access, retail investor rules, securitisation and shareholder rights. Conducting targeted gap assessments for open finance data-access duties and PSD3/PSR fraud and transparency standards will help sharpen investment priorities. Retail manufacturers and distributors should prepare for revised PRIIPs KID production and broader disclosure changes and recalibrate product governance and distributor oversight. Securitisation participants should run capital scenarios under the proposed CRR changes and reassess STS eligibility and process controls. Some firms may want to stand up an internal working group to track the 2026 initiatives on shareholder rights and EuVECA, feeding outputs into corporate governance and capital raising strategies. In parallel, a number of firms may want to consider how the make use of the simplification drive by inventorying reporting requirements and flagging items for standardisation or relief.

The EU's Savings and Investments Union

The EU's Savings and Investments Union

On 19 March 2025, the European Commission (the **Commission**) unveiled its long-awaited Savings and Investments Union (**SIU**) strategy.[46] Broadly speaking, the aim of the SIU is to enhance EU citizens' wealth and bolster economic competitiveness across the European Union. This comprehensive strategy seeks to address – and pick up on previous initiatives including both pushes on the Capital Markets Union (**CMU**) as well as completing the Banking Union as well as feedback from the European Parliament, the European Council, the Eurogroup, the European Central Bank (ECB), which also reflect the reports proposed by Christian Noyer, Enrico Letta and Mario Draghi in April 2024 and September 2024 respectively.[47]

As with past CMU efforts, the SIU aims to reduce the persistent fragmentation in EU financial markets, improve financial intermediation and increase retail participation in capital markets. In the current economic and geopolitical environment, the SIU strategy remains a pivotal step towards creating a more integrated and efficient financial system within the EU, with a strong emphasis on channelling funds currently held as bank deposits into capital market products, to also advance progress on sustainable finance and geopolitical resilience.

[46] Available here.
[47] See Client Alert here.

Key takeaways from the SIU strategy

The SIU strategy introduces a series of legislative and non-legislative initiatives designed to foster a more integrated and efficient financial system throughout the EU. These measures are intended to improve links between savings and investments to enable EU companies meet their capital needs as well as to increase access to options for returns for EU citizens on their long-term savings. Some of these were present in the CMU, some were advanced outside of CMU and are now being drawn into SIU, and others are brand new to SIU. This can be highlighted as follows:

EU savings and investments accounts: The strategy proposes the creation of a European blueprint for savings and investment accounts, aimed at offering better returns and incentivising retail investors to engage more actively in capital markets. These accounts are designed to be user-friendly, with digital interfaces, preferential tax rates, and low-cost provider changes, encouraging investment in European companies and strategic priorities.

Retail Investment Strategy (RIS):

The EU RIS, which was adopted in May 2023, focuses on enhancing investor protection, ensuring value for money and simplifying disclosures to encourage greater retail participation in capital markets including an EU-label for basic and simple investment products. While having been advanced independently of the SIU, the Commission has stated that it will not hesitate the withdraw the RIS proposal if negotiations fail to meet the RIS' intended objectives. Bringing the RIS into the fold of the SIU allows for greater cross-sectoral emphasis on the need for clear, understandable information and aims to avoid further fragmentation of EU capital markets, ultimately contributing to a more robust retail investment culture. Core components of the RIS include the May 2023 proposals for a (i) Regulation amending the PRIIPS Regulation[48] and (ii) Omnibus Directive on Retail on Investment Protection.[49]

A further area that remains in discussion in the Omnibus Directive are reforms to

- more proportionate client categorisation,[50]
- tackling bias in advice process,
- better suitability and appropriateness tests,
- improving harmonised professional standards on training and qualifications of investment advisors[51] and
- strengthening supervisory enforcement.

Financial Literacy Strategy:

Aimed at empowering citizens with the knowledge needed to make informed financial decisions, fostering an "investment savvy" culture across the EU. This strategy, which has been revitalised by the SIU, includes measures to raise awareness and improve financial literacy, particularly among women, young people, and other adults, who typically have lower financial literacy levels. The Commission's SIU Communication also highlights that levels of financial literacy vary significantly between Member States and that a more coordinated effort on both EU and national levels will be required to raise the average across the EU. The Commission intends to adopt the new Financial Literacy Strategy by 3Q 2025.

[48] See legislative file here and further analysis available from our EU RegCORE.
[49] See legislative file here and further analysis available from our EU RegCORE.
[50] Specifically, this focuses on making the eligibility criteria for investors that are categorised as "professional investors" on request more proportionate. This change would make it easier for such investors to access and firms to provide products and solutions to those clients and reduce their compliance burdens. The amendments to the eligibility criteria include (i) reducing the wealth criterion from EUR 500,000 to EUR 250,000, (ii) adding a new criterion relating to relevant education or training and (iii) introducing the possibility for legal entities to qualify as professional upon request by fulfilling certain balance sheet, net turnover and own funds criteria.
[51] In addition to moving specific requirements in ESMA's guidelines on the knowledge and competence criteria that are expected of investment advisors to Annex V of the MiFID II Directive, which would then be introduced into national law, the reforms mandate a minimum requirement of ongoing professional development and training (**PDT**) of at least 15 hours each year – to align it with other sectoral legislation such as the Insurance Distribution Directive. To provide assurance to customers and NCAs, compliance with the Annex V knowledge and competence criteria and the annual PDT requirement will require an annual certificate.

Key takeaways from the SIU strategy

Contributions by retail investors to funding of EU priorities:

The Commission intends to explore how to increase opportunities for retail investors to access suitable financial products that allow them to contribute to the funding of EU priorities by co-investing alongsidepublic sector entities including but not limited to the European Investment Bank (EIB) Group, the European Stability Mechanism (ESM) and national promotional banks.

Stimulating equity investments by institutional investors:

The Commission has long been concerned that institutional investors, notably insurers and pension funds, are less active in markets or equity and certain alternative assets such as venture capital, private equity and infrastructure. To overcome some of this (in addition to changes highlighted in the bullets below), the Commission, by 4Q 2025 intends to stimulate equity investments by institutional investors by (i) specifying in the Solvency II Delegated Regulation the eligibility criteria for the favourable treatment of long-term investments in equity; (ii) providing guidance for the banking sector on the use of favourable treatment for investments for "legislative programmes" intended to ensure that these programmes are applied consistently across the Single Market;[52] (iii) clarifying how investment can comply with the "prudent person principle" applicable to pension funds; and (iv) addressing "any further undue barriers to equity investment by institutional investors".

Recommendations on auto-enrolment, pension tracking systems, and pension dashboards:

The SIU strategy includes recommendations to promote best practices for auto-enrolment in pension schemes, pension tracking systems, and pension dashboards. These measures aim to increase participation in supplementary pensions and improve financial planning for retirement. Further recommendations are aimed to be released by 4Q 2025.

Review of IORPs and PEPP:

Comprehensive review of the frameworks for Institutions for Occupational Retirement Provisions (**IORP**s) and the Pan-European Personal Pension Product (**PEPP**) to increase participation in supplementary pensions and improve investment capacity. The review aims to address challenges such as market fragmentation, high fees, and regulatory restrictions, enhancing the ability of pension funds to invest in productive and innovative sectors within the European economy. Further recommendations are aimed to be released by 4Q 2025.

Market Infrastructure Package:

Legislative proposals to eliminate barriers and promote more integrated trading infrastructures, modernise the legislative framework, and ensure better quality of execution and price formation on EU trading venues.

This includes leveraging new technologies like distributed ledger technology (**DLT**) and artificial intelligence (**AI**) to enhance market efficiency across financial market infrastructure (well beyond the existing DLT Pilot Regime) as well as tokenisation of financial and real world assets.

EuVECA Regulation Review:

Enhancing the European Venture Capital Fund (**EuVECA**) Regulation to make it more attractive for investors and fund managers by widening the scope of investable assets and strategies. The EuVECA Regulation Review aims to foster a more dynamic venture capital market, supporting innovative startups and scale-ups in key sectors such as AI, biotech, and cleantech. It should be noted that the CMU Action Plan, notably in 2020, advanced the review of the European Long Term Investment Funds (**ELTIF**) Regulation to channel more long-term financing to companies and infrastructure projects. EU policymakers have long sought that both ELTIF and EuVECA labels will be attractive labels for funds that benefit the Single Market.

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[52] In the Q&A on SIU released equally in March 2025, the Commission clarified that "legislative programmes" are schemes established by binding legislation that provides both public and private financing options to businesses operating in specific sectors of the economy. Banks authorised supervisors to invest in equity assisted by eligible legislative programmes are intended to enjoy a (more) favourable treatment in their calculation of their capital requirements.

Key takeaways from the SIU strategy

Securitisation Review:

Simplifying the EU Securitisation Framework to enhance efficiency, transparency and prudential requirements for banks and insurers. The Securitisation Regulation was itself a flagship of the 2015 CMU Action Plan. The review, which was issued by the Commission in February 2025 with a call for evidence, focuses on making due diligence and transparency requirements more manageable while maintaining high standards of financial stability. Further amendments will be required to the Capital Requirements Regulation and Capital Requirements Directive as well as the Solvency II Directive and the Solvency II Delegated Regulation. Work on the 2025 Securitisation Review under the SIU will also reflect the outcomes of the call for evidence.[1]

Investment exits:

Measures to support exits by investors in private companies, possibly through multilateral intermittent trading of private company shares, are proposed to improve capital accessibility for smaller companies.

The SIU strategy emphasises the need to remove sources of fragmentation in EU capital markets, whether regulatory, supervisory or political as encountered on several initiatives in recent years. To now effectively overcome a deadlock on many ends, the SIU strategy proposes, by 4Q 2025 to release legislative proposals on:

Consolidating trading and post-trading infrastructures:

Enhancing interoperability, interconnection, and efficiency of EU trading and post-trading infrastructures. This involves modernising the regulatory framework to accommodate new financial technologies and ensuring that market infrastructures can operate seamlessly across borders. The Commission intends to publish proposals by 4Q 2025 to address more integration of trading and post-trading infrastructures, in particular on trading market structures, central counterparties, central securities depositories, financial collateral and settlement.

Further developing the asset management sector:

Reducing operational barriers and costs for asset managers operating across multiple Member States and addressing national barriers and divergent practices that are burdensome to distribution of EU-authorised funds across the EU as well as operational realities affecting cross-border groups.

The strategy aims to streamline regulations and reduce duplication of efforts, making it easier for asset managers to serve clients across the EU.

Efficient supervision in the Single Market:

Strengthening supervisory convergence tools and achieving more unified supervision of capital markets, including the potential transfer of certain tasks to the EU level is a key objective of the SIU. While this focuses on ensuring that all financial market participants should receive the same supervisory treatment in the EU's Single Market regardless of their lobation, the Commission has (correctly) taken the view that divergences in supervision requires a new balance between mandates at the EU and national levels. The SIU communicates that:

- the European Supervisory Authorities (**ESA**s) need to make better use of their existing supervisory convergence tools to achieve more integrated and harmonised supervision. While this is a (political) step back from the anticipated (and perhaps much needed move) for full Europeanisaiton as is the case in the Banking Union. The Commission intends to publish legislative proposals by 4Q 2025 to strengthen the efficacy of the ESA's convergence tools and also calls on ESAs and national competent authorities (**NCA**s) to make full use of currently available tools and implement the simplification agenda as set out in its February 2025 communication "A simpler and faster Europe: Communication on implementation and simplification"[54]; and

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53 See further details here and from our EU RegCORE.
54 Aviable here

Key takeaways from the SIU strategy

- that the ESAs, within their mandate, develop more Europeanised supervisory powers and capacity in respect of (i) market operators with significant cross-border activities, such as certain large trading and post-trading infrastructures as well as cross-border asset management groups; and (ii) new or emerging sectors, such as crypto-asset services providers (CASPs).

Even if this approach does not move to full centralisation, it may still cause some resistance and accountability concerns from some national Member States and the existing mandates of national competent authorities (**NCA**s). This convergence, however, aims to ensure consistent application of rules and reduce the risk of supervisory arbitrage, fostering a more integrated and trustworthy financial market.

The SIU strategy also underscores the continued importance of an integrated EU banking sector and a complete Banking Union. To this end, the Commission's communication sets out:

Addressing shortcomings in crisis management and deposit insurance: urging co-legislators to agree on an ambitious outcome in the crisis management and deposit insurance framework negotiations. This includes establishing the long-awaited European Deposit Insurance Scheme (**EDIS**) to ensure a more resilient and integrated banking sector. Please visit PwC's EU RegCORE for further in-depth thought leadership on the EU's ongoing crisis management and deposit insurance (**CMDI**) efforts.

Defending the international level playing field:

Ensuring that EU banks remain competitive on global financial markets and reducing barriers to market integration. The strategy calls for vigilance in maintaining balanced regulatory standards that do not disadvantage EU banks internationally.

In delivering all of the above, the Commission intends to establish by 2Q 2025 a dedicated channel for all market participants to report encountered barriers within the Single Market so as to be able to step up enforcement action to accelerate the removal of barriers.

Over the longer-term, the Commission intends to publish a mid-term review or the SIU by 2Q 2027 that will report on the state of play on overall progress and reflect input received from stakeholders on the initial proposals for the SIU as well as how SIU has delivered against previous efforts to complete a CMU.

Key changes in the SIU when compared to the CMU Action Plans

The SIU is a next evolution from the Commission's on-going efforts on CMU that it has delivered over the past decade even where certain items have remained incomplete in implementation.

When compared to the CMU 2020 Action Plan, the 2025 SIU strategy:

- introduces a more detailed and structured approach to financial literacy and retail investment strategies;
- proposes specific measures for savings and investments accounts, which were not explicitly mentioned in the 2020 Action Plan; and
- includes a more comprehensive review of IORPs and PEPP, whereas the 2020 Action Plan focused more on immediate post-crisis recovery measures.

When compared to the CMU 2017 Mid-Term Review, the 2025 SIU strategy:

- builds on the PEPP initiative by proposing a comprehensive review and enhancement of the framework;
- places a stronger emphasis on financial literacy and retail investor protection compared to the 2017 Mid-Term Review; and
- introduces new measures for savings and investments accounts and auto-enrolment in pension schemes, which were not covered in the 2017 Mid-Term Review.

When compared to the CMU 2015 Action Plan, the 2025 SIU strategy:

- introduces new measures for financial literacy, retail investment strategies, and savings and investments accounts, which were not part of the 2015 plan.
- proposes a more comprehensive review of pension frameworks (IORPs and PEPP) compared to the 2015 plan's focus on immediate regulatory adjustments; and
- includes a detailed market infrastructure package to address barriers to integrated trading and post-trading infrastructures, which was not a focus in the 2015 plan.

The SIU's legislative and non-legislative measures that are scheduled for publication and implementation in 2025 and on the road to 2027 are likely to have a number of implications for regulated firms. It remains to be seen whether the SIU can cut through some of the challenges that curtailed CMU's efforts in the past decade.

Implications for regulated firms

The legislative actions proposed in the 2025 SIU strategy are likely to have several implications for regulated firms. Firstly, firms will need to adapt to new compliance requirements, particularly in areas such as financial literacy, retail investment strategies, and pension frameworks. The revision to existing as well as targeted introduction of new regulations and reporting requirements may necessitate some firms to updates their internal policies and procedures, as well as the documentation used with counterparties and clients. In certain areas, notably when it comes to changes to categorisation of clients as well as focus on training and qualifications of investment advisors. This will require significant investment in compliance infrastructure and training to ensure that all staff are aware of and adhere to the new standards.

Secondly, the SIU strategy emphasises enhanced investor protection standards, which will require firms to ensure that their products and services meet the new standards for transparency and value for money. This includes modifications to sustainability rules and the introduction of new disclosure requirements. Firms will need to review and possibly redesign their product offerings to align with these new standards, ensuring that they provide clear, understandable information to retail investors. This will also involve a reassessment of marketing and sales practices to ensure compliance with the new regulations.

Thirdly, the focus on innovation presents both opportunities and challenges for regulated firms. The SIU strategy highlights the importance of new technologies such as DLT and AI in enhancing market efficiency. Many firms may want to step up their investment in these technologies to remain competitive, but they will also need to navigate the regulatory landscape that governs their use. This will require a careful balance between innovation and compliance, ensuring that new technologies are implemented in a way that meets regulatory standards that continue to evolve in this space.

Finally, the SIU strategy aims to create a more integrated and efficient financial system within the EU, which will have significant implications for firms operating across multiple Member States. The reduction of barriers and the push for more unified supervision will streamline operations but will also require firms to navigate a new regulatory landscape. This includes greater (indirect as well as direct) centralisation of supervision in certain sectors and the potential transfer of certain tasks to the EU level. Firms will want to stay abreast of these changes and adjust their strategies accordingly to ensure compliance and take advantage of the opportunities presented by a more integrated market but mindful of expanding mandates at the ESA-level.

Outlook

The SIU strategy represents a significant step towards creating a more integrated and efficient financial system within the EU. By addressing the persistent fragmentation in EU financial markets and enhancing financial intermediation, the strategy aims to unlock significant untapped potential for growth, employment and wealth creation. The focus on sustainable finance and geopolitical resilience further underscores the EU's commitment to maintaining its economic strength and strategic autonomy in a rapidly evolving global landscape.

As the strategy is rolled out, regulated firs will need to adapt to new legislative actions and policy measures, ensuring compliance while leveraging the opportunities presented by a more integrated and efficient EU financial system. The emphasis on financial literacy, investor protection, and market integration will be crucial in fostering a more robust and resilient financial environment, ultimately benefitting EU citizens and businesses alike.

The Commission's commitment to continuous monitoring and engagement with stakeholders will be essential in ensuring the successful implementation of the SIU strategy. As the financial landscape evolves, firms must remain vigilant and proactive in navigating the regulatory changes and seizing the opportunities for innovation and growth.

The EU's Market Integration and Supervision Package

The EU‘s Market Integration and Supervision Package

Despite progress under the Capital Markets Union (**CMU**)-relaunched as the Savings and Investments Union (**SIU**)[55] European capital markets still face:

- **Persistent fragmentation:**

EU financial markets remain fragmented along national lines. In 2024, the EU's combined stock market capitalisation was approximately 73% of GDP, far below the US figure of 270%, highlighting structural underdevelopment.

- **Barriers across the value chain:**

Divergent national regulations, supervisory practices and infrastructure continue to hamper cross border investment, raise compliance costs, and limit scale and liquidity.

Deeper capital-market integration is vital for EU competitiveness and for financing key EU priorities such as the green and digital transitions, defence, and sustainable growth, underscoring the SIU's strategic importance.

On 4 December 2025, the European Commission released the Market Integration and Supervision Package (**MIP**)[56] to deepen EU capital-market integration. The package targets barriers to cross-border activity and transfers select supervisory duties from national competent authorities (**NCAs**) to the European Securities and Markets Authority (**ESMA**). This move materially expands ESMA's role, giving it a new Executive Board and enhanced enforcement powers.

As explored in this Client Alert the MIP’s proposals, set out over more than 1,000 pages, collectively amount to the most substantial single-market integration move in EU capital markets since the Markets in Financial Instruments Regulation (**MiFIR**) and Markets in Financial Instruments Directive II ((**MiFID II**). The package’s reforms will have material consequences for trading venues, post-trade infrastructures, asset managers, depositaries, investment firms/brokers and crypto-asset service providers (**CASP**s). The expected net effect of the MIP is to reduce operational/legal frictions, lower (cross-border) costs, accelerate market consolidation where commercially rational and provide legal certainty for Distributed Ledger Technology (**DLT**) and post-trade as well as settlement finality.

Although the proposals could change during the 2026 legislative process, market participants should begin preparing for the reforms, particularly where they intersect with other existing or planned regulations.

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55 See analysis on the SIU Strategy here, updates from PwC Legal’s EU RegCORE on the SIU here and general information on the SIU on PwC’s dedicated hub here.
56 Available here along with the links to the individual publications assessed in this Client Alert.

Key instruments and objectives

The MIP is comprised of the following documents:

- **Commission Communication (Capital Market Integration and Supervision Strategy):** setting out the policy narrative and roadmap for removing cross border frictions, enhancing supervisory convergence and enabling innovation (including DLT).

- **Proposal for a Regulation on measures to strengthen market integration and supervision (the Master Regulation):** in the form of a cross-cutting i.e., "horizontal" Regulation that amends multiple sectoral Regulations (including MiFIR, the European Market Infrastructure Regulation (**EMIR**), the Central Securities Depositories Regulation (**CSDR**), the Securities Financing Transactions Regulation (**SFTR**), the Markets in Crypto-Assets Regulation (**MiCAR**), the DLT Pilot, Benchmarks, the Credit Rating Agencies Regulation (**CRA**), Securitisation Regulation (itself under review – see standalone Client Alerts on that topic), EU Green Bonds and ESG ratings) and establishes an EU-level supervisory model in targeted areas. Accompanied by detailed annexes (correlation tables, implementation matrices and data/systems arrangements).

- **Proposal for a Directive on measures to strengthen market integration and supervision (the Master Directive):** that introduces targeted amendments to the Undertakings for Collective Investment in Transferable Securities (**UCITS**) Directive, the Alternative Investment Fund Managers Directive (**AIFMD**) and MiFID II framework to remove residual barriers best addressed in Directives, including more operational fund passports and cleanup of venue provisions left in MiFID II. Accompanied by correlation annexes.

- **Proposal for a Settlement Finality Regulation (SFR):** conversion of the Settlement Finality Directive (**SFD**) into a directly applicable Regulation to harmonise finality protections, conflict of law rules, designation practices and transparency and to ensure full technological neutrality (including tokenised securities and digital money), with consequential alignment to the EU's Financial Collateral Directive (**FCD**) framework.

Summary Impact Assessment plus the full Impact Assessment: collating the options analysis underpinning the shift towards harmonisation, selective ESMA direct supervision, operational passports and modernised post trade rules, with monitoring indicators and staged application timelines.

- **Commission commissioned studies (barriers to scaling up funds; fragmentation and consolidation in trading/post trading):** providing empirical evidence on the costs of legal and supervisory divergence, supporting maximum harmonisation (including the SFR) and streamlined cross border operation.

Key instruments and objectives

Building on the goals of the SIU, the MIP's proposals aim to unlock the full potential of the EU's Single Market for financial services by:

- Moving key trading-venue requirements from MiFID II to MiFIR and creating a single licence Pan European Market Operator (**PEMO**), with ESMA supervising significant trading venues and all PEMOs.
- Strengthening ESMA's convergence and escalation toolkit across sectors and transferring direct supervision to ESMA in targeted areas (notably all Crypto-Asset Service Providers (**CASP**s), significant trading venues, elements of central counterparties (**CCP**s) and central securities depositaries (**CSD**s) governance and access arbitrations).
- Enhancing true passport operability for UCITS/Alternative Investment Funds (**AIF**s), introducing a streamlined "passporting upon authorisation" concept for funds/Alternative Investment Fund Managers (**AIFM**s)/UCITS Management Companies (**ManCo**s), curtailing goldplating and tightening NCA discretion and facilitating an EU-wide depositary passport.
- Converting the SFD into the SFR to achieve maximum harmonisation of finality protections, clarify conflict of law rules, harmonise designation practices and transparency and achieve technological neutrality (including for DLT/tokenised securities and digital money concepts), while articulating a regime for EU participants in third country systems.
- Updating linked regimes (EMIR, CSDR, SFTR, Regulation (EU) 2019/1156 on the cross-border distribution of collective investment undertakings (**CBDR**), DLT Pilot Regime, MiCAR, CRA, Benchmarks, Securitisation Regulation, EU Green Bonds, ESG ratings) to reduce overlap, remove burdens and modernise for innovation.
- Emphasising interconnection (including broader, more consistent use of TARGET2-Securities (**T2S**) for settlement where applicable), open access and group synergies (clarifying intragroup resource allocation is not "outsourcing" under MiFIR).

Communication: Capital Market Integration and Supervision Strategy

This communication sets the policy frame, identifying barriers from divergent rules and inefficient cross border activity. It outlines a four-part strategy of integration, efficient supervision, simplification, and innovation, and flags future work on non-bank macroprudential oversight for 2026.

Key takeaways:

- Integration through harmonisation and reduced gold plating across trading, post trading and asset management.
- Operational passporting (not just formal rights), new PEMO status and better interconnection (T2S, open access).
- ESMA upgrade: convergence tools, binding mediation on own initiative and selective direct supervision.
- DLT enablement via both changes to the DLT Pilot and to core frameworks.

Next steps: The MIP's proposals are expected to ease cross-border fundraising, improve liquidity, lower compliance burdens, and enhance investor protection, ultimately creating a more attractive EU financial ecosystem.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

This communication sets the policy frame, identifying barriers from divergent rules and inefficient cross border activity. It outlines a four-part strategy of integration, efficient supervision, simplification, and innovation, and flags future work on non-bank macroprudential oversight for 2026. The Master Regulation is the operational engine of the MIP. Its proposals would amend an extensive list of existing EU Regulations (ESMA Regulation, EMIR, MiFIR, CSDR, SFTR, CBDR, the CCP Recovery and Resolution Regulation (**CCP R&R**), DLT Pilot Regime, MiCAR, CRA, Benchmarks Regulation, Securitisation Regulation (itself currently subject to review, the EU Green Bond Standard (**EU GBS**), ESG Ratings).

The Annexes to the Master Regulation provide correlation tables, detailed amendments, infringement/timeline matrices, fee/turnover concepts for cross cutting supervision and data/digital implementation elements (e.g. "collect once/use many" via ESMA central databases). These Annexes are likely to be very useful for compliance teams to map changes to internal controls.

The Master Regulation's core structural changes, key implications by sector and next steps: The Master Regulation, if passed, would constitute the most consequential consolidation of EU capital markets supervision and market plumbing since MiFID II/EMIR/CSDR were first enacted. Firms should treat it as both a supervisory migration programme (to ESMA) and a strategic market structure opportunity (PEMO, open access, DLT). Early mobilisation—combining legal, compliance, technology and business change—is advisable to capture benefits and minimise transition risk. The impact will depend both on what is changing and for whom. This can be summarised as follows:

1) ESMA: mandate, governance, funding and powers

The Master Regulation significantly reinforces ESMA's role in the following areas:

- **Direct supervision of**:
  - "Significant" CCPs and CSDs (with colleges rationalised).
  - "Significant" trading venues and all trading venues operated by a PEMO.
  - All CASPs under MiCAR (save that credit institutions remain under banking supervision unless crypto services become their main activity).
- **A single horizontal supervisory procedure and enforcement toolbox:** across sectors (on site inspections, information powers, fines/penalties, public disclosures), replacing duplicative sectoral processes.
- **Governance:** new Executive Board of full-time independent members; clarified roles vis à vis the Board of Supervisors.
- **Funding:** harmonised fee principles for entities under ESMA's direct supervision; EU and Member State contributions for non fee funded functions.
- **New supervisory convergence and "no action letter" capacities:** to deal with regulatory gaps and exceptional market conditions.

Practical takeaway*: Firms moving under* ESMA direct supervision should anticipate centralised portals, harmonised procedures, and consolidated data requests, replacing multiple NCA interfaces.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

2) Trading and market structure (MiFIR changes)

A new Title in MiFIR moves and harmonises trading venue authorisation and ongoing requirements from MiFID II into a directly applicable Regulation, reducing national gold plating.

- Creation of the PEMO (Pan European Market Operator) status:
- One ESMA authorisation to operate multiple venues across Member States.
- Host Member States must permit operation via services or a branch without additional venue-level authorisations.
- For non-harmonised areas (e.g., tax), the applicable law remains that of the Member State where each venue is deemed situated.

ESMA gains direct supervision of significant trading venues and all PEMOs. National 'surveillance authorities' (which may not be the NCA) retain local oversight for market abuse and orderly trading. For example, in Germany, BaFin is the NCA, but each federal state has its own stock exchange surveillance authority.

Open access reforms:

- Streamlined, time bound CCP/venue access with ESMA arbitration of disputes.
- “Preferred clearing” practices are prohibited where interoperable CCPs are available.

Transparency/market data:

- Enhancements to the consolidated tape, including best bid/offer venue identity and depth of book for shares/ETFs.
- Systematic internalisers (SIs) must update quotes when executing retail orders at price improvement.
- Additional order data can be requested (via national surveillance authorities and ESMA).

Group synergies and outsourcing:

- Intra group resource/function allocation is expressly not “outsourcing” for venue compliance purposes and location within the EU is not a compliance factor, easing cross border operating models.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

3) Post trade – EMIR and CSDR

EMIR:

- ESMA empowered to determine/signpost “significant” CCPs and to supervise them directly, including penalties and an updated infringement annex.
- Simplified college structures for non-significant CCPs with ESMA chairing.
- ESMA to arbitrate open access and interoperability approvals.

CSDR modernisation:

- Definitions and constructs adapted to enable DLT for core CSD services (book entry, accounts).
- A fuller integration of cross border links and hubs; clearer, time bound procedures for CSD links and access.
- Comprehensive infringement lists for “significant” CSDs.
- Wider use of T2S is encouraged to cut costs and improve cross border settlement.
- Settlement discipline and efficiency obligations are tightened with reporting to central databases.

4) Funds and cross border distribution

- CBDR updates and migration of some UCITS/AIFMD marketing provisions into CBDR to reduce divergence and present a single rule-set for cross-border marketing.
- ESMA’s role strengthened to resolve home-host disputes and cross-border barriers. Increased standardisation of forms, notifications and marketing communications content expectations.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

5) Digital assets and innovation – DLT Pilot Regime and MiCAR

DLT Pilot Regime:

- Scope and scale expanded materially; aggregate cap raised to EUR 100bn with asset-specific caps removed.
- CASPs authorised to operate DLT trading venues and trading/settlement systems (subject to the trading/post trading rulebook with proportionate exemptions).
- A simplified regime for smaller DLT infrastructures recording up to EUR 10bn in DLT financial instruments (more principles based, proportionate CSDR overlay).
- Time limits on pilot permissions removed to address durability concerns.
- Strong push for interoperability standards across DLT infrastructures; ESMA to advise on technical measures.

MiCAR amendments:

- ESMA becomes the direct supervisor of CASPs, with a full set of supervisory powers, sanctions and a central register.
- Transitional arrangements for ongoing applications and file transfers from NCAs.
- Arrangements for entities also subject to other EU financial regimes; banking supervision remains for credit institutions unless crypto services are the main activity.

6) Central data architecture and reporting

ESMA will operate central databases and digital supervisory platforms covering:

- Authorisations, notifications, supervisory requests and responses for PEMOs, significant trading venues, CCPs, CSDs and CASPs.
- Settlement, link authorisations, interoperability and settlement efficiency metrics (CSDR).
- CASP authorisations, market abuse surveillance and cross border notifications (MiCAR).

The "collect once, share many times" principle will be embedded through harmonised templates and secure portals.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

7) Timelines and transition considerations in relation to the above

- Most ESMA powers and new horizontal procedures will apply 12 months after the Regulation enters into force.
- Supervision of significant trading venues, PEMOs, CSDs, and CCPs will transfer to ESMA 24 months after the Regulation enters into force.
- The transition for CASP supervision includes managing file transfers and applications already in progress.
- Consolidated tape changes for shares/ETFs align with the first five-year Consolidated Tape Provider (**CTP**) period ending; other MiFIR changes phase in at 12–24 months.

a) Trading venues, market operators, brokers and investment firms

- A new uniform framework will govern authorisation and compliance, which will move into MiFIR and limit national variations.
- If operating multiple venues cross border, PEMO offers a powerful single licence route with ESMA as supervisor; firms should assess:
  - the case for centralising venue operations under a PEMO license;
  - how to designate a venue's "situated" Member State for non harmonised rules;
  - the interface with national surveillance authorities for market abuse/orderly trading oversight.
- Intra group synergies explicitly facilitated (intra group not treated as outsourcing), supporting operational consolidation and shared services.
- **Market structure**:
  - Open access timelines and criteria become tighter, with ESMA arbitrating disputes and a ban on "preferred clearing" where CCP interoperability exists - this may alter clearing/venue commercial arrangements and fee structures.
  - Enhanced retail quote obligations for SIs and a richer consolidated tape will change best execution policies, market data usage and client disclosures.
- **Data and reporting**: Firms must prepare for filings via ESMA central database, using harmonised templates, and for potential order level data requests from surveillance authorities.
- **Suggested action points**:
  - Assess if venues meet "significant" criteria and evaluate the feasibility of a PEMO structure.
  - Review intragroup support models to capitalise on the new outsourcing flexibility.
  - Update best execution policies, retail pricing, and disclosures to align with new consolidated tape and SI quote requirements.
  - Review clearing access agreements and interoperability strategies.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

b) CCPs

- Potential re designation as “significant” CCP leads to direct ESMA supervision, an EU level penalty regime and monthly reporting via ESMA systems.
- Supervisory colleges will be streamlined and processes centralised, with ESMA directly handling open access and interoperability approvals.
- CCPs should expect more consistent stress tests, greater margin model transparency and stricter disclosure obligations.
- **Suggested action points**:

  - Conduct a gap analysis of governance, risk, and transparency measures against the new infringement lists.

  - Prepare monthly reporting packs and integrate systems with ESMA’s central platform.

  - Update interoperability and access processes to reflect new timelines and ESMA’s arbitration role.

c) CSDs

- “Significant” CSDs will be supervised by ESMA under expanded infringement schedules covering governance, segregation, settlement discipline, links and access.
- The rules introduce technical neutrality, enabling DLT for reconciliation and DLT account keeping is possible within an ESMA-assessed and authorised settlement schemes.
- The Master Regulation strengthens obligations for CSDs to link to hubs, permit DVP, align finality points, and improve settlement efficiency via structured reporting.
- **Suggested action points**:

  - Assess DLT readiness, including account models and potential participation in ESMA assessed settlement schemes.

  - Review cross border link frameworks and hub participation against the new mandatory bilateral link construct and associated authorisations/notifications.

  - Align settlement discipline monitoring and reporting with ESMA templates.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

d) Asset managers and funds (UCITS/AIFs)

- The cross-border marketing regime will be consolidated under the CBDR, with ESMA empowered to resolve disputes between home and host regulators.
- Marketing communications rules are becoming centralised and clearer, meaning more uniform templates and fewer national checks.
- **Suggested action points**:

  - Standardise EU cross border marketing packs, disclosures, hyperlinks and investor rights summaries to align with CBDR templates.

  - Ensure fee and charge transparency in marketing materials aligns with the Key Information Document (KID) and prospectus.

e) Crypto asset service providers (CASPs)

- ESMA becomes the single EU supervisor for CASPs, including market abuse surveillance, with comprehensive infringement lists and sanctions.
- Entities authorised under other EU regimes that primarily conduct crypto services will be re scoped to ESMA for those activities; credit institutions are carved out unless crypto becomes their main activity. CASPs can operate DLT market infrastructures under the expanded DLT Pilot but must meet trading and post trading rules, with proportionate exemptions.
- **Suggested action points**:

  - Prepare for ESMA authorisation, central register entries and file transfers from NCAs; review governance, outsourcing, wind down, custody and market abuse controls against the new lists.

  - Banks and broker dealers must determine if crypto services constitute their "main activity" and plan for a potential supervisory handover to ESMA.

f) DLT and tokenisation programmes

- The DLT Pilot Regime is expanding : the aggregate cap will rise to €100bn, asset specific caps removed, and a simplified regime for small operators introduced, with CASPs eligible to participate.
- The CSDR and DLT Pilot Regime now jointly enable DLT account keepers within authorised settlement schemes, with the industry tasked to develop interoperability standards under ESMA's watch.
- **Suggested action points**:

  - Re-evaluate business cases for tokenised issuance and trading in light of the expanded DLT Pilot Regime and CSDR changes.

  - Engage in industry technical standard setting for DLT interoperability and prepare internal controls for ESMA exemption and opinion processes.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

Compliance planning and timelines set out in the Master Regulation

ESMA governance/funding and most sectoral supervisory alignments apply 12 months after entry into force, with:

- **Trading venues**: Transfer to ESMA no earlier than 24 months after entry into force, with per venue transition plans and a one year window from ESMA's significance notification.
- **CCPs**: Significance assessments begin upon entry into force, with ESMA supervision applying after 12 months, subject to aligned transitional provisions.
- **CSDs**: Significance assessments begin upon entry into force, with ESMA supervision applying 24 months after entry into force.
- **CASPs**: A transitional regime will manage the transfer of files and in flight authorisations to ESMA.

Other changes: Amendments to the DLT Pilot Regime, CBDR and MiFIR venue rules will phase in over a 12–24 month cadence, with some synchronisation to consolidated tape milestones.

Firms with multiple roles (e.g., exchange groups with CCP, CS,and a CASP affiliates) should map these staggered effective dates to their change programmes.

Key risk and compliance themes

- **Supervisory intensity**: Expect more frequent EU level inspections, stronger data driven monitoring and explicit infringement catalogues for CCPs and CSDs.
- **Operational resilience**: alignment with the EU Regulation known as the Digital Operational Resilience Act (DORA) in post-trade settings; business continuity and ICT requirements are embedded in infringement lists.
- **Market integrity**: A clearer split of duties emerges between ESMA (venue supervision) and national market surveillance authorities. Firms should monitor the interfaces for incident handling and trading suspensions.
- **Access and competition**: stricter discipline on open access/interoperability; new constraints on venue practices that inhibit interoperable clearing.
- **Fees**: harmonised ESMA fee principles will change cost allocation for entities under ESMA supervision; budget accordingly.

Immediate action points some regulated firms may wish to consider

Governance and supervision readiness

- Determine if an entity qualifies as "significant" (venue, CCP, CSD) and assess the benefits of PEMO status.
- Develop an ESMA engagement plan covering data readiness, inspection protocols, fee budgeting, and executive briefings.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

Legal and structuring

- Trading venue groups: Assess the business case for a PEMO structure and the opportunities from new intragroup resource rules.
- CCPs and CSDs: plan for authorisation updates, link/hub applications, and disclosure upgrades through ESMA databases.
- Asset managers: Align cross border marketing with new CBDR constraints and documentation standards.

Technology and data

- Mobilise IT to connect to ESMA central platforms and adapt to standardised templates.
- DLT initiatives: Reassess tokenisation scale and operating models under the expanded Pilot, including e money token settlement.

Policies and procedures

- Update market access and interoperability procedures. SIs must adjust quote management for retail price improvement.
- Refresh operational resilience, default management and transparency policies consistent with new infringement standards and DORA alignment.

Roadmaps and stakeholder management

- Sequence change across the 12–24 month horizon; coordinate with NCAs on transition plans and with ESMA on early guidance.
- Engage with trading/clearing clients, distributors and service providers on the practical impact of interoperability, settlement options and marketing rule changes.

What to watch next

- The co legislators' process (possible refinements to ESMA scope, PEMO criteria, significance thresholds and DLT exemptions).
- ESMA technical standards, guidelines and operational notices (notably for databases, templates and simplified DLT regime).
- National adjustments to surveillance frameworks and any residual domestic constraints in non harmonised areas (e.g., tax).
- The consolidated tape build out timeline and provider implementation.

Key instruments and objectives

Proposal for a Regulation (the Master Regulation)

Next steps:

Taken together, the MIP but certainly the Master Regulation marks a decisive migration of supervisory gravity to the EU level, accompanied by a clearer, technology neutral Single Rulebook and materially streamlined cross border mechanics. For regulated firms, the opportunity is to leverage scale - via PEMO structures, interoperable clearing, simplified CSD links and harmonised fund distribution - while rationalising duplicative national overlays and embedding ESMA ready data, governance and controls. The corresponding trade off is a step up in supervisory intensity, granularity of reporting and operational resilience expectations, particularly for entities designated as significant or operating across trading, clearing, settlement and digital finance perimeters.

Firms that front load readiness - mapping significance, re engineering group operating models, aligning to ESMA's central platforms and recalibrating tokenisation strategies under the broadened DLT Pilot Regime - will be best placed to convert regulatory change into strategic advantage as the SIU agenda takes effect over the next 12–24 months.

Key instruments and objectives

Proposal for a Directive (the Master Directive)

The Master Directive would amend the EU's existing UCITS, AIFMD and MiFID II Directives to remove residual barriers best handled at Level 1 where Directives remain necessary. It targets four themes:

(i) removing cross border frictions in asset management and trading;

(ii) acknowledging group synergies;

(iii) strengthening ESMA's convergence and intervention toolkit; and

(iv) simplifying/aligning rulebooks by shifting material from directives to directly applicable regulations.

For asset management, the package is significant. It introduces an EU-wide depositary passport for UCITS and AIFs (limited to credit institutions and investment firms), recognises intra-EU group resource sharing (no longer treated as "delegation"), compresses timelines and removes additional local "goldplating" for management passporting, harmonises authorisations via RTS/ITS and migrates cross-border marketing rules into the existing Distribution Regulation to harden harmonisation. For UCITS, it also removes the UCITS Key Investor Information Document (KIID) obligation (on the basis that the Packaged Retail and Insurance-based Investment Products (PRIIPs) KID already applies) and modestly recalibrates investment limits (including for qualifying securitisations and index-referenced strategies recognised by ESMA). For trading venues/investment firms, the proposal advances the shift of trading venue operational provisions out of MiFID II into MiFIR (continuing the "regulation over directive" philosophy), deletes duplicative "open access" provisions in MiFID II and clarifies cross border mechanics. Commodity derivatives position limit/reporting provisions are streamlined.

The supervisory roles of ESMA vis à vis venues are further aligned with parallel MiFIR reforms.

A powerful, practical change is the creation of an ESMA led, recurring review framework for the largest cross border asset management groups (≥ EUR 300bn AUM and multi-Member State footprint), enabling ESMA to detect and correct divergent/duplicative/deficient supervisory approaches and, if required, to escalate to binding tools and even suspend cross border activity in defined circumstances.

Transposition is expected 18 months after the Directive enters into force. Although the proposal may evolve, firms should begin planning for significant changes to their operating models and supervisory engagement.

Scope of the Master Directive and who is affected

- UCITS management companies, UCITS investment companies and AIFMs, especially groups operating across multiple Member States or using white label/initiator models.
- Depositaries of UCITS/AIFs (notably banks and investment firms) and asset managers procuring depositary services cross border.
- Trading venues/market operators (regulated markets (RMs), Multilateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs)) and investment firms interacting with venues.
- Cross border distributors and marketing teams (due to consolidation of marketing/cross border rules in Regulation (EU) 2019/1156).
- NCAs and ESMA (due to reinforced convergence and intervention powers).

Key instruments and objectives

Proposal for a Directive (the Master Directive) – Key legal and policy changes

Asset management (UCITS/AIFMD)

EU group concept and resource sharing:

- The proposal introduces an explicit EU group definition for management companies/AIFMs including EU investment firms and credit institutions in the group.
- Intra EU group resource sharing (human/technical resources) ceases to be treated as "delegation" if notified and the recipient entity is duly authorised. This materially reduces governance, due diligence and oversight burdens compared with third party delegation, while preserving accountability and "no letter box" constraints.

Authorisations and passporting:

- ESMA to develop Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) to harmonise authorisation content, forms, templates, timelines and IT data standards for UCITS/AIFM authorisations and notification formats for cross-border services. Expect more prescriptive, digitalised filing.
- Shorter home to host transmission timelines and clear prohibition on host Member States imposing additional requirements for management passporting (branch and services).
- Clarified obligations for notifying and assessing material changes pre implementation.

Cross border marketing and host powers:

Moving UCITS and AIFMD marketing rules into CBDR creates a single, directly applicable rulebook. This change enforces uniformity, reduces national differences, and centralises procedures for notifications, facilities, and host authority powers.

Depositary passport:

A new EU-wide passport allows UCITS and AIFs to appoint a depositary in any member state. Eligible depositaries must be an EU authorised credit institution or investment firm. The reform aims to boost competition and service quality, especially in smaller markets with few providers.

White label/initiator disclosure:

For UCITS/AIFs managed at the initiative of a third party, managers must disclose the relationship at authorisation and be able to demonstrate, upon request, conflict identification/management - not an ongoing proactive evidence dump. This rationalises the 2023 AIFMD II approach.

UCITS product rules and disclosures:

- Removal of the UCITS KIID requirement, in recognition of the PRIIPs KID regime for retail marketing.
- Targeted limits adjustments: higher concentration cap (up to 15%) for qualifying securitisations; extended 20% issuer limit for UCITS managed by reference to an ESMA recognised index; various technical calibrations across Articles 52–57.

ESMA reviews of large groups:

ESMA will identify large cross border groups (≥ EUR 300bn EU AUM) and conduct at least annual reviews of supervisory approaches across the group, focusing on organisation, governance, resource allocation and risk systems, using existing data.

Key instruments and objectives

Proposal for a Directive (the Master Directive) – Key legal and policy changes

ESMA can recommend corrective actions to NCAs and escalate (breach of Union law, binding mediation, collaboration platforms) where issues persist.

ESMA cross border intervention:

ESMA gains an explicit mandate to address divergent/deficient supervisory actions hindering passporting or non-compliance in cross border operations, and, if necessary, to suspend a manager’s or depositary’s cross border activities after due process.

Trading and markets (MiFID II adjustments)

- Migration to MiFIR and simplification:

  To create a more uniform Single Rulebook, operational and authorisation provisions for trading venues are moving from MiFID II to MiFIR. Duplicative 'open access' rules in MiFID are being removed to reduce national variations.
- Cross border clarity and terminology:

  Consequential amendments clarify the interplay of branch/freedom to provide services and re align MiFID II definitions with MiFIR. National notification standards to be specified via ESMA standards.
- Commodity derivatives:

  Position limits/reporting are streamlined and clarified, with ESMA empowered to set reporting formats via ITS and to maintain a public database of limits.
- ESAP alignment:

  Staged obligations to file certain public information to the European Single Access Point (**ESAP**) in data extractable formats, with designated collection bodies.

Key instruments and objectives

Proposal for a Directive (the Master Directive) – Practical implications for regulated firms

Asset managers and management companies

Operating model:

- Firms can now centralise functions like portfolio management, IT, compliance across their EU group without triggering complex delegation rules. This change supports efficiency and scale, but firms must ensure they do not become 'letterbox' entities and that all entities involved are EU-authorised.
- Expect more standardised authorisation and change-in-control/change-in-business engagements with NCAs via ESMA-specified templates and timelines.

Cross border execution:

- Faster passporting and fewer host additions should shorten time to market. Internal processes should be recalibrated to the new timeframes and evidence standards.
- Marketing and facilities arrangements should be re baselined against the consolidated CBDR rulebook.

Governance and oversight:

Large asset management groups now face annual ESMA supervisory reviews. They should prepare for coordinated responses involving multiple national regulators and be ready to fix any identified inconsistencies within strict deadlines.

Product manufacturing:

Update UCITS disclosure suites to remove the legacy KIID and rely on PRIIPs KID. Reassess concentration policies for securitisation positions and index referenced strategies to leverage the added flexibility where appropriate.

Depositaries

Strategy and footprint:

- The EU wide passport enables cross border client acquisition and service provision. Banks and investment firms should evaluate target markets, licensing scope, operational capacity and local law frictions (e.g., insolvency, property law interfaces).
- Expect intensified competition and fee pressure in concentrated smaller markets; conversely, managers gain optionality to consolidate providers at group level.

Supervision and risk:

Enhanced ESMA escalation tools imply tighter expectations on cross border compliance and responsiveness to supervisory findings.

Trading venues and investment firms

Rulebook migration:

- Compliance, legal and market structure teams should track the MiFIR centric venue rule changes and remove reliance on MiFID II provisions that are being deleted.
- Commodity derivatives desks should update position management/reporting processes to align with the revised scope and ESMA formats.

Cross border services:

Notification content and process will be increasingly standardised through ESMA RTS/ITS. Firms should plan for data and system updates to meet new templates and IT specifications.

Key instruments and objectives

Proposal for a Directive (the Master Directive) – Practical implications for regulated firms

Supervisory architecture and enforcement

ESMA's role is materially strengthened through:

- Annual reviews of the largest fund groups and the ability to issue recommendations with time bound implementation.
- Clear escalation pathways: breach of Union law proceedings, binding mediation, collaboration platforms and ultimately the ability to suspend cross border activity where justified.

NCAs retain day to day prudential and conduct supervision but with reduced discretion where provisions are moved to regulations or harmonised by RTS/ITS.

The Master Directive's timelines and transition periods

At present the proposed Master Directive is a Commission proposal. The text will undergo trilogue negotiations and may change. The draft sets:

- Transposition by Member States 18 months after entry into force, with application from the same date.
- ESMA RTS/ITS mandates typically within 12 months post entry into force.
- Staged ESAP obligations with key dates from January 2030 for applicable MiFID items.

Firms should plan for a two to three year implementation horizon, with some dependencies on ESMA standards.

The Master Directive's key risks and dependencies

- **Legislative risk**: scope of the depositary passport, ESMA suspension powers and the precise contours of group resource sharing may be amended during co legislation.
- **Depositary liability across borders**: Expect debates on liability triggers, restitution and loss standards where safekeeping is performed from another Member State; ensure contractual clarity and investor disclosures.
- **Index recognition**: The pathway and criteria for ESMA "recognised indices" will matter for active/index referenced UCITS; asset managers may need to **engage with providers and ESMA.**
- **Interactions with related files**: parallel MiFIR/ESMA supervision reforms, DLT Pilot Regime adjustments and post trade initiatives will influence implementation detail.
- **National law frictions**: while EU harmonisation increases, company/insolvency/securities law differences may still drive operational complexity for cross border depositaries and fund operations.
- **National implementation variances**: Despite harmonisation aims, some Member State differences will persist until the Master Regulation is equally fully in force. Firms may want to consider transitional guidance by NCAs.

Key instruments and objectives

Proposal for a Directive (the Master Directive) – Practical implications for regulated firms

Recommended next steps for regulated firms

Governance and operating model:

- Map current group resource allocations and identify functions that can be consolidated intra EU without triggering delegation rules; refresh "letter box" assessments and board oversight frameworks.
- Establish an ESMA review playbook for large groups: single point of contact, data collation, issue remediation governance and escalation protocols.

Cross border and marketing:

- Re baseline passporting and marketing procedures to the timelines and formats envisaged; prepare for the shift to CBDR as the single source for cross border distribution mechanics.
- Update white label/initiator documentation and conflicts frameworks to the new disclosure on request model.

Depositary strategy: For depositaries: assess licensing scope, capacity and commercial strategy for cross border services. For managers: develop a multi jurisdiction depositary sourcing strategy and a playbook for transition and oversight.

Product and disclosure: Plan to retire UCITS KIID artefacts and ensure comprehensive reliance on PRIIPs KID; review investment guidelines to use the recalibrated UCITS limits where beneficial.

Trading/markets: Monitor MiFIR technical changes, adjust internal rule repositories, policies and reporting for venues/participants and ready systems for revised position reporting formats.

Regulatory engagement and horizon scanning: Track ESMA RTS/ITS development and provide input via industry bodies. Maintain dialogue with home and host NCAs regarding anticipated implementation sequencing and supervisory expectations.

Next steps:

The Master Directive, alongside the Master Regulation and SFR, marks a significant move toward a more integrated EU capital market. For asset managers and depositaries, it creates efficiencies through group resource sharing and a cross border depositary passport, while giving ESMA more power to resolve disputes and ensure consistent supervision.

For trading venues and investment firms, the changes advance the shift to a uniform, regulation-based market structure. Proactive planning around operating models, cross-border processes, and supervisory engagement will be key to harnessing these reforms.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

The proposal to replace the Settlement Finality Directive (**SFD**) with a Settlement Finality Regulation (**SFR**) aims to create a single, directly applicable rulebook. This will eliminate inconsistent national rules that create legal and operational risks in cross border settlement. The SFR also includes targeted upgrades to the Financial Collateral Directive (**FCD**).

Key changes under the SFR include harmonised criteria for system designation, a central ESMA database, and clear definitions for settlement finality points: entry, irrevocability, and final settlement. It also creates a coordinated registration process for systems from outside the EU.

The framework is technology-neutral, specifically accommodating DLT systems. ESMA and the EBA will define how technical consensus on a DLT translates into legal finality, including for systems with probabilistic settlement.

Targeted FCD amendments

(i) confirm that “cash”, “financial instruments” and “credit claims” issued or recorded on DLT fall within scope;

(ii) align the “account” concept with the SFR; and

(iii) validate cryptographic instructions/notifications.

(iv) The reforms materially improves legal certainty, transparency and cross border operability, while imposing disciplined rulebook articulation of finality, clearer admission/accountability standards and tighter digital reporting via the central database. Open issues include national divergences on “possession/control” under the FCD and the practical validation of probabilistic finality.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

Detail on the proposed changes

The SFR's proposed changes to established principles under the SFD and FCD are broad and before delving into the detail can be summarised in the following snapshot:

Topic	Under SFD (current Directive)	Under SFR (final proposal)
Legal form	Fragmented national transpositions	Directly applicable Regulation, harmonised conditions/procedures
Transparency	Uneven publication of system details	ESMA central database; two-day publication of designation/registration and updates
Finality moments	Largely system/national discretion	System rules must define entry, irrevocability, final settlement; RTS detail for non-CSD systems/payment systems and DLT mapping
Third-country access	National extensions, fragmented	Coordinated national registrations tied to "institution" status; ESMA-published register; five-year transition
Insolvency	No retroactivity; varying clarity	Clarified opening moment; day-of-opening use of funds/margins/DF; immediate notifications via central database
Conflict of laws	Lex loci registri not DLT-explicit	DLT explicitly included; "location" of a legal entity's register is its registered office; fallback to system law if indeterminate
DLT	Implicit/uncertain scope	Technology-neutral; explicit DLT coverage; deterministic legal finality required; RTS for probabilistic/layered models
FCD alignment	Potential gaps for DLT assets	DLT-recorded cash/instruments/credit claims in scope; "account" aligned; cryptographic signing recognised; 18-month transposition

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

Scope, legal form and objectives

- The SFR is a Regulation, directly applicable across the EU, replacing fragmented national transpositions. Its core aims are risk reduction via settlement finality, legal certainty across borders and technology neutrality, expressly including DLT based systems and records.
- Systems designated under national law are brought into a harmonised EU framework; protections also extend to EU institutions participating in registered third country systems.

Harmonised designation and a central ESMA database

- Designation remains with the competent authority of the Member State whose law governs the system, but on harmonised conditions and procedures with defined assessment windows and content.
- ESMA must publish, within two working days, a standardised disclosure set covering system identity, governing law, participant list, finality moments, system rules and the authority's compliance assessment and must operate a central database handling electronic submissions, on chain data access and change notifications.
- ESMA and EBA (in close cooperation with the European System of Central Banks (ESCB)) are empowered to develop regulatory and implementing technical standards to specify application content and uniform electronic formats.

Practical effect: operators need complete, consistently structured designation packs and to maintain current published data; participants gain a reliable single source of truth for due diligence and risk assessments.

Participation, admission and operator accountability

- The list of admissible participants is enumerated and can include entities performing validation/consensus functions essential for settlement integrity. Member States may, in exceptional systemic risk cases, deem an indirect participant to be a participant; primary responsibility of the direct participant remains intact.
- System operators must set objective, transparent, non discriminatory admission criteria; ensure members have the capacity to meet obligations and mitigate risks; monitor concentration risks where clients access the system via a participant.
- Operators are legally responsible for compliance and must promptly notify material changes via the central database.

Practical effect: review member admission frameworks, client access models and governance lines; ensure operational capacity and reporting align with the Regulation's accountability standards.

Third country systems: coordinated national registration

- A third country system can be registered in each Member State where a participating EU member is established, provided that member is an "institution" as defined. Registration decisions are national but coordinated and convergent, with ESMA/EBA/ESCB facilitating and ESMA publishing registrations and updates within two working days.
- Registration conditions include authorisation/supervision in the home jurisdiction, a governing law that upholds settlement finality, clear rulebook moments (entry, irrevocability, final settlement), adequate operator structure/financing and material compliance with global Financial Market Infrastructures (FMI) principles.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

- Transitional measures deem existing national extensions under the SFD to be registered for up to five years.

Practical effect: groups with establishments in multiple Member States may require multi track registrations for the same third country system; confirm institutional status and track national registering authorities' decisions and timelines.

Finality moments and mapping to DLT

- System rules must clearly define:
  - Entry: when a transfer order enters the system.
  - Irrevocability: when the order cannot be revoked by a participant or third party.
  - Final settlement: when obligations are discharged unconditionally and irrevocably, consistent with applicable proprietary transfer law.
- ESMA/EBA may specify, via regulatory technical standards, the methodology for systems not operated by a CSD and for payment systems, including:
  - How ledger events correspond to legal entry/irrevocability.
  - How probabilistic/layered models can achieve legal certainty.
- DLT based designated systems must implement mechanisms guaranteeing deterministic and legally enforceable finality at the legal level.

Practical effect: rulebooks must precisely pin down the three moments and, for DLT, evidence the mapping from protocol consensus to legal finality; expect RTS detail to shape testing, monitoring and attestation.

Insolvency protections and continued settlement on the day of opening

- Transfer orders and netting (including close out netting) are legally enforceable if entered before the moment of opening of insolvency; day of opening orders are protected if settled that business day and the operator neither knew nor should have known of the opening at irrevocability.
- On the business day of opening, funds and financial instruments on settlement/collateral accounts, including EMIR margins and default fund resources, may be used to discharge obligations; connected credit facilities can be drawn against available collateral.
- The "moment of opening" is the time of the competent authority's decision; immediate notifications must be made through the central database; no retroactive effects ("zero hour" disapplied).
- In interoperable settings, protections extend to participants and non participant system operators as specified.

Practical effect: update insolvency playbooks to reflect day of opening usage, knowledge tests and notification cadences; align CCP/DF and CSD operations and communications.

Conflict of laws: lex loci registri with DLT explicitness and fallback

- Rights in financial instruments provided as collateral are governed by the law of the Member State where the instrument is legally recorded on a register/account/centralised deposit system, including where recorded on a distributed ledger.
- For a register/account held at a legal entity, the location is the Member State of that entity's registered office.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

- If the location cannot be determined, the law governing the relevant system (or interoperability arrangement) applies; references to a Member State's law mean its domestic law.

Practical effect: For tokenisation projects, this means clearly defining the legal 'location" of records and documenting the governing law. Where ambiguity exists, system law choices and conflict clauses must be robust.

Governance, cooperation and transition

- Member States must appoint designating, registering and insolvency notification competent authorities; ESMA publishes the list and coordinates information sharing.
- ESMA/EBA/ESCB facilitate convergent registration assessments; ESMA/EBA issue RTS/ITS within one year of entry into force where mandated.
- Transitional provisions:

  - Existing SFD designations continue for up to five years pending re designation.

  - Existing national third country extensions are deemed registered for up to five years.
- Review clause: ESMA report at five years; Commission general report at six years.

Targeted amendments to the Financial Collateral Directive (FCD)

- Scope confirmation: "cash", "financial instruments" and "credit claims" include those issued or recorded on DLT; Member States may extend "financial instruments" to MiFID instruments negotiable on capital markets.
- "Account" is aligned with the SFR as any record (including decentralised digital records) on which assets are credited/debited or otherwise recorded.
- Instructions/notifications may be electronically signed, including via cryptographic keys; any reference to "account", "registration" or "register" includes electronic/DLT records.
- Transposition: Member States must implement these specific FCD changes within 18 months of SFR entry into force.

What is not changed: The coal scope of eligible collateral providers and takers remains the same. Crucially, there is no harmonised redefinition of 'possession or control' for security financial collateral, meaning national divergences will persist.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

Key implications for regulated firms and FMIs from the SFR and FCD amendments:

Banks, investment firms and CCP clearing members

- Expect consistent, published finality data across systems via ESMA's portal, easing cross border due diligence and onboarding.
- For third country systems, protections now depend on a firm's 'institution' status and registration in the relevant Member State. Firms should map their memberships and plan for multi jurisdiction registrations within the five year transition period.
- Refresh insolvency playbooks to rely on day of opening liquidity/margins/default fund usage subject to knowledge tests; embed central database notifications.

CSDs, CCPs and other system operators

- Prepare for re designation under harmonised criteria; align rulebooks to clearly state entry/irrevocability/finality; map DLT consensus milestones to legal moments where relevant.
- Establish robust governance and disclosure processes to meet ESMA's two-day publication deadline and maintain a clear audit trail.
- For interoperable links, coordinate finality moments where possible while preserving each system's independence.

Payment institutions and e money institutions

- Where admitted as participants, be ready to demonstrate sufficient capacity and risk controls. Monitor EBA technical standards that will shape payment flow finality, including for instant and DLT-based models.

DLT infrastructures and tokenisation platforms

- Demonstrate deterministic legal finality. Where consensus models are probabilistic, prepare legal and technical analysis showing how RTS criteria for legal certainty are met.
- Ensure a legally accountable operator is identifiable, even where nodes form a consortium, and that records are structured so that legal 'n" is determinable.

Collateral, treasury and custody functions

- Update eligibility frameworks to admit DLT recorded assets, subject to refreshed legal opinions on perfection/priority and conflict of laws; operationalise cryptographic instruction flows and reconciliation for digital records.
- Anticipate continued heterogeneity on "possession/control" tests under national law; structure custodial/key arrangements to support control/perfection narratives.

Areas for market participants to watch

- **RTS/ITS detail**: application content, electronic formats and the mapping of DLT mechanics to legal moments - especially for systems not operated by a CSD and for payment systems - will drive implementation specifics.
- **Probabilistic finality**: The evidence required to prove legal certainty for layered or probabilistic models will be pivotal for the viability of certain DLT protocols.
- **Third country registration practice**: while coordinated, registration remains national and institution tied; operational planning should assume parallel processes across Member States.

Key instruments and objectives

Proposal for a Settlement Finality Regulation (SFR)

- **Interplay with adjacent regimes**: interfaces with CSDR, EMIR, Bank Recovery and Resolution Directive (**BRRD**)/CCP R&R, the Insolvency Regulation and forthcoming payments legislation (including the new Payment Services Regulation (**PSR**) framework) will matter for detailed compliance.

Suggested immediate actions for market participants

- Conduct a readiness assessment against the SFR designation/registration requirements, rulebook articulation of finality, admission criteria, operator accountability and change notification processes.
- Inventory all third country system participations, confirm "institution" status, identify required Member State registrations and plan within the five year transition.
- Update collateral policies, documentation (e.g., CSAs, triparty terms, custody mandates) and ops to support DLT recorded assets and cryptographic instructions; commission/refresh legal opinions on conflict of laws and perfection.
- Prepare to engage on ESMA/EBA consultations for RTS/ITS, particularly on finality moments and DLT mapping.
- Align insolvency and resolution runbooks with the clarified opening moment, day of opening resource usage and central database notification workflows.

Next steps

The proposals for a SFR deliver a pragmatic and materially harmonised settlement finality regime with a modern digital backbone and explicit DLT pathways. Benefits for firms include (i) greater legal certainty, transparency and smoother cross border participation; (ii) costs concentrate in rulebook precision, governance, digital reporting and the legal/technical substantiation of DLT finality; and (iii) collateral operations can move with greater confidence into tokenised assets, though national "possession/control" divergences remain a practical constraint to manage and also subject to EU Member State variation due to national legislative frameworks notably when it comes to property law, which is beyond the EU's (current) legislative mandate. It remains to be seen whether the EU will (if/where it can) adopt a similar policy approach to that taken of the UK and other jurisdictions to improve this area – see separate analysis available from our EU RegCORE on such developments.

The SFR's five year transition window for re designation/registration should be used to front load the operational changes and to shape the RTS/ITS that will determine much of the day to day application.

Key instruments and objectives

Accompanying documents to the MIP

Summary Impact Assessment and full impact Assessment

The European Commission produces two companion "Staff Working Documents" alongside major legislative proposals: an Executive Summary Impact Assessment (the **Summary IA**) and a Full Impact Assessment (the **Full IA**). Each serves a distinct function in the legislative process and for market participants assessing the likely trajectory and calibration of new rules.

Summary Impact Assessment: a concise decision aid for co legislators and stakeholders

The Summary IA distils the essentials of the Commission's analysis into a short, accessible brief. Its purpose is to set out, in a non-technical format, the case for action, the policy options considered (including the baseline and discarded options), the preferred option and a high-level view of expected impacts, costs and benefits, proportionality and subsidiarity. It frames the initiative in plain terms: the problems being solved (market fragmentation, non-aligned supervision, barriers to DLT uptake), the objectives (integration and scale, efficient supervision, facilitation of innovation) and why EU level legislation - rather than national steps - is necessary.

In relation to the proposed Master Regulation, the Master Directive and the SFR, the Summary IA functions as the Commission's "front page" justification. It shows why the broad review (the so-called Option 2 route) is preferred, how harmonisation and targeted supervisory centralisation interlock and the expected direction of travel for costs, competition and legal certainty. Co legislators and stakeholders use it to grasp quickly what is on the table, what will change in practice and the anticipated balance of costs and benefits without having to navigate the technical annexes.

Full Impact Assessment: the detailed evidence base and legal policy rationale

The Full IA is the comprehensive, technical backbone of the legislative package. It operationalises Better Regulation requirements by providing:

- A detailed problem definition, baseline and intervention logic across trading, post trading, asset management, innovation (DLT Pilot Regime) and supervision, including legal context and market diagnostics.
- The policy options, including those discarded at an early stage, with comparative assessment against effectiveness, efficiency and coherence criteria.
- Quantified and qualitative impacts by stakeholder group (venues, CSDs, asset managers, investors, SMEs), cost-benefit elements, competitiveness and SME checks and administrative burden analysis (including "one in, one out").
- Legal basis, subsidiarity and proportionality analysis supporting the specific choice of Regulations versus Directives and the conversion of the Settlement Finality Directive into a directly applicable Regulation.
- Consultation evidence, analytical methods and sectoral annexes that translate the horizontal approach into concrete rule changes (e.g., MiFIR/MiFID re partitioning, CSDR/SFR clarifications, CBDR/UCITS/AIFMD distribution reforms, DLT Pilot Regime scope/thresholds, ESMA governance and remit).
- Governance and resourcing implications for ESMA, including indicative staffing, fee funding, IT/data investments and transition phasing, together with monitoring and evaluation indicators and timelines.

In relation to the proposed legislative instruments, the Full IA does four critical things. First, it maps specific measures to the identified problem drivers and demonstrates necessity and suitability at EU level (legal basis and subsidiarity).

Key instruments and objectives

Accompanying documents to the MIP

Second, it justifies instrument choice and scope - what is moved into directly applicable Regulations (to reduce gold plating and improve time to market) versus what remains in Directives. Third, it provides the co legislators with the calibrations and trade offs behind the preferred option, informing negotiations on thresholds, scope of ESMA's direct supervision, passport mechanics, CSD interconnections and DLT enablement. Fourth, it sets out the monitoring framework that will shape Level 2/3 implementation and subsequent evaluations, anchoring predictability for firms.

What this means for regulated firms

Taken together, the Summary IA signals the policy direction, headline choices and expected net effects; the Full IA provides the technical granularity firms need to plan licensing, operating model, connectivity, reporting and governance changes with reasonable confidence. Firms can read across from the Full IA to the draft legal text to anticipate where harmonisation will lower cross border friction, where ESMA level supervision will raise consistency and data expectations, how post trade interconnections and SFR finality clarifications will change legal and operational risk and how DLTPR adjustments will expand viable tokenisation use cases. The monitoring and evaluation sections also show which metrics the Commission and ESMA will track post adoption - an early indicator of where supervisory attention and future Level 2 calibrations, are likely to focus.

Commission-commissioned studies (barriers to scaling-up funds; fragmentation in trading/post trading)

The MIP's proposals are accompanied by two reports that (unsurprisingly and perhaps too simplistically[57]) converge on the same (pretty well known) diagnosis: Europe's capital markets remain fragmented by national law, supervisory divergence and procedural "gold plating" and this materially raises complexity and cost. For fund managers, the tightest bottlenecks are on the fundraising side (prudential constraints on LPs and tax uncertainty) and for market infrastructures the choke points are post trade (CSD/CCP access, lack of interoperability and supervisory balkanisation). The policy direction of travel is clear: deeper harmonisation, more supervisory centralisation (a larger role for ESMA) and mandated open access/interoperability across layers of market infrastructure.

Regulated firms should plan now for:

(i) proportionate reporting reforms under AIFMD/SFDR/DORA being enforced more consistently cross border,

(ii) changing prudential treatments for long term equity (particularly under Solvency II),

(iii) accelerated post trade integration and resilience standards (including T+1/T+0 preparedness) and (iv) a potential "opt in" enhanced integration perimeter (SECMA) that will create a two speed rulebook for those Member States that join early.

[57] Notably the firms preparing these reports are based outside in the UK and at the EU's periphery with limited capital markets access and do not include EU financial services regulatory lawyers' input. The reports thus largely read as an extensive if incomplete literature review on some very well-known and very heavily commented issues even if the procurement process for this report had an allocated budget of EUR 500,000.

Key instruments and objectives

Cross-cutting themes and direction of travel

Collectively the MIP proposals have the following cross-cutting themes and resulting implications

- **From fragmentation to scale**: the shift of trading venue rules into MiFIR, PEMO licensing, harmonised post trade finality and operational passports aim for fewer parallel legal regimes and more pan EU platforms.
- **ESMA as system integrator**: new governance, mediation on own initiative, escalation powers, direct supervision in selected high impact areas and central data platforms.
- **Tech neutrality/DLT readiness**: targeted L1 fixes enable DLT outside the Pilot and reduce cliff edges as pilots scale; collateral/finality adapted accordingly.
- **Less gold plating, fewer local add-ons**: moving content into Regulations and strengthening convergence curtails divergent NCA practices.
- **Interconnection and open access**: improved access/interoperability decisions and push towards broader use of T2S to simplify cross border settlement where relevant.

Key instruments and objectives

Cross-cutting themes and direction of travel

Implications by market participant type

While the components of MIP may, following consultation and the legislative process change somewhat, the following presents some current known areas that market participants may wish to forward plan for and action.

Client type	Key changes and duties	Opportunities and risks	Likely timelines/critical path
Trading venues/market operators (RMs, MTFs, OTFs)	• Core operational and authorisation rules migrate to MiFIR (Single Rulebook). • New PEMO status enables operation of multiple venues across Member States under one licence. • ESMA direct supervision for "significant" venues and PEMOs; national market surveillance remains locally. • ESMA access/interoperability arbitration strengthened. – Intra group resource sharing not deemed outsourcing under MiFIR.	• Strategic consolidation/scaling across borders becomes easier; material cost and control framework redesign needed for ESMA supervision. • Reduced local divergence lowers compliance burden but tightens EU level expectations and scrutiny. – Open access cases likely quicker but with EU level stakes.	• 12–24 months after entry into force for core MiFIR amendments; ESMA readiness (Executive Board, fees, systems) is a dependency. • Early decision: whether to pursue PEMO and rationalise venue footprints.
Investment firms/brokers (including SIs)	• Adjustments to data/reporting interactions with ESMA/national surveillance authorities; broadened access to ESMA central databases. • Clarified cross border regime under harmonised MiFIR venue rules; open access processes streamlined.	• Improved cross border client servicing and membership portability; potential fee savings via standardisation. • More consistent surveillance expectations; need to align with ESMA data pulls via national surveillance authorities.	• Largely concurrent with MiFIR changes; internal compliance mapping to ESMA data requests advisable.
Asset managers (UCITS ManCos, AIFMs)	• Passporting upon authorisation for UCITS/AIFs/AIFMs; compressed notification timelines; host NCAs cannot add extra requirements. • "White label" disclosure simplification (keep evidence on file). • ESMA empowered to correct supervisory divergences; possible suspension powers for serious breaches. – EU wide depositary passport.	• Faster time to market and reduced local frictions; scalability of cross border platforms. • Heightened ESMA coordination means less room for local workarounds; governance and conflict of interest documentation must be robust for on request inspection.	• Directive amendments will require national transposition; allow a standard 18–24 months post adoption. • Begin revising passporting playbooks and distribution controls early.

Key instruments and objectives

Cross-cutting themes and direction of travel

Implications by market participant type

While the components of MIP may, following consultation and the legislative process change somewhat, the following presents some current known areas that market participants may wish to forward plan for and action.

Client type	Key changes and duties	Opportunities and risks	Likely timelines/critical path
Asset managers (UCITS ManCos, AIFMs)	• Depositary choice expands across borders; procurement and oversight models may change.		
Depositaries	• Introduction of an EU wide depositary passport; level playing field across borders. • ESMA convergence powers may influence interpretation of safekeeping/oversight standards.	• Broader addressable market; competitive dynamics intensify; prudential and operational capacities must scale. • Oversight models across multiple jurisdictions need strong harmonised control frameworks.	• Transposition cycle under the Directive; commercial planning can begin earlier given directionality.
CSDs	• Push towards T2S settlement for currencies offered; enhanced interconnection. • SFR harmonises finality, designation practices, conflict of law clarity and transparency; DLT compatibility. • ESMA's role in access/interoperability and convergence expands.	• Legal certainty reduces cross border risk; potential to scale links and cross CSD services. • Operational changes for T2S connectivity and internal definitions (accounts/book entry) to ensure tech neutral compliance. • Third country link assessments become more structured.	• SFR enters 20 days after OJ publication with staged application; expect 12–24 months for full effect plus Level 2. • Firms should monitor ESMA templates/central registers and update rulebooks accordingly.
CCPs	• ESMA chairs colleges for "less significant" CCPs; governance changes as CCP Supervisory Committee is removed. • ESMA arbitrates certain open access/interoperability matters.	• More predictable EU level processes; need to recalibrate college engagement and data submissions.	• Parallel with Master Regulation changes; engage early with ESMA on governance/process transitions.

Key instruments and objectives

Cross-cutting themes and direction of travel

Implications by market participant type

While the components of MIP may, following consultation and the legislative process change somewhat, the following presents some current known areas that market participants may wish to forward plan for and action.

Client type	Key changes and duties	Opportunities and risks	Likely timelines/critical path
CASPs (MiCAR)	• Transfer to direct ESMA supervision for all CASPs, plus central registers and authorisation data flows.	• Uniform supervisory processes reduce forum shopping; higher consistency and possibly higher supervisory expectations; fee model to follow ESMA framework.	• 12–24 months post entry into force for the supervision shift; readiness for ESMA platforms is key.
Issuers/treasurers (including sovereigns/public sector)	• Greater "freedom of issuance" via reduced local barriers; improved CSDR/T2S harmonisation; SFR legal certainty for settlement and collateral. • For listed securities, venue landscape may consolidate via PEMOs with clearer national law allocation per venue.	• Lower issuance frictions and more choice of infrastructures; better cross border investor reach. • Need to adjust internal issuance procedures to standardised EU definitions and timelines.	• Changes phase in with SFR and Master Regulation; engage with lead banks/CSDs on migration to harmonised practices.
Third country infrastructures and EU participants in them	• SFR establishes a registration approach for third country systems for the purpose of EU participant protection, with ESMA/ECB assistance and central transparency.	• More predictable EU treatment; but formal registration process and criteria introduce new compliance asks. • For EU participants, legal certainty improves for collateral/finality.	• Expect sequencing with ESMA Level 2 guidance/templates under SFR; engage early to plan registrations.

Key instruments and objectives

Cross-cutting themes and direction of travel

Implications by market participant type

While the components of MIP may, following consultation and the legislative process change somewhat, the following presents some current known areas that market participants may wish to forward plan for and action.

Client type	Key changes and duties	Opportunities and risks	Likely timelines/critical path
Compliance, governance and operating model impacts for all of the above	• **Supervisory relationship management**: many firms will have dual interfaces: ESMA (licensing/supervision/convergence) plus national surveillance authorities (market integrity). Establish clear RACI, data flow maps and single sources of truth for submissions. • **Licensing strategy**: trading groups should assess the feasibility and value case for a PEMO. Asset managers should re plan cross border launches around "passporting upon authorisation" to shorten critical paths. • **Policy/controls refresh**: update definitions/policies to tech neutral language for "book entry", "account", "transfer order", "settlement finality" and DLT based operations; align outsourcing vs intra group resource sharing in MiFIR terms. • **Data and systems**: prepare to leverage ESMA's "collect once/use many" central databases; ensure data quality, lineage and timely responses to ESMA initiated requests via national surveillance authorities. • **Open access/interoperability playbooks**: anticipate ESMA arbitrated processes; curate evidence packs; align legal positions with harmonised rules. • **Depositary/oversight frameworks**: revisit depositary networks and fund oversight for expanded cross border options; update due diligence and liability apportionment language.		

Key instruments and objectives

Further considerations and strategic impacts

In addition to the items discussed above, the following strategic considerations are likely to arise.

- **Asset managers and fund sponsors**. Expect the potential to reach a broader EU investor base with single structure funds, reduced friction in cross border distribution, portfolio management and post trading access and the ability to scale across Member States.
- **Issuers and companies seeking capital**. Anticipate easier access to pan EU capital markets for debt and equity and more efficient processes for listing, issuance and secondary trading as reforms take effect.
- **Retail and institutional investors**. Better access to a wider array of EU wide investment products, with scope for lower costs and improved transparency where cross border funds or securities are involved.
- **Supervisors and market infrastructure providers**. Need to adapt to a more integrated regulatory and supervisory architecture and, for post trade providers, to the operational and governance changes prompted by SFR harmonisation.
- **NCAs**. Greater supervisory convergence will reduce autonomy in some areas and require closer coordination with EU authorities to manage cross border supervision and implementation.

For many, this also means taking a strategic view as follows:

- **For market operators**: Evaluate a PEMO licence early, assessing governance, IT, and cost synergies while planning new surveillance interfaces.
- **For asset managers and depositaries**: Redesign EU distribution and servicing models to exploit simplified passports and depositary mobility; rationalise documentation and host NCA interactions; prepare for ESMA led convergence.
- **For CSDs/CCPs**: Advance T2S/links programmes; review rulebooks for SFR alignment; organise playbooks for ESMA access/interoperability decisions; engage with ESMA's new governance.
- **For CASPs**: Prepare transition plans for ESMA authorisation/ongoing supervision; align governance/risk frameworks to ESMA expectations; prepare for central register publicity.
- **For all**: Refresh legal opinions and control libraries for SFR finality and FCD collateral under DLT; adjust onboarding, collateral and default management procedures; update contracts and disclosures to reflect harmonised definitions and law governing logic.

Where things go from here

- **Legislative process**. The Master Regulation, Master Directive and SFR will proceed through the ordinary legislative process; final scope and timelines may evolve as the consultation and trilogue process advances.
- **Implementation and transposition**. Following adoption, Regulations will apply on a staged basis, while Directive changes will require Member State transposition - timing and residual national variation will influence how uniform integration is in practice.
- **Market response**. Exchanges, asset managers, custodians and post trade infrastructures will need to assess structural, regulatory and operational readiness; some may need to consider how to restructure or consolidate footprints to exploit the new framework.
- **Supervisory coordination**: The pivot towards EU level supervision for cross border firms will demand substantial cooperation between national and EU authorities.
- **Opportunities for innovation**. Expect impetus for pan European fund structures, cross border listings and broader participation, including new investment vehicles and securitisation or fund of funds strategies focused on growth and green/ESG segments.

Further timeline considerations are relevant once the individual legislative proposals become law, namely:

- The Master Regulation staggers application of different Articles, with significant tranches at 12 months and 24 months post entry into force. ESMA institutional readiness (Executive Board, fee model, data platforms) is an explicit dependency.
- The Master Directive requires national transposition, typically 18–24 months post adoption. Expect ESMA guidance and convergence tools to land in parallel.
- The SFR enters into force directly and applies following staged timelines, with consequential FCD amendments having an 18-month transposition for specific points. ESMA/ECB/ESCB Level 2 and templates will follow to operationalise designation/registration and transparency.

Outlook

The MIP is a transformative moment for Europe's capital markets. It is not merely regulatory housekeeping; it is a strategic pivot towards a true, scalable single market in financial services. Individually, each legislative instrument being advanced as part of the MIP reduces a major class of friction:

(i) MiFIR/MiFID II/ESMA reforms make cross border trading more scalable and consistently supervised;

(ii) AIFMD/UCITS/CBDR reforms make fund passports operational and suppress local divergences; and

(iii) the SFR modernises the legal bedrock of post trade finality and collateral for a digital era.

Collectively, they enable genuine single market operation for groups that choose to organise at EU scale, with ESMA increasingly the anchor supervisor. The onus now shifts to firms to re optimise their licences, supervision interface, technical connectivity and control frameworks to capture the cost, speed and reach benefits envisaged by the package.

For market participants—whether fund managers, corporates seeking capital, or institutional investors—the package promises significant opportunities. Realising them will require proactive planning: reassessing cross border readiness, aligning governance and operations to forthcoming EU level supervision, re thinking distribution and listing strategies and preparing for a more integrated market environment. Now is the time to review business models, capital raising plans, distribution networks and supervisory compliance frameworks to position for success in a more unified Single Market for financial services.

Making sense of it all for the rest of 2026 and beyond

Making sense of it all for the rest of 2026 and beyond

As markets navigate through 2026, the European financial services landscape is entering another decisive phase of transformation, driven by a confluence of regulatory, geopolitical and technological forces. Change continues to emanate from within the EU - both at Union and Member State level - while external dynamics require the EU to adapt to shifting global conditions. As evidenced by developments over the preceding year, the complex evolution of the persisting polycrisis will continue to affect the EU's Single Market for financial services overall as well as specific sectors through 2026 and beyond. In response, firms and market participants will need to balance maintaining a strategic medium- to long-term perspective with greater agility in their short-term tactical responses and contingency planning, not only to mitigate risks but also to seize emerging opportunities.

The ECB-SSM's 2026 supervisory priorities underscore the need for BUSIs to strengthen resilience against macro-financial headwinds and geopolitical shocks. This remains centred on enhanced credit risk management, continued upgrades to operational resilience, and disciplined execution of digital transformation strategies.

The SRB's ongoing emphasis on crisis preparedness, resolvability and operational continuity - particularly in the face of digital and cyber risks - reinforces the need for robust frameworks. BUSIs face a stricter set of supervisory expectations to deliver timely and material upgrades to ICT infrastructure and cybersecurity capabilities, aligned with evolving EU-level requirements and supervisory testing. In parallel, the three ESA sister authorities - acting individually and collectively through the JC of the ESAs - continue to place financial stability at the core of their mandates, with a particular focus on geopolitical and climate-related risks, and system-wide resilience. The transition to the new EU AML/CFT framework, alongside the establishment and operationalisation of the EU AMLA, requires seamless cooperation and consistent supervisory practices across all market sectors, encompassing both TradFi and non-TradFi firms.

Through 2026, the Single Rulebook will continue to expand and crystallise as further chapters become operational and additional reforms move from proposal to binding rulemaking and supervisory reality. This will take shape through Regulations, Directives and technical standards, alongside new and extended mandates for existing and newly constituted supervisory authorities, as implementation timelines mature and supervisory convergence advances.

All firms and market participants within the scope of the policymakers and authorities covered in this playbook will also need to refine how they manage both the role and rules applicable to technological innovation. This is especially true for AI and blockchain, where frameworks are moving from design to deployment and enforcement across financial services and the wider real economy. These developments carry both opportunities and challenges as firms navigate requirements that increasingly emphasise safety, accountability, data governance, model risk and operational resilience.

Those firms that effectively integrate new technologies and evolving market practices into their interactions with counterparties, clients, customers and real-economy stakeholders—as well as into their internal operations—stand to gain a competitive edge. However, success will depend on navigating maturing regulatory frameworks and ensuring the ethical and responsible use of these technologies, with particular attention

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to AI. This includes managing heightened transatlantic policy divergence and politicisation regarding the future trajectories of AI and blockchain.

Across all market sectors, resilience will remain a cornerstone of the regulatory and supervisory agenda in 2026. Authorities are intensifying their focus on financial and operational resilience, including cyber and ICT risk, third-country and geopolitical shock transmission, liquidity and funding risk, and business model adaptability under stress. Supervisory expectations continue to rise as the EU's resilience framework matures, with implementation and testing under DORA, enhanced ICT third-party risk oversight, and more intrusive reviews of recovery and resolution planning, continuity arrangements and severe-but-plausible scenario testing. This presents an opportunity for firms to differentiate through credible resilience strategies, demonstrable capabilities and disciplined execution. At the same time, EU market participants will need to reconcile EU requirements with evolving approaches in other jurisdictions and to evidence board-level ownership, sufficient data and MI, and end-to-end incident response and lessons-learned processes.

In conclusion, the regulatory landscape in 2026 is set to be more rigorous and execution-focused, necessitating sustained investment in compliance, technology and risk management. The priorities set by EU authorities and policymakers present a complex but navigable terrain for financial services firms that plan early, act with agility and maintain strategic foresight. By doing so, firms and market participants can not only ensure compliance but also position themselves as leaders in a rapidly evolving financial ecosystem.

In short, while the period ahead may be perceived by some as challenging, for those able to navigate these waters adeptly, the opportunities in 2026 and beyond are likely to be significant.

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About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multijurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from more than 2,500 legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

The PwC Legal Team behind Rule Scanner are proud recipients of ALM Law.com's coveted "2024 Disruptive Technology of the Year Award" as well as the "2025 Regulatory, Governance and Compliance Technology Award".

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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