

Regulatory Insights

Financial Services

July 2025

Anti-Money Laundering (1)

AMLA sets clear expectations for crypto sector ahead of supervisory role launch As the European Anti-Money Laundering Authority (AMLA) assumed its full responsibilities on 1 July 2025, it set clear expectations for firms operating in the crypto-asset space to establish and maintain robust measures to prevent money laundering and terrorist financing.

AMLA acknowledges the growing role of innovation and new business models in the financial sector but underscores that the transformation of the crypto-assets landscape must be accompanied by strong safeguards. In line with the evolving regulatory framework, the authority emphasises the importance of ensuring that financial crime risks in this domain are addressed effectively across the EU.

The authority's 2025 Work Programme places Crypto-Asset Service Providers (CASPs) high on the supervisory agenda. AMLA has highlighted the sector's inherent vulnerabilities - particularly its technological complexity, cross-border reach, and potential for anonymity - as drivers of elevated ML/TF risk. With the Markets in Crypto-Assets Regulation (MiCA) now in effect, CASPs are required to obtain a MiCA license to operate within the EU. Several licences have already been granted, including to prominent market players, and the number is expected to rise significantly.

While National Competent Authorities (NCAs) retain responsibility for initial licensing and oversight of CASPs, AMLA will collaborate closely with them to promote consistent implementation of AML/CFT obligations across Member States. The Authority has made clear that it expects competent authorities to ensure CASPs have effective compliance systems in place from the outset of their authorisation.

Further reflecting the strategic importance of this sector, AMLA's financial intelligence unit will include crypto-assets among its initial focus areas. This will involve joint analytical efforts to identify emerging cross-border practices and financial crime risks in this rapidly developing space. These efforts are part of AMLA's broader goal to foster a harmonised, risk-based supervisory environment and to support a level playing field for all EU market participants.

Update to EU list of high-risk third countries published

The EU Commission published <u>Delegated Regulation (EU) 2025/1184</u> in the Official Journal, updating the EU's list of high-risk third countries for Anti-Money Laundering (AML) purposes. The changes align with recent assessments by the Financial Action Task Force (FATF).

- Key changes:
- Added to the list (new high-risk jurisdictions): Algeria, Angola, Côte d'Ivoire, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal, and Venezuela.
 - These countries have committed to addressing identified AML/CTF weaknesses and are working with FATF on action plans.
- □ Removed from the list (following progress): Barbados, Gibraltar, Jamaica, Panama, the Philippines, Senegal, Uganda, and the United Arab Emirates.

This list has direct implications for enhanced due diligence under EU AML rules.

Effective date:

The changes took effect on 5 August 2025.



Anti-Money Laundering (2)

ESAs sign MoU with AMLA to strengthen supervisory cooperation The European Supervisory Authorities (EBA, EIOPA, and ESMA) have signed a multilateral Memorandum of Understanding (MoU) with the newly established European Anti-Money Laundering Authority (AMLA) to strengthen supervisory cooperation across the EU.

This MoU establishes practical arrangements for efficient and timely collaboration, facilitating the exchange of critical AML/CFT information and promoting supervisory convergence and cross-sector learning.

AMLA is empowered to

- directly supervise high-risk, cross-border financial institutions and exercise indirect supervision across both financial and non-financial sectors.
- coordinates the work of Financial Intelligence Units (FIUs) and develops regulatory and technical standards to ensure consistent AML/CFT implementation throughout the EU.

Meanwhile, the ESAs continue to promote financial stability and supervisory convergence, with their Joint Committee, chaired by EIOPA in 2025, serving as a key platform for cross-sector coordination.

This collaborative framework enhances the EU's ability to address money laundering and terrorist financing risks in a coordinated and effective manner.

FATF publishes comprehensive update on terrorist financing risks

The Financial Action Task Force (FATF) published on 8 July 2025 a <u>new report</u> identifying serious and evolving Terrorist Financing (TF) risks and calling for stronger global responses.

The Report - "Comprehensive update on terrorist financing risks" - highlights terrorists' ongoing ability to exploit the financial system and adapt methods to raise, move, and use funds, often combining conventional and digital tools. The Report draws on input from over 80 jurisdictions and 840 private sector and academic submissions, presenting trends and case studies from the past decade. It identifies key threats including decentralised operations, individuals acting alone who exploit legitimate financial channels and digital platforms, links with organised crime, and terrorism financing challenges in conflict zones. Despite steps taken by many countries, the FATF found that 69% of jurisdictions assessed still have major or structural deficiencies in prosecuting and convicting TF cases. FATF President, Elisa de Anda Madrazo, emphasised the importance of leveraging the findings of this Report to improve countries' understanding of national risks and to promote international collaboration. The Report includes practical TF risk indicators for public and private stakeholders and calls for targeted public-private partnerships and better international coordination. It also emphasises the importance of protecting humanitarian aid from abuse and implementing proportionate, risk-based safeguards for nonprofit organisations.

Produced with the support of the United Nations Counter-Terrorism Committee Executive Directorate (CTED) and France, the Report complements CTED's ongoing work on global Terrorism Financing (TF) trends and implementation gaps.

A public webinar to present the findings took place on 22 July 2025.



Anti-Money Laundering (3)

FATF introduces new procedure to prevent disruption of legitimate NPO activities FATF launched on 10 July 2025 a new process to address unintended consequences from the misapplication of its standards on Non-Profit Organisations (NPOs). The aim is to safeguard legitimate NPO work from unjustified disruption while maintaining strong defences against terrorist financing.

The new procedure enables countries, the IMF, and the World Bank to raise concerns when FATF standards are applied in ways that unfairly hinder NPOs. It complements FATF's mutual evaluation and oversight processes and applies to all FATF and FSRB members, unless an FSRB opts to manage its own process.

FATF President, Elisa de Anda Madrazo, said the new procedure reflects the organisation's commitment to proportionality and responsiveness, balancing action on terrorist financing with support for NPOs.

The procedural updates are detailed in:

- ☐ The 2023 Universal Procedures (at paragraph 130(bis))
- ☐ The FATF 5th Round Procedures (at paragraph 136(*bis*))
- ☐ The 2022 Universal Procedures (at paragraph 55(bis))
- ☐ The FATF 4th Round Procedures (at paragraph 101(*bis*))

CySEC issues updated AML guidance on customer identity verification

On 9 July 2025, the Cyprus Securities and Exchange Commission (CySEC) issued <u>Circular No. C721</u>, replacing Circular C367 dated 24 March 2020. The update addresses the application of Article 62(2) of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 (L. 188(I)/2007).

The revised Circular provides updated guidance on the limited circumstances under which the verification of customer and beneficial owner identity may be completed during, rather than prior to, the establishment of a business relationship - in line with Article 62(2) of the Law.

The Circular sets clear limits and rules for when identity verification can happen after starting a business relationship, including:

- □ Customers can only deposit up to €2,000 in total across all their accounts before their identity is verified. However, this amount does not automatically mean the customer is low risk; firms must still assess each case carefully.
- ☐ Identity verification must be completed within 15 days from the first contact with the customer.
- ☐ Deposits must come only from bank accounts or related payment methods (like credit cards) in the customer's name.
- ☐ Firms need stronger internal policies to follow these rules properly.
- ☐ Supervisors will closely monitor compliance to make sure AML rules are followed.

Firms should review their onboarding processes and internal controls to ensure alignment with the updated guidance and CySEC's expectations.



Anti-Money Laundering (4)

EBA highlights risks from improper use of RegTech and FinTech Tools

EBA published on 28 July 2025 its 2025 <u>Opinion</u> on Money Laundering and Terrorist Financing (ML/TF) risks within the EU financial sector, highlighting how geopolitical developments, digital transformation, and regulatory changes are reshaping the risk landscape.

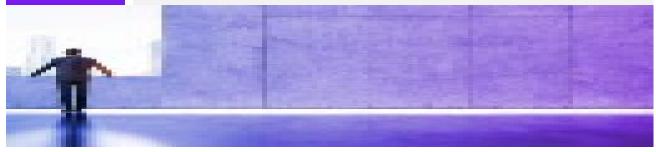
The EBA stresses that while innovation can strengthen compliance, careless deployment of RegTech and other tools may expose firms to heightened ML/TF risks. It underscores the importance of consistently applying the new EU legal framework to mitigate emerging threats, particularly as financial crime tactics become increasingly sophisticated.

Key findings include:

- ☐ FinTech: Over 70% of national supervisors report high or growing ML/TF risks. Many FinTech firms exhibit governance weaknesses and insufficient AML/CFT controls, with some prioritising rapid business expansion at the expense of robust compliance frameworks.
- □ RegTech: More than half of serious compliance failures reported to the EBA's EuReCA database involved misuse of RegTech solutions. RegTech solutions are often implemented without the requisite technical expertise or comprehensive supervisory oversight, leading to significant compliance failures.
- ☐ Crypto assets: This remains one of the highest-risk sectors. The number of authorised Crypto-Asset Service Providers (CASPs) grew 2.5 times between 2022 and 2024, yet many still lack effective AML/CFT frameworks, with some actively circumventing regulation.
- □ AI & fraud: Emerging evidence indicates that criminals are increasingly leveraging artificial intelligence technologies to automate money laundering activities, fabricate fraudulent documentation, and circumvent detection mechanisms, underscoring the imperative for financial institutions to adopt responsible AI integration coupled with continuous monitoring.
- □ Sanctions compliance: The growing complexity of EU restrictive measures has created implementation challenges. Many institutions lack the systems necessary for effective sanctions screening. To address this, the EBA has issued new Guidelines, effective from end-2025, to support a more harmonised approach across the EU.

Regulatory context:

The Opinion is issued under Article 6(5) of Directive (EU) 2015/849 (Fourth Anti-Money Laundering Directive), which mandates the EBA to assess ML/TF risks in the EU financial sector biennially. The findings will feed into the EU Commission's Supranational Risk Assessment and help guide both national authorities and the EBA's future policy priorities.





Banking & Finance (1)

EBA finalises guidelines on risk weighting for residential property ADC exposures EBA released on 1 July 2025 its final <u>Guidelines on Acquisition</u>, <u>Development</u>, <u>and Construction (ADC) exposures to residential property</u> under the standardised approach of the Capital Requirements Regulation (CRR).

These Guidelines clarify the conditions under which banks may apply a lower risk weight of 100%, rather than the default 150%, to qualifying ADC exposures, helping ensure a more risk-sensitive treatment of residential property lending.

Key updates include:

- Condition 1: At least 50% of total contracts must be pre-sale or pre-lease agreements with sufficient deposits, or sale/lease contracts.
- Condition 2: Borrowers must have significant equity at stake now defined as at least 25%, reduced from 35% following industry feedback.

For public housing projects, the Guidelines introduce more flexibility:

- Meeting condition 1 can now be based on demand exceeding supply, even at the municipality level.
- The equity requirement has been lowered to 20%, and allowable forms of equity expanded to include subsidies, grants, and junior loans.

These measures form part of the EBA's broader roadmap for implementing the EU Banking Package on credit risk, balancing prudential safeguards with real-economy considerations.

EBA launches consultation on revised guidelines for definition of default

EBA opened on 2 July 2025 a <u>public consultation</u> on draft amendments to its Guidelines on the application of the definition of default under the Capital Requirements Regulation (CRR). The proposed changes aim to strike a balance between flexibility for institutions and sound credit risk management.

Key proposals include:

- Retaining the 1% NPV loss threshold for identifying default in debt restructuring, supporting consistency with existing standards and reducing the risk of regulatory arbitrage.
- Maintaining stability in default classification to aid reliable credit risk modelling under both IRB and IFRS 9 frameworks.
- Extending the exceptional treatment of past-due days from 30 to 90 days for non-recourse factoring, to better reflect how purchased receivables operate in practice.

The EBA is also considering, but has not yet included, a possible shortening of the probation period for certain loans where borrowers have been given special repayment relief (known as forborne exposures), for example reducing it from one year to three months. This aims to encourage earlier debt restructuring.

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- ☐ Open until 15 October 2025
- □ Public hearing via conference call: 3 September 2025, 11:00–12:00 CET
- Registration deadline: 29 August 2025, 16:00 CET



Banking & Finance (2)

(continued)

This review is part of the EBA's broader mandate under Article 178(7) of the CRR, reflecting updated EU rules and ongoing efforts to strengthen prudential supervision across the banking sector.

EBA consults on draft guidelines for estimating Credit Conversion Factors (CCF)

EBA launched on 2 July 2025 a <u>public consultation</u> on its draft Guidelines for the estimation and application of Credit Conversion Factors (CCFs) under the Capital Requirements Regulation (CRR). The consultation runs until 15 October 2025.

These Guidelines are part of the Internal Ratings-Based (IRB) repair programme and aim to standardise expectations for CCF modelling across EU banks, supporting consistency and risk sensitivity in internal models.

Key points:

- The Guidelines align closely with existing standards for Probability of Default (PD) and Loss Given Default (LGD), ensuring coherence across IRB risk parameters.
- Recognising the lower materiality and narrower scope of CCFs, the EBA proposes simplified approaches where appropriate—helping institutions implement robust models without undue complexity.
- The consultation paper includes targeted questions to gather feedback and ensure the final Guidelines are both effective and proportionate.
- **Consultation details:**
- ☐ Deadline for comments: 15 October 2025
- □ Public hearing: 3 September 2025, 15:00–16:00 CET (registration by 29 August 2025).

This initiative supports the EBA's ongoing effort to maintain prudential soundness while improving clarity and consistency in internal model frameworks across the EU banking sector.

EBA issues hotfix for reporting framework 4.1 and postpones xBRL-CSV deadline

EBA released on 4 July 2025 a hotfix for Reporting Framework 4.1, addressing a range of technical issues discovered in the initial version. The update includes corrections to ensure accurate and consistent reporting by institutions.

To support implementation, the EBA has published a detailed issues list, outlining:

- Fixes included in the hotfix,
- Outstanding issues to be resolved in Framework 4.2, and
- Interim solutions for institutions to apply in the meantime.

In related news, the EBA postponed the mandatory adoption of the xBRL-CSV reporting format. Originally planned for the December 2025 reference date, it is now required starting from March 2026, giving firms more time to adapt.

All updates and documentation are available on the EBA's Reporting Framework 4.1 and 4.2 webpages.



Banking & Finance (3)

EBA launches consultation on guidelines for identifying Ancillary Services Undertakings (ASUs)

EBA published on 7 July 2025 draft Guidelines on Ancillary Services Undertakings (ASUs) and opened a <u>public consultation</u>.

The Guidelines aim to clarify the criteria for identifying ASUs - entities carrying out activities that are either a direct extension of banking or ancillary to banking. This identification is critical for determining the scope of prudential consolidation under the Capital Requirements Regulation (CRR), ensuring consistent application across EU banking groups.

Key objectives of the Guidelines:

- Provide simple, harmonised criteria to assess ASUs.
- Clarify how activities may be deemed "similar" to those listed in the CRR.
- Enhance supervisory convergence and comparability across institutions.
- **Consultation details:**
- ☐ Deadline for comments: 7 October 2025
- □ Public hearing (virtual): 2 September 2025, 10:00–11:30 CET (Register by 26 August 2025, 18:00 CET).

These Guidelines are part of the EBA's ongoing efforts to implement the EU banking package and fulfil its mandate under Article 4(5) CRR.

EBA consults on guidelines for managing Third-Party Risk in Non-ICT Services EBA launched on 8 July 2025 a <u>public consultation</u> on draft Guidelines for third-party risk management focused on non-ICT related services. These Guidelines revise the <u>2019 outsourcing framework</u> and align with the Digital Operational Resilience Act (DORA).

The updated Guidelines provide a comprehensive framework for managing the full life cycle of third-party arrangements - from risk assessment and due diligence to contract management, monitoring, and exit strategies. They include clear criteria for applying the proportionality principle to reduce regulatory burden, particularly for smaller institutions.

Key highlights:

- Supports alignment with the DORA register, enabling institutions to use a single register for both ICT and non-ICT service providers.
- Limits documentation requirements to essential information to minimise administrative burden.
- Provides a two-year transition period for financial institutions to revise existing third-party arrangements and update their registers.
- Consultation details:
- ☐ Comment deadline: 8 October 2025
- □ Public hearing (virtual): 5 September 2025, 09:00–13:00 CEST (Register by 1 September 2025, 16:00 CEST)

These Guidelines are being developed under several EU directives and aim to further harmonise third-party risk governance across the financial sector.



Banking & Finance (4)

EBA consults on updated guidelines to address ESG features and greenwashing risks in retail products EBA launched on 9 July 2025 a <u>public consultation</u> to revise its Product Oversight and Governance (POG) Guidelines for retail banking products. The update focuses on enhancing safeguards against greenwashing and ensuring high business conduct standards when financial institutions offer products with Environmental, Social and Governance (ESG) features.

The proposed changes clarify existing POG requirements to help prevent consumer harm, such as misleading marketing or mis-selling, without adding undue regulatory burden on institutions.

This initiative builds on the EBA's 2024 greenwashing report and recent updates to the CRD and CRR regarding ESG risk, reflecting the growing relevance of sustainable finance.

Key proposals:

- Targeted revisions to existing POG provisions, including rules on:
 - · Product design and oversight
 - · ESG-related disclosures
 - Distributor information and support.

✓ Harmonisation with conduct and ESG-related legislative developments. The EBA plans to finalise the Guidelines in Q1 2026, with application starting 1 December 2026.

- Consultation details:
- ☐ Comment deadline: 9 October 2025
- □ Public hearing (virtual): 11 September 2025, 14:30–16:30 CET (Register by 8 September 2025, 17:00 CET)

EBA consults on amending technical standards for own funds and eligible liabilities

EBA launched on 9 July 2025 a <u>public consultation</u> proposing to amend the <u>EU Delegated Regulation on own funds and eligible liabilities</u>. The key change under review is shortening the processing timeframe for applications to reduce own funds and eligible liabilities instruments from four to three months, aiming to simplify capital planning for institutions.

This proposal reflects lessons learned by competent and resolution authorities over recent years and aligns with the EBA's 2021 commitment to monitor application assessments in practice. Additionally, the simplified procedure for reduction of MREL eligible liabilities for liquidation entities will be removed in line with updated Level 1 legislation.

- Consultation details:
- ☐ Deadline for comments: 9 October 2025
- □ Public hearing (virtual): 2 September 2025, 9:00–10:00 CEST (Register by 28 August 2025, 16:00 CEST)

All responses will be published after consultation closure unless confidentiality is requested.



Banking & Finance (5)

EBA consults on regulatory products for third-country branches under the Capital Requirements Directive

EBA launched on 11 July 2025 three public consultations on Regulatory Technical Standards (RTS) and Guidelines (GL) addressing Third-Country Branches (TCBs) under the Capital Requirements Directive (CRD).

The consultations cover:

- Booking arrangements: Methodology for identifying and recording assets, liabilities, off-balance sheet items, and maintaining a registry book to ensure consistent practices across TCBs.
- ☑ <u>Capital endowment instruments</u>: List of eligible instruments (beyond cash and government securities) and minimum operational conditions to meet capital requirements.
- Supervisory cooperation: Framework for cooperation and information exchange between competent authorities, including practical modalities for colleges of supervisors overseeing TCBs.

These initiatives aim to harmonise implementation across EU Member States and improve supervisory coordination for third-country branches.

- m Consultation details:
- ☐ Submission deadline: 10 October 2025
- ☐ Public hearing (virtual): 3 September 2025, 10:00–12:00 CEST
- ☐ Registration deadline: 1 September 2025, 12:00 CEST

Legal basis:

The draft RTS and GL are developed pursuant to Articles 48e, 48h, and 48p(7) of Directive 2013/36/EU, reflecting the new TCB regime established by Directive (EU) 2024/1619.

EBA publishes handbook chapter on simulation exercises for resolution authorities

EBA released on 16 July 2025 a new chapter of its Resolution Handbook, providing a comprehensive framework for conducting simulation exercises to strengthen preparedness and operational readiness among resolution authorities. This chapter introduces a common taxonomy for simulation types, distinguishing between testing, simulations, and dry runs, and outlines six key exercise formats:

- Brainstorms
- Desktop exercises
- Walkthroughs
- Fire drills
- Decision-making exercises
- Operational simulations

It also presents the concept of end-to-end simulations, which integrate several formats to mirror real-life resolution scenarios.

The Handbook offers practical guidance on planning and delivering simulations, including scenario design, resource allocation, delivery management, and feedback collection. Templates and examples are provided to support effective implementation.

This supports the EBA's mandate under Article 8(1)(ab) of Regulation (EU) No 1093/2010 and complements existing resolvability testing Guidelines, promoting convergence and cooperation across the EU.

Available here: the Hanbook and its Annex.



Banking & Finance (6)

EBA concludes against broader exemptions for third-country banking services under CRD VI On 23 July 2025, EBA, in cooperation with ESMA and EIOPA, published its Report on the direct provision of banking services from third countries under Article 21c(6) of the revised Capital Requirements Directive (CRD VI).

Background and scope

CRD VI introduces a general prohibition on Third-Country Undertakings (TCUs) directly providing core banking services—such as deposit-taking, lending, and issuing guarantees—to EU-based entities without establishing an authorised branch in the EU. Exemptions apply only in specific cases, including reverse solicitation, transactions between credit institutions, and certain intragroup dealings. Additional carve-outs cover MiFID investment services and preexisting contracts (entered into by 11 July 2026).

The EBA was required to assess whether these exemptions should be extended to allow TCUs to serve a broader range of EU financial sector entities (FSEs), such as insurers, investment firms, asset managers, and crypto-asset service providers.

Key findings

The EBA concluded that the current exemption allowing third-country banks to serve EU credit institutions should *not* be extended to cover other types of FSEs. Its analysis—based on supervisory data and stakeholder input—did not yield sufficient evidence to support an expansion of the current framework. Stakeholders had raised practical concerns about the operational impact of the prohibition, including added costs, delays, and restructuring burdens. However, the EBA found that these issues were largely anecdotal and not materially disruptive. As such, it determined that the existing framework, including its targeted exemptions and carve-outs, offers adequate flexibility.

Unresolved issues

The Report also noted ambiguity in how Article 21c interacts with sector-specific legislation such as the UCITS Directive and AIFMD. For example, these frameworks allow for deposits and custody arrangements with third-country credit institutions, which may be affected by the Article 21c Prohibition. The EBA suggested that these issues could be clarified through the Single Rulebook Q&A Tool, though it did not issue formal interpretive guidance.

Outlook

Based on the Report's conclusions, the EU Commission is unlikely to propose legislative changes to Article 21c at this stage. As a result, CRD VI will not be amended to allow broader use of third-country banks by EU FSEs beyond credit institutions.

Nonetheless, regulatory clarifications in the areas of investment fund operations and custody could assist firms navigating the current restrictions and are expected to be addressed in future supervisory communications.



Banking & Finance (7)

EU Commission launches consultation on CRR equity exposure rules

The EU Commission opened on 22 July 2025 a targeted <u>consultation</u> on the prudential treatment of equity investments by banks under legislative programmes governed by the Capital Requirements Regulation (CRR). These programmes provide both public and private financing to businesses in key economic sectors. Under the CRR, banks investing in equities through qualifying legislative initiatives benefit from more favourable capital treatment. The EU Commission aims to clarify and harmonise the application of these rules across the Single Market.

The proposed guidance seeks to:

- Promote consistent implementation of CRR rules;
- Encourage broader participation in legislative investment programmes;
- Define eligibility criteria for favourable treatment, including public oversight, subsidies, or guarantees.
- m Comments are invited until 8 September 2025.

ECB updates supervisory approach on options and discretions under EU Banking Law

On 25 July 2025, the European Central Bank (ECB) published <u>updated policies</u> on how it exercises Options and National Discretions (O&Ds) when supervising banks, following a public consultation that closed on 24 January 2025. The revised framework aligns with the Capital Requirements Regulation III (CRR3) / Capital Requirements Directive VI (CRD6) package and introduces important clarifications to ensure a harmonised supervisory approach across the banking union.

Key amendments and clarifications:

☑ Capital requirements for risk models:

The ECB has clarified how it will grant permissions for banks to calculate capital requirements for operational and market risks, enhancing consistency and transparency in supervisory assessments.

Minority interests in group capital:

New criteria have been introduced for recognising minority interests in subsidiaries. Institutions must now demonstrate that these interests provide effective loss-absorbing capacity at the consolidated level, often requiring evidence of intragroup transferability.

☑ Danish Compromise application:

The updated policies clarify the application of the Danish Compromise - a provision that allows banks, under certain conditions, to risk-weight investments in insurance subsidiaries rather than deducting them from regulatory capital. Going forward, banks must risk-weight all own funds instruments held in such subsidiaries - not just core equity. A one-year transition period will be granted to affected institutions.



Banking & Finance (8)

EBA launches consultation on harmonised reporting requirements for Third-Country branches

EBA published on 31 July 2025 a <u>public consultation</u> on its draft Implementing Technical Standards (ITS) for the supervisory reporting of third-country branches under the Capital Requirements Directive (CRD). The initiative seeks to introduce a consistent EU-wide framework for the reporting of regulatory and financial data by these branches, standardising formats, definitions, and reporting frequencies.

The proposed ITS aim to improve the consistency and quality of supervisory data collected from third-country branches and their parent undertakings. By addressing variations in national reporting practices, the EBA intends to strengthen supervisory oversight and enable a more coherent assessment of financial soundness, risk exposures, and intra-group links.

A key feature of the proposal is the introduction of a "core + supplement" reporting model, which applies a proportionate approach based on the systemic relevance of each branch. This ensures that reporting requirements are risk-sensitive while maintaining consistency and comparability across the EU.

Stakeholders are invited to submit comments on the draft ITS via the EBA's consultation page by 31 October 2025. A public hearing will be held online on 5 September 2025 (10:00–12:00 CEST), with registration open until 2 September 2025, 16:00 CEST.

Following the consultation, the finalised ITS will be submitted to the EU Commission by **10 January 2026**, with implementation expected by **December 2026**, allowing for a one-year preparation period for both competent authorities and affected branches.

EBA confirms continued compliance with MREL requirements across EU banks

EBA published its Q4 2024 MREL Dashboard, confirming that most EU banks earmarked for resolution met their Minimum Requirement for Own Funds and Eligible Liabilities (MREL) by the 1 January 2024 deadline, as required under the Bank Recovery and Resolution Directive (BRRD). Only a small number of banks, mainly still in transition, reported shortfalls totaling EUR 2.3 billion (2.1% of their RWAs).

Banks reported EUR 242 billion in MREL instruments set to become ineligible by end-2025 due to maturity falling below one year—roughly 20% of non-equity MREL liabilities.

Bail-in remains the dominant resolution strategy by RWAs (94%), though transfer strategies are used more frequently for smaller banks, resulting in an even split (50/50) in decision count.

The EBA continues to monitor MREL implementation across the EU, with further insights to be provided in upcoming editions of its Risk Assessment Report.

EBA to publish 2025 EU-Wide stress test results on 1 August

EBA released the <u>results of the 2025 EU-wide stress test</u> on 1 August at 18:00 CEST, including individual outcomes for 64 participating banks, assessing their resilience under baseline and adverse scenarios aligned with the updated EU banking framework effective from January 2025; while the methodology reflects elements of the new banking package, the stress test remains a risk assessment exercise, not a regulatory impact analysis.

Digital assets (1)

ESMA identifies opportunities to strengthen MiCA authorisation

ESMA published on 10 July 2025 the <u>outcome of a peer review</u> examining how the Malta Financial Services Authority (MFSA) authorised a Crypto Asset Service Provider (CASP) under the Markets in Crypto-Assets Regulation (MiCA).

While the MFSA showed strong supervisory engagement and expertise, ESMA identified areas for improvement in the authorisation assessment process.

Key findings:

- □ Some material issues were not fully addressed before granting authorisation.
- ☐ Risk areas (e.g. governance, ICT, Web3 features) were insufficiently assessed.
- ESMA recommends closer scrutiny of risks such as business growth, conflicts of interest, intragroup arrangements, and the promotion of unregulated services.

Though focused on Malta, the review serves as guidance for all NCAs across the EU to enhance authorisation quality under MiCA and strengthen their oversight and control role in the crypto sector.

m Next steps:

NCAs are expected to integrate the recommendations into current and future CASP authorisations, ensuring greater convergence and consistency across the EU. ESMA will continue to support peer dialogue and cross-border cooperation.

ESMA warns of risks from unregulated crypto products offered by regulated CASPs

ESMA issued on 11 July 2025 a <u>public statement</u> cautioning investors against the "halo effect", where they may overlook risks associated with unregulated crypto products offered by authorised Crypto-Asset Service Providers (CASPs). While CASPs may be authorised under MiCA, not all products or services they offer are necessarily regulated.

ESMA reminds CASPs that:

- ☐ The regulatory status of each product/service must be clearly disclosed at all client touchpoints.
- ☐ Communications, including marketing, must be fair, clear, and not misleading.
- ☐ They must act fairly, professionally, and in the best interest of clients.

 The statement aims to enhance investor protection by promoting transparency and avoiding client confusion regarding regulatory safeguards.

ESMA publishes staff knowledge and competence guidelines for CASPs ESMA released on 15 July 2025 <u>final guidelines</u> outlining the criteria for assessing the knowledge and competence of staff at Crypto-Asset Service Providers (CASPs) who provide information or advice under the Markets in Crypto-Assets Regulation (MiCA).

Key points:

- □ Clarifies minimum knowledge and competence levels, with examples of relevant qualifications and experience.
- ☐ Highlights the importance of understanding crypto-specific risks, such as market volatility and cybersecurity threats.

Digital assets (2)

(continued)

☐ Aims to support both CASPs and National Competent Authorities in ensuring that staff act in the best interest of clients.

Mext steps:

Guidelines will apply six months after publication in all EU languages. Competent authorities must notify ESMA of their compliance status within two months of publication.

ESAs publish a guide on DORA oversight activities The ESAs published on 15 July 2025 a <u>guide on oversight activities</u> under the Digital Operational Resilience Act (DORA). The aim of this Guide is to provide an overview of the processes used by the ESAs through the Joint Examination Teams (JET) to oversee Critical Information and Communication Technology (ICT) Third Party Service Providers (CTPPs).

This Guide provides high-level explanations to external stakeholders regarding the CTPP Oversight framework. Furthermore, it provides an overview of the governance structure, the oversight processes, the founding principles and the tools available to the overseers.

However, the Guide is not a legally binding document and does not replace the legal requirements laid down in the relevant applicable EU law.

The ESAs invite the public, financial entities and, crucially, third-party providers to use this document to prepare for the oversight implementation.

For more information on the implementation of the DORA oversight framework, please refer to the ESAs presentation here.

DORA update: Final RTS on ICT subcontracting published On 2 July 2025, the <u>final Regulatory Technical Standards (RTS) on ICT subcontracting</u> were published in the Official Journal of the EU (OJ) as Commission Delegated Regulation (EU) 2025/532 of 24 March 2025. This regulation supplements Regulation (EU) 2022/2554 of the European Parliament and of the Council, specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions.

The RTS came into force on 22 July 2025. Financial entities should review their ICT subcontracting arrangements to ensure compliance.



Securities & Markets (1)

ESMA identifies divergent practices in pretrade controls

ESMA, in collaboration with the National Competent Authorities (NCAs), completed a Common Supervisory Action (CSA) on the use of pre-trade controls under MiFID II. The objective was to assess how investment firms across the EU implement such controls.

Key findings:

- Most firms have integrated pre-trade controls into trading and risk management frameworks.
- ✓ However, implementation and governance practices vary significantly across jurisdictions.
- Some practices were found to be insufficiently robust.

Next steps:

ESMA plans to publish guidance in the coming months, including clarifications and best practices, to promote greater consistency and convergence in pretrade control frameworks across the EU.

ESMA selects first EU bond Consolidated Tape Provider (CTP) ESMA appointed Ediphy (operating under the fairCT initiative) as the first Consolidated Tape Provider (CTP) for bonds in the EU, following a competitive selection process under the Markets in Financial Instruments Regulation (MiFIR).

Why it matters:

This marks a major step toward establishing consolidated tapes in EU capital markets - an important goal under the Savings and Investment Union (SIU) initiative. A bond consolidated tape will provide a centralised, real-time view of bond trading activity across the EU, improving transparency and efficiency for all market participants.

Key points:

- ☐ Ediphy (fairCT) achieved the highest overall score against ESMA's award criteria.
- ☐ The tape will enhance data accessibility and comparability in EU fixed income markets.
- Ediphy has been involved in the consolidated tape initiative since MiFID II's launch in 2018.

Mext steps:

ESMA has invited Ediphy (fairCT) to formally apply for authorisation. Once authorised, it will operate as the CTP for bonds under direct ESMA supervision for five years.

For more information, please refer to the following links:

- ☐ ESMA on Consolidated Tape Providers
- □ Ediphy fairCT website

ESMA identifies Equity CTP data contributors

ESMA published on 10 July 2025 a list of entities that are - or could become - data contributors to the equity Consolidated Tape Provider (CTP), based on MiFIR requirements.

The list includes:

- ☐ Mandatory contributors (e.g. operators of SME growth markets);
- □ Voluntary contributors (i.e. trading venues eligible to opt in);



Securities & Markets (2)

(continued)

☐ Entities that have opted in to the mandatory contribution regime.

Venues choosing to opt in must notify ESMA and their National Competent Authority (NCA) and begin contributing data within 30 days of notification.

III Updates & next steps:

The list is updated immediately upon any change (e.g., new opt-ins, venue closures). The next scheduled publication will be in January 2026.

Notifications can be sent to: secondary-markets@esma.europa.eu. This initiative is part of ESMA's work to ensure transparency and data availability under the equity CTP framework.

ESMA prepares for switch to Single Volume Cap – October 2025

On 24 July 2025, ESMA announced it will implement a single Volume Cap Mechanism (VCM) for equity and equity-like instruments starting October 2025, replacing the current double Volume Cap Mechanism (DVCM). This change is part of the broader MiFIR Review.

- What's Changing?
- □ A single 7% volume cap will apply to trading under the reference price waiver, calculated against total EU trading volume over the past 12 months.
- ☐ If the cap is exceeded, trading venues must suspend the use of the waiver for the relevant instrument for three months.
- Suspension decisions must be based on VCM data published by ESMA.
- Technical Reporting Update
- ☐ The VCM will use transaction reporting data from National Competent Authorities (NCAs), reducing reporting burdens.
- ☐ The current DVCM reporting system will be decommissioned in January 2026.
- ESMA has submitted amendments to RTS 3 to reflect these changes, but the VCM switch will go ahead in October regardless of RTS finalisation.
- **Mext steps:**
- ☐ The first VCM publication is expected on 9 October 2025.
- Market participants are encouraged to begin preparations and consult ESMA's VCM webpage for templates and formats.



Securities & Markets (3)

Securitisation regulation: ESMA publishes feedback on private disclosure reform Following its February 2025 consultation, ESMA published on 17 July 2025 <u>a feedback statement</u> summarising industry responses to its proposed revision of the disclosure framework for private securitisations under Article 7 of the Securitisation Regulation.

Proposal recap:

ESMA had proposed a simplified disclosure template, replacing the detailed loan-level reporting with summary, portfolio-level data for private securitisations.

Feedback summary:

- ☐ Stakeholders generally support the goal of simplification.
- ☐ However, the majority of respondents indicated that the proposed template does not adequately meet market expectations and advised against proceeding with the amendments at this stage.

Mext steps:

ESMA has confirmed it will not amend the disclosure technical standards until key Level 1 definitions and concepts are clarified.



Sustainability (1)

ESMA publishes guidance on ESG claims in non-regulatory communications On 1 July 2025, ESMA released an <u>educational note</u> providing practical guidance on how market participants should formulate ESG-related claims in marketing and other non-regulatory communications. This marks the first in a series of thematic notes aimed at addressing greenwashing risks.

In this context, "claims" refer to statements or representations made by financial institutions about the environmental, social, and governance (ESG) characteristics or sustainability performance of their products, services, or operations - particularly in materials directed at investors that are not mandated by regulation.

Targeted at issuers, asset managers, index providers, and investment service firms, the note outlines four core principles for ESG messaging: claims must be accurate, accessible, substantiated, and up to date. ESMA emphasises the importance of using ESG credentials - such as labels, awards, and ratings - in a way that is credible, transparent, and not misleading. The note includes practical examples of good and poor practices, helping stakeholders communicate sustainability claims more responsibly. Additional notes may follow as part of ESMA's wider initiative to combat greenwashing in financial markets.

ESMA publishes its first climate transition plan

ESMA released on 8 July 2025 its first <u>Climate Transition Plan</u>, marking a significant step in aligning its operations with the EU's climate objectives and the Paris Agreement.

Under the Plan, ESMA commits to reducing its Gross Greenhouse Gas (GHG) emissions by:

- 15.4% by 2027, and
- 31.4% by 2030, compared to its 2023 baseline.
- Key focus areas:
- ☐ Air travel: Introduction of an annual GHG budget.
- ☐ Energy: Optimising office space usage to reduce consumption.
- ☐ Procurement: Incentivising lower-carbon goods and services.

The plan will be reviewed and refined over time as more data becomes available. ESMA will report annually on its progress via its Annual Report and Environmental Statement.

European
Commission
adopts 'Quick
Fix'
amendments to
Sustainability
Reporting
Standards

The EU Commission adopted on 11 July 2025 targeted amendments - referred to as a 'quick fix'- to the first set of European Sustainability Reporting Standards (ESRS), aimed at easing the initial implementation burden for companies.

Under the current ESRS, companies reporting on the 2024 financial year may omit certain disclosures, such as anticipated financial effects of specific sustainability risks. The new amendment extends this relief, allowing companies to omit the same information for the 2025 and 2026 reporting years.

Notably, for financial years 2025 and 2026, companies in the first reporting wave with more than 750 employees will now benefit from most of the same phase-in provisions that currently apply to companies with fewer than 750 employees.

Sustainability (2)

(continued)

EU Commission adopts measures to simplify EU taxonomy reporting Looking ahead, the EU Commission is preparing a broader revision of the ESRS framework. This review aims to significantly reduce reporting requirements, clarify ambiguous provisions, and ensure better alignment with other EU legislation. Completion of the broader review is anticipated by 2027.

The EU Commission adopted on 4 July 2025 a <u>package of measures</u> aimed at streamlining the application of the EU Taxonomy Regulation. These changes are designed to reduce administrative complexity for companies, strengthen EU competitiveness, and maintain alignment with the EU's climate and environmental objectives.

The EU Taxonomy, which came into force in 2020 with reporting obligations effective since 2022, serves as a common sustainability benchmark for financial and non-financial undertakings. It facilitates sustainable investment and supports the transition toward the EU Green Deal goals.

Key simplification measures include:

- Materiality thresholds: Companies are no longer required to assess Taxonomy eligibility and alignment for economic activities that are not financially material. For non-financial undertakings, this applies to activities representing less than 10% of total revenue, CapEx, or OpEx.
- **OpEx simplification:** Non-financial companies are exempt from assessing Taxonomy alignment for their entire operational expenditure when it is deemed non-material.
- Financial sector relief: Financial institutions benefit from simplified indicators, such as a streamlined Green Asset Ratio (GAR), and may opt out of detailed KPI reporting for a two-year transitional period.
- Reporting templates: Data requirements have been significantly reduced—by 64% for non-financial companies and 89% for financial entities.
- **Technical adjustments:** Criteria related to the "do no significant harm" principle, specifically around pollution prevention and chemical use, have been simplified.

These changes were adopted via a Delegated Act amending the Taxonomy Disclosures, Climate, and Environmental Delegated Acts. The draft was initially published in February 2025 as part of the "Omnibus I" package, with a stakeholder feedback period.

m Next steps:

The Delegated Act will now be reviewed by the European Parliament and the Council. The scrutiny period lasts four months, extendable by two additional months. The new rules are set to apply from 1 January 2026 for the 2025 reporting year, with an option for companies to defer implementation until the 2026 financial year.

Glossary

AIF Alternative Investment Fund (EU)

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

AIFMs Alternative Investment Fund Managers

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

CSRD Corporate Sustainability Reporting Directive

CySEC Cyprus Securities and Exchange Commission

EBA European Banking Authority

ECB European Central Bank

EIOPA European Insurance & Occupational Pensions Authority

EFAMA European Fund and Asset Management Association

ESG environmental, social, and governance

EMIR European Market Infrastructure Regulation

ESAs European Supervisory Authorities (EBA, EIOPA and ESMA)

ESMA European Securities and Markets Authority

ESRB European Systemic Risk Board EU European Union

FATF Financial Action Task Force

ICT Information and Communication Technology

INTERPOL International Criminal Police Organisation

IOSCO International Organisation of Securities Commissions

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

MiFID Markets in Financial Instruments Directive

NCA National Competent Authority

OECD Organisation for Economic Co-operation and Development

OJ Official Journal

RTS Regulatory Technical Standards

SFDR Sustainable Finance Disclosure Directive

UNODC United Nations Office on Drugs and Crime

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

UCITS Undertakings for Collective investments in Transferable Securities (EU)





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