

A&O SHEARMAN



Regulatory monitoring: EU Version

NEWSLETTER

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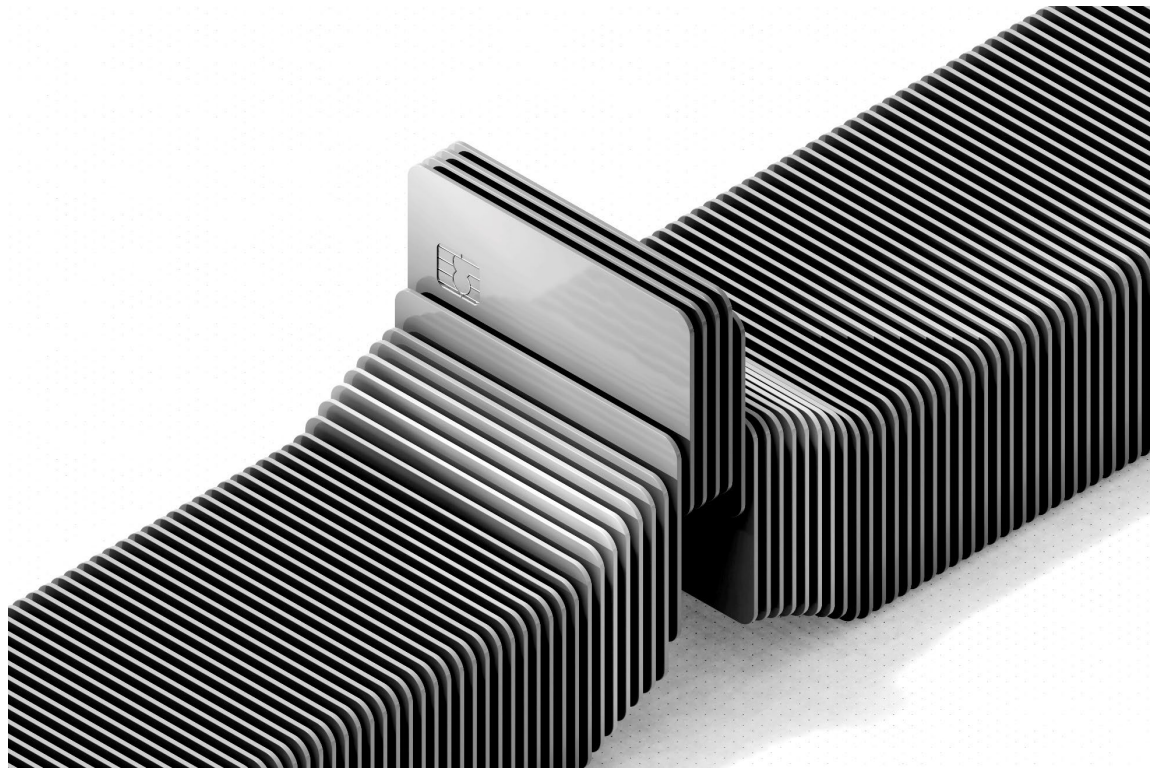
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FEATURES

HORIZON SCANNING/REGULATORY MONITORING

Identify new regulatory developments easily and tailored to the specific type of regulated firm, so that only relevant changes appear.

FINANCIAL REGULATORY LAW SOURCEBOOK

A categorised collection of all laws in the field of financial regulatory law for Europe and Germany (constantly being expanded), which can be compiled as an obligation register and commented on as desired.

IMPLEMENTATION MANAGEMENT

Effective implementation (including tailored impact analysis and gap analysis) of new legislation and agile control using our project management tool (including KPIs).

CHANGE ANALYSIS AND PREVIEW OF RULES

Read the future versions of a law early, including the official explanatory memorandum, and identify any legislative changes.

1. Bank regulation

1.1 PRUDENTIAL REGULATION

a) General

(i) EU

EBA: Speech on efficiency and effectiveness of EU financial regulation

Status: Final

The EBA published a keynote speech delivered by its Chairperson, José Manuel Campa, at a high-level meeting for European supervisors in Ljubljana, Slovenia, on the importance of an efficient and effective financial services regulatory framework to support sustainable growth while enhancing EU competitiveness. While acknowledging the effectiveness of the current framework, particularly in ensuring financial stability, Mr Campa recognises concerns around its complexity and proportionality, understanding the need for greater simplification efforts. He outlines four key areas in which the EBA sees room for improvement:

- ♦ How its regulatory products are developed, including regulatory technical standards, implementing technical standards, Guidelines, and Q&As. The EBA aims to: (i) review whether existing level 2 and level 3 regulation remain fit for purpose and can be implemented by institutions that are subject to these standards in a simple and efficient manner; (ii) streamline and simplify rules where possible (e.g. on remuneration); (iii) better assess the impact of each mandate for stakeholders and prioritise mandates based on their impact and urgency; and (iv) contribute to the EU co-legislators' ongoing review of level 2 mandates to improve the efficiency of the EU Single Rulebook.
- ♦ Reducing the reporting burden, by ensuring data requests are risk-based, relevant and fit for purpose. The EBA also seeks to enhance proportionality and reduce duplications and ad-hoc requests through closer coordination with supervisory and other competent authorities.
- ♦ Strengthening supervisory convergence, by reviewing all available tools, such as peer and thematic reviews, with the objective of using them to their full potential and with the right objective.
- ♦ Promoting regulatory coherence. The EBA seeks to share its views on how prudential regulation interacts with other EU financial rules, although acknowledging this may extend beyond its direct remit. It sees value in contributing to the EC's upcoming report on the effectiveness of the Banking Union, as part of its effort to assess whether current rules are aligned with its objectives.

Date of publication: 02/06/2025

b) Solvency/Own funds issues

(i) EU

EBA: Technical standards on operational risk capital requirements and supervisory reporting

Status: Final

The EBA published final reports on the draft RTS and draft ITS relating to the revised operational risk framework under the CRR as amended by the CRR3. The draft RTS and ITS will be submitted to the European Commission for adoption.

The final report on business indicator-related mandates for operational risk sets out draft RTS and ITS relating to the business indicator (BI).

- ♦ The draft RTS specify (i) the components and exclusions of the business indicator (BI) under Article 314(9) CRR which now forms the sole basis for calculating operational risk capital requirements; and (ii) adjustments to the BI in the context of mergers, acquisitions and disposals under Article 315(3) CRR; and
- ♦ The draft ITS map BI components to FINREP reporting cells under Article 314(10) CRR.

The final report on the draft ITS on supervisory reporting introduces targeted amendments to Commission Implementing Regulation (EU) 2024/3117 under Article 430(7) CRR, concerning the operational risk reporting framework. The amendments are intended to enhance existing reporting requirements by requiring additional data on the calculation of BI components, thereby supporting supervisory assessments of institutions' compliance with operational risk own funds requirements.

The draft ITS are accompanied by annexes including templates and instructions. Following the submission of the final draft ITS to the EC, the EBA will develop and publish the draft data point model, XBRL taxonomy and validation rules in Q3, with the final technical package expected in Q4. The first reporting reference date under the new framework is March 2026.

Date of publication: 16/06/2025

EC: Adoption of Delegated Regulation to delay the application of Basel 3 market risk prudential requirements by an additional year

Status: Adopted by the EC

The EC adopted a Delegated Regulation amending Regulation 575/2013 (CRR) regarding the date of the application of market risk prudential requirements. The new market risk requirements were introduced by CRR amendments made by Regulation (EU) 2024/1623, which marked the completion of the second phase of the implementation of the Fundamental Review of the Trading Book (FRTB), part of the Basel 3 international standards. The application date has already been postponed a year to 1 January 2026. However, a further postponement – which would delay application until 1 January 2027 – is being proposed to reflect concerns around delays in Basel 3 implementation by other jurisdictions, and the potential impact on EU banks.

The Delegated Regulation will be scrutinised by the EP and Council for three months (and this period may be extended by a further three months).

Date of publication: 12/06/2025

EBA: Two opinions on measures to address macroprudential risk following notifications by the Swedish FSA

Status: Final

The EBA published two opinions on measures to address macroprudential risk following notifications by the Swedish FSA. The first opinion concerns the extension of a measure originally introduced by the Swedish FSA in 2023 for a period of application of two years under Article 458(9) CRR. The measure to be extended applies to all credit institutions using the Internal Ratings Based (IRB) approach to calculate regulatory capital requirements. The measure sets an exposure-weighted average risk weight floor of 35% for certain corporate exposures secured by commercial properties, and a risk weight floor of 25% for certain corporate exposures secured by residential properties. The second opinion concerns the two-year extension of a measure introduced by the Swedish FSA in 2018 and already extended previously making use of Article 458(2)(d)(iv)2 CRR.

- ♦ Opinion on measures in accordance with Article 458 CRR regarding certain corporate exposures secured by immovable property in Sweden
- ♦ Opinion on measures in accordance with Article 458 CRR regarding mortgage exposures in Sweden

Date of publication: 04/06/2025

(ii) International

BCBS: Draft technical amendment on finalising various technical amendments and FAQs

Status: Consultation

Deadline for the submission of comments: 25/07/2025

BCBS published a draft technical amendment, with a request for comments, on finalising various technical amendments and FAQs with regard to the Basel framework. The amendments relate to: (i) the standardised approach to operational risk; and (ii) the standardised approach to credit risk.

Date of publication: 10/06/2025

c) Securitisation

(i) EU

EC: Proposal for a securitisation package in bid to revive EU market

Status: Consultation

Deadline for the submission of comments: 05/07/2025

The EC published a Securitisation package which aims to strengthen and simplify the EU securitisation framework by removing some of its overly burdensome requirements. It is the first legislative initiative proposed under the Savings and Investments Union Strategy. The package consists of a [proposal to amend the EU Securitisation Regulation](#) (Regulation (EU) 2017/2402), a [proposal to amend the CRR](#) as regards exposures to securitisations, and a [consultation on measures to amend the Liquidity Coverage Ratio Delegated Regulation](#) (Commission Delegated Regulation (EU) 2015/61).

The proposal to amend the Securitisation Regulation seeks to simplify the existing due diligence rules with the aim of reducing duplicative and time-consuming requirements for investors. Verification of information will no longer be required regarding EU-based selling parties, and low-risk investments guaranteed by multilateral development banks will be exempt from due diligence. The EC also makes recommendations for the reporting templates to be

revised, which the European Banking Authority will consider when it reviews those templates. In addition, the EC is proposing to amend the homogeneity requirement, specifying that it will be fulfilled where at least 70% of the underlying pool of exposures consists of SME loans, replacing the current 100% for pools made up of exposures from different jurisdictions.

The proposal to amend the CRR as regards exposures of banks to securitisations includes a plan to reduce the capital requirements where a bank's exposure is deemed less risky, including where a bank acts as the issuer of the securitisation. In addition, the significant risk transfer framework, which sets the criteria for supervisors to assess whether an originator bank qualifies for capital relief by transferring a sufficient amount of risk to third parties, is being changed to be clearer and less prescriptive.

The Liquidity Coverage Ratio (LCR) Delegated Regulation sets out the amount and characteristics of liquid assets for EU banks to meet their short-term liquidity requirements and recognises securitisations as eligible assets for the liquidity buffer. The EC is consulting on extending the eligibility of securitisation for inclusion in these buffers. The EC does not propose to adopt the amendments until the revisions to the Securitisation Regulation and CRR have been agreed by the European Parliament and the Council of the European Union and intends for the changes to take effect at the same time.

Date of publication: 17/06/2025

d) Liquidity

(i) EU

Regulation (EU) 2025/1215 amending the CRR as regards requirements for SFTs under the NSFR

Status: Published in the OJ

Date of entry into force: 26/06/2025

Date of application: 29/06/2029

Regulation (EU) 2025/1215 amending the CRR in relation to the stable funding factors for securities financing transactions (SFTs) and unsecured transactions with a residual maturity of less than six months, was published in the OJ. The factors are used to apply the net stable funding requirements under the CRR and, by virtue of Article 510(8) of CRR, were due to be increased unless otherwise specified in a legislative act adopted on the basis of an [EC proposal](#). However, the current position is instead being maintained to ensure the ongoing efficient functioning of SFTs and collateral markets and to avoid an undue increase in funding costs for credit institutions.

Under the revised framework, the EBA will assess and report on the impact of these changes every five years.

Date of publication: 25/06/2025

e) Risk management/SREP/Pillar 2/Outsourcing/NPL

(i) EU

Commission Delegated Regulation (EU) 2025/1275 correcting certain language versions of Delegated Regulation (EU) 2024/857 supplementing CRD IV with regard to RTS specifying a standardised methodology and a simplified standardised methodology to evaluate the risks arising

from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities

Status: Published in the OJ

Date of application: 17/07/2025

Commission Delegated Regulation (EU) 2025/1275, correcting certain language versions of Delegated Regulation (EU) 2024/857 supplementing CRD IV with regard to RTS specifying a standardised methodology and a simplified standardised methodology to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity (EVE) and the net interest income (NII) of an institution's non-trading book activities, has been published in the OJ.

The initial Delegated Regulation has applied since 14 May 2024. It set out that, having regard to the fact that both the EVE and the NII estimations can be based on repricing cash flows, both approaches have been broadly based on the same rules regarding slotting in time buckets. In the simplified standardised methodology, adaptations include: (i) a prescriptive, linear slotting of non-maturity deposit cash flows applying scenario-dependent scalars to the core component; (ii) a simplified calculation of automatic optionality based on pay-outs; and (iii) for the purpose of NII, a calculation of interest rates based on an average reference term per product type, an average commercial margin per product type, and an interest rate up to the repricing date of the instruments calculated with estimates of average interest rates.

Date of publication: 27/06/2025

f) Cyber security

(i) EU

Council of the EU: Adoption of EU Blueprint on cybersecurity crisis management

Status: Adopted by the Council of the EU

The Council of the EU adopted the EU Blueprint on cybersecurity crisis management, which gives guidance for the EU's response to large-scale cybersecurity incidents or cyber crises. It displays an important Guideline for member states to enhance their preparedness, detection capabilities and response to cyber security incidents, while building on the foundations laid by the 2017 Cybersecurity Blueprint and taking on board important recently adopted legislation such as the NIS2 directive and the Cyber Solidarity Act. The EU Cyber Blueprint aims to tackle an increasingly complex cyber threat landscape by strengthening existing EU networks, fostering cooperation between member states and actors involved, and overcoming hurdles that may exist.

Date of publication: 06/06/2025

g) Qualifying holdings

(i) EU

EBA: Consultation on draft RTS on proposed acquisitions of credit institutions

Status: Consultation

Deadline for the submission of comments: 18/09/2025

The EBA published a consultation paper and accompanying [press release](#), on the draft RTS under the CRD IV. The draft RTS specify the minimum information that must be provided to competent authorities when notifying them about proposed acquisitions of qualifying holdings in credit institutions. The aim is to standardise the notification

process across the EU, ensuring a consistent application against the five assessment criteria set out under the CRD. In line with these criteria, the draft RTS outlines a request for information that includes: (i) the proposed acquirer's (legal or natural) identity, reputation, financial soundness and financial/non-financial interests in the target institution; (ii) the reputation, knowledge, skills and experience of proposed management body members; (iii) the acquirer's plans for sound and prudent management, including strategy, prudential ratio estimates and new group structure; and (iv) legitimate sources of acquisition funding, including borrowed funds, asset sales and fund transfer channels, to assess suspicion of money laundering or terrorist financing risk. The draft RTS incorporate the principle of proportionality, requiring only information commensurate with the size of the holding and the acquirer's influence. It also avoids duplication by exempting submissions of data already held by competent authorities, including within the Banking Union.

Date of publication: 18/06/2025

h) Supervisory reporting

(i) EU

EBA/ECB: Advice on the implementation of the revised statistical classification of economic activities

Status: Final

The EBA, in collaboration with the ECB, announced that it welcomes the advice of the Joint Bank Reporting Committee (JBRC) to implement the revised statistical classification of economic activities, NACE Rev. 2.1, in a harmonised manner across its reporting frameworks. It sets out that this harmonisation is essential to reduce costs for banks and to enhance the analytical quality of reported data.

Date of publication: 30/06/2025

i) Accounting/Prudential filter/Audit

(i) EU

EC: Commission Regulation (EU) .../... amending Regulation (EU) 2023/1803 as regards IFRS 9 and IFRS 7

Status: Adopted by the EC

The EC adopted a Commission Regulation amending Regulation (EU) 2023/1803 as regards International Financial Reporting Standard (IFRS) 9 and IFRS 7.

Date of publication: 30/06/2025

(ii) International

FSB: Biannual Roundtable on External Audit

Status: Final

The FSB announced that it held the 2025 Roundtable on External Audit on 2-3 June in Basel. This biennial gathering aims to promote financial stability by enhancing public confidence in the quality of external audits. The discussions centred on the increase in inspection findings since 2022, lessons learned from the banking turmoil in 2023, and strategies to enhance audit quality in light of those developments. Participants exchanged views on the

opportunities and risks associated with new technologies, including artificial intelligence, in external audits, as well as the implications of opening audit firms' capital to private equity investors. The discussion also covered sustainability reporting and related challenges for all assurance practitioners, and the progress achieved in developing sustainability assurance and ethics standards. Participants also discussed recent accounting developments and related audit challenges, such as the implementation of the IASB's standard IFRS 17 Insurance Contracts, banks' provisioning for expected credit losses, as well as new proposals for banks' hedge accounting.

Date of publication: 03/06/2025

1.2 RECOVERY AND RESOLUTION

(i) EU

Council of the EU: Announcement of deal with EP on the EU crisis management and deposit insurance framework

Status: Draft

The **Council of the EU** and the **European Parliament** announced they have reached a political agreement on the legislative package to reform the crisis management and deposit insurance framework for banks in the EU. The package includes targeted amendments to the Bank Recovery and Resolution Directive, the Single Resolution Mechanism Regulation, and the Deposit Guarantee Schemes Directive. The reform aims to strengthen the EU's ability to manage bank failures, including small and medium-sized banks, by facilitating access to industry-funded safety nets, such as national resolution funds and the Single Resolution Fund. These tools are intended to supplement a failing bank's own loss-absorbing capacity, thereby reducing reliance on taxpayer-funded bailouts, referred to as the 'bridge the gap' mechanism.

Key elements of the agreement include:

- ♦ clarifying how the existing public interest assessment (PIA) should be conducted to prioritise resolution over liquidation;
- ♦ providing for resolution authorities to focus on both national and regional levels when assessing disruption to the economy; and
- ♦ harmonising the "least cost test" to determine whether using DGS resources is more cost-effective than insolvency proceedings.

The co-legislators will now work to finalise the legal text, after which the new framework will be formally adopted and enter into force.

This announcement has been **welcomed by the Eurogroup President**, Paschal Donohoe, stating that it is delivering on a key commitment made in the Eurogroup statement of June 2022 on the future of the banking union.

Date of publication: 25/06/2025

(ii) Eurozone

SRB: Statement on political agreement regarding the crisis management and deposit insurance

Status: Final

The SRB announced that it welcomes the aforementioned political agreement reached between the European Parliament and EU Member States on the Crisis Management and Deposit Insurance (CMDI) reform. It claims that this important reform has the potential to enhance the current framework by providing more options for dealing with

smaller and mid-sized banks in crisis. In addition, the SRB sets out that it improves several technical aspects of our framework, based on lessons learned in the first ten years of the SRM. The SRB announces that it stands ready to support legislators in the last steps for CMDI, and is preparing to apply the new rules, when finalised, in day-to-day work on resolvability and crisis preparedness. The political agreement is a step forward towards unlocking the pending reforms for the completion of the Banking Union, which is essential to strengthen Europe's resilience and competitiveness.

Date of publication: 26/06/2025

1.3 STRESS TESTS/MACROPRUDENTIAL TOPICS

(i) EU

ESAs: Joint consultation on draft joint Guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of ESG risks pursuant to Article 100(4) of CRD IV and Article 304c(3) of Solvency II

Status: Consultation

Deadline for the submission of comments: 19/09/2025

The ESAs launched a public consultation on their draft Joint Guidelines on ESG stress testing, as mandated by the Capital Requirements Directive and the Solvency II Directive. The draft Guidelines set out how competent authorities for the banking and insurance sectors should integrate ESG risks when performing supervisory stress tests. They aim to harmonise methodologies and practices among supervisors in banking and insurance, to ensure proportionality and to enhance the effectiveness and efficiency of ESG stress testing. The consultation runs until 19 September 2025.

The draft Guidelines, put forward by the Joint Committee of the ESAs, establish a common framework for developing ESG-related stress testing methodologies and standards across the EU's financial system. They provide comprehensive guidance on the design and features of stress tests with ESG elements, as well as the organisational and governance arrangements such stress tests would need to have. These include sufficient human resources with relevant expertise, data collection and management systems that support access to high-quality ESG data and appropriate timelines for scenario analysis. Aiming to foster a consistent and long-term approach to ESG stress testing, the draft Guidelines are designed to accommodate future methodological advancements and improvements in data availability.

Date of publication: 27/06/2025

(ii) International

FSB: Report identifying vulnerabilities in non-bank CRE investors

Status: Final

The FSB published a report, alongside a [press release](#) and updated [webpage](#), examining vulnerabilities in non-bank commercial real estate (CRE) investors. The report identifies entities such as real estate investment trusts (REITs) and property funds as being particularly exposed to the risks of higher interest rates and highlights three key vulnerabilities in these types of investors. First, some open-ended property funds face liquidity mismatches, while offering frequent redemptions (daily/monthly) for their shares, making them susceptible to investor runs. The FSB notes that implementing its recommendations could help address this issue. Secondly, some REITs and property funds carry high financial leverage, which increases the sensitivity to falling property values. This can trigger

breaches of loan covenants or credit rating thresholds, potentially leading to forced deleveraging. Investor concerns over leverage may also prompt fund outflows or REIT share sell-offs, further exposing liquidity mismatches. Thirdly, due to market illiquidity, asset pricing is particularly difficult during times of stress. Infrequent valuations and loan modification practices can delay loss recognition, resulting in abrupt losses during downturns. The report highlights that improving transparency and ensuring investors account for valuation uncertainty in their risk management frameworks could help mitigate this vulnerability. A potential fourth broader vulnerability of complex interlinkages between banks and non-bank CRE investors is also identified. However, a full assessment is limited by data gaps. The FSB states that closing these gaps would enhance authorities' ability to monitor and manage risks effectively. Finally, the FSB states that ongoing monitoring of the CRE market is necessary.

Date of publication: 19/06/2025



2. Market regulation/ Conduct rules

2.1 GENERAL

(i) EU

ESMA: Principles for supervisory oversight of third-party risk

Status: Final

ESMA published a comprehensive set of principles, accompanied by a [press release](#), aimed at strengthening the supervision of third-party risks across the EU financial sector. The principles are intended to guide national competent authorities (NCAs) in identifying, assessing, and overseeing third-party risks for EU entities in the securities markets, in accordance with the relevant legal framework and the principle of proportionality. Aligned with international standards (IOSCO, FSB and BCBS), the principles apply to all third-party arrangements, whether the third party is intra-group or external, located within the EU or in a third country, and irrespective of the technology used. The fourteen principles are grouped into four thematic areas to support NCAs in exercising effective oversight and ensuring that entities appropriately manage third-party risks.

- The supervisory overview, which includes the principle on the supervision of third-party risks, aimed at maintaining consistent and effective oversight of entities' exposure to such risks.
- The supervised entity, which includes the principles of: (i) effective governance, requiring clear internal structures for risk management; (ii) oversight of third-party risks by management bodies, ensuring they are held accountable for effective oversight; (iii) sufficient substance, requiring entities to retain sufficient corporate substance at all times; (iv) integration of third-party risk in the overall risk management framework; and (v) conducting thorough documented risk assessments before entering into arrangements.
- The relationship with the third party, which includes the principles of: (i) performing due diligence prior to engagement; (ii) establishing clear and enforceable written contractual and service level agreements; and (iii) implementing effective monitoring of third-party performance and risk exposure.
- The specific risks and issues, which includes the principles of: (i) managing risks associated with the geographical location of third parties; (ii) applying appropriate oversight to intragroup arrangements; (iii) addressing risks within the third-party supply chain; (iv) ensuring the effectiveness and independence of outsourced internal control functions; and (v) retaining adequate access and audit rights.

ESMA intends in future to support the progressive implementation of the principles through supervisory discussions and case studies among NCAs.

Date of publication: 12/06/2025

2.2 CONSUMER PROTECTION RULES

(i) EU

EC: Call for evidence on savings and investment accounts recommendation

Status: Consultation

Deadline for the submission of comments: 08/07/2025

The EC issued a call for evidence to gather input on its initiative to develop a European blueprint for savings and investment accounts as part of its recommendation for the savings and investments union (SIU). The initiative aims to encourage retail investors to participate more actively in EU capital markets, aiming to boost long-term returns on their savings while simultaneously enhancing market liquidity and increasing the flow of capital to European businesses. The [SIU Communication](#) emphasises the importance of savings and investment accounts to be based on best practices, with effective models described as being user-friendly, digitally accessible, providing access to a wide range of investment products, offering favourable tax treatment and/or simplified tax compliance, and allowing low or no-cost provider switching. The EC is specifically seeking feedback on these characteristics, as well as their benefits and limitations, to assess their effectiveness in making savings and investment accounts an easy and convenient entry point to capital markets for retail investors pursuing investment opportunities for their savings.

The recommendation is expected to be published in Q3 2025.

Date of publication: 10/06/2025

2.3 MIFID/MIFIR

(i) EU

ESMA: Call for evidence on a comprehensive approach for the simplification of financial transaction reporting

Status: Call for evidence

Deadline for the submission of comments: 19/09/2025

ESMA launched a call for evidence (CfE) as part of its Data Strategy to gather feedback on how to simplify and streamline supervisory reporting. The aim is to reduce the operational burden and costs associated with financial transaction reporting, particularly under MiFIR, EMIR and SFTR, while maintaining transparency and regulatory oversight. ESMA is exploring two potential approaches in the CfE: (i) eliminating overlaps within existing reporting requirements without changing current reporting channels and data collection infrastructure; or (ii) creating a unified reporting template for all instruments currently in-scope of EMIR, SFTR and MiFIR reporting (and potentially other reporting requirements) and adopting the 'report once' principle. A final report is expected to be published in early 2026. ESMA also published final reports summarising feedback from its consultations on [RTS 22 on transaction data reporting](#) and [RTS 24 on order book data](#) and [RTS 23 on supply of reference data](#). No changes will be proposed to the current reporting frameworks while the supervisory reporting consultation is ongoing. The broader MiFIR Review will continue as planned.

In parallel, ESMA published a separate [discussion paper](#) and accompanying [press release](#), seeking feedback on how to improve efficiency, consistency and effectiveness of supervisory reporting within the asset management sector, in particular with respect to AIFMD and UCITS Directive requirements. The deadline for comments on the discussion paper is 21 September, with the final report expected to be published in April 2026.

Date of publication: 23/06/2025

ESMA: Launch of selection of consolidated tape provider for shares and ETFs

Status: Final

ESMA launched the first selection procedure for a consolidated tape provider (CTP) for shares and exchange-traded funds. The selection process will be guided by the RTS adopted by the EC on 12 June (see below), which will be used as the basis for the assessment of some criteria. The contract notice and procurement documents can be accessed via ESMA's [EU Funding & Tenders Portal](#), with the deadline for participation requests being 25 July. ESMA will review the submitted requests against the exclusion and selection criteria and will invite the successful candidates to submit a formal application.

ESMA aims to finalise the selection by the end of this year, with the successful applicant operating the CTP for five years under its supervision.

Date of publication: 20/06/2025

ESMA: Consultation on methodology for the calculation of market capitalisation

Status: Consultation

Deadline for the submission of comments: 25/07/2025

The ESMA launched a consultation on the methodology for calculating market capitalisation and market capitalisation ratios, as mandated by the Directive on faster and safer relief of excess withholding taxes (FASTER Directive). The FASTER Directive sets out that EU Member States whose market capitalisation exceeds 1.5% of the total EU market capitalisation for four consecutive years will be subject to specific requirements related to withholding tax relief. Additionally, from 2026 ESMA will have to publish the relevant annual figures related to this provision. To support this objective, ESMA is introducing a transparent, consistent and robust framework to determine market capitalisation ratios across EU Member States. ESMA's metrics will be crucial for determining which EU Member States must comply fully with the requirements set out in the FASTER Directive.

The proposed methodology is aligned with existing transparency frameworks and uses transaction data reported under MiFIR. It details the approach to computing share prices, calculating market capitalisation at instrument and company levels, and aggregating these figures to determine each Member State's market capitalisation ratio.

Date of publication: 19/06/2025

EC: Adoption of amendments to transparency requirements under MiFIR Review

Status: Adopted by the EC

The EC adopted a Commission Delegated Regulation to amend RTS on transparency requirements. The MiFIR Review revised the Markets in Financial Instruments Regulation amending the pre- and post-transparency requirements for trading venues as regards equities and non-equities. The amendments took effect on 28 March 2024.

The adopted Delegated Regulation amends two RTS supplementing the MiFIR transparency requirements. First, the adopted Delegated Regulation will amend Delegated Regulation (EU) 2017/583 on transparency requirements for bonds, structured finance products (SFPs) and emission allowances by aligning the scope of the pre-transparency obligation with the MiFIR provisions, updating the transparency requirements for pre-trade transparency and recalibrating the post-trade requirements.

Secondly, the adopted Delegated Regulation amends Delegated Regulation (EU) 2017/587 on transparency requirements for equities, including shares, depositary receipts, exchange-traded funds and certificates. Among

other things, the amendments set out the details of pre-trade data to be made public, set pre-trade transparency requirements for systematic internalisers and prescribe the transactions that will be exempt from the share trading obligation due to characteristics that show that the transaction is not contributing to the price discovery process.

Date of publication: 18/06/2025

EC: Adoption of technical standards for the development of consolidated tapes

Status: Adopted by the EC

The EC adopted a suite of technical standards for the development of consolidated tapes. The creation of consolidated tapes, and the removal of obstacles to the development of consolidated tapes, was a key action point following the findings of the European MiFID/MiFIR review. The changes relate to technical standards for data reporting service providers, i.e. approved publication arrangements (APAs), approved reporting mechanisms (ARMs) and consolidated tape providers (CTPs). The technical standards adopted consist of implementing technical standards, and three sets of regulatory technical standards, supplementing Regulation (EU) No 600/2014 (MiFIR):

- ♦ RTS on the authorisation and organisational requirements for APAs and ARMs, and on the authorisation requirements for consolidated tape providers, and repealing Delegated Regulation (EU) 2017/571
- ♦ ITS for standard forms, templates and procedures for the authorisation of APAs, ARMs and CTPs and related notifications, and repealing Commission Implementing Regulation (EU) 2017/1110 (with Annexes)
- ♦ RTS specifying the input and output data of consolidated tapes, the synchronisation of business clocks and revenue redistribution by the consolidated tape provider for shares and ETFs, and repealing Delegated Regulation (EU) 2017/574 (with Annexes)
- ♦ RTS on the obligation to make market data available to the public on a reasonable commercial basis (with Annexes).

The delegated regulations will be submitted to the EP and Council for scrutiny. The EC also confirmed its upcoming adoption of another delegated regulation regarding transparency rules.

Date of publication: 12/06/2025

2.4 PROSPECTUS REGULATION

(i) EU

ESMA: Q&A on historical financial information regarding prospectuses

Status: Final

ESMA published a Q&A on historical financial information regarding prospectuses, specifying that the time periods for historical information in Commission Delegated Regulation 2019/980 continue to apply until appropriate changes are made to give full effect to amendments introduced by Regulation 2024/2809.

Date of publication: 18/06/2025

ESMA: Final reports on the Prospectus Regulation and civil prospectus liability

Status: Final

ESMA published two final reports providing technical advice to the EC. The [final report on prospectus regulation](#) forms part of ESMA's technical advice under the EU Listing Act, which seeks to make EU capital markets more accessible, especially for small and medium-sized enterprises (SMEs). The report covers:

- ♦ Draft technical advice on the standardised format and sequence of the prospectus, the base prospectus and the final terms.
- ♦ Proposed ESG disclosure annexes for non-equity securities marketed with ESG features, aligning with the EU's sustainability objectives.
- ♦ Draft technical advice to the scrutiny of information in prospectuses as well as advice relating to the procedures for the approval of a prospectus.
- ♦ Proposals to update the RTS under Commission Delegated Regulation (EU) 2019/979 (CDR) on metadata to align with changes introduced by the EU Listing Act and regarding the implementation of the European Single Access Point (ESAP).

The [final report on civil prospectus liability](#) responds to a mandate under Article 48(2) of the Prospectus Regulation, which required the EC to assess whether further harmonisation of the provisions on prospectus liability is required. The report covers:

- ♦ Feedback of ESMA's [call for evidence on civil prospectus liability](#), which indicates that the current regime is generally considered well-balanced and reform is not necessary at this stage.
- ♦ An update of the relevant sections of [ESMA's 2013 report on prospectus liability](#), relating to civil liability.
- ♦ Legal and comparative analysis of civil prospectus liability, including case law and stakeholder perspectives.
- ♦ Comparison to the Markets in Crypto-Assets Regulation.
- ♦ Recommendations on: (i) eligible claimants; (ii) degree of culpability; (iii) calculation of damages; (iv) burden of proof; (v) safe harbour rules; (vi) expiry of claims; (vii) applicable law; (viii) impact of third countries' laws; and (ix) class action lawsuits.

ESMA has submitted both reports to the EC. Regarding the proposed updates under the CDR on metadata, the EC will decide within three months whether it will choose to adopt the RTS, with the option to extend that period by a month. Regarding the technical advice on civil prospectus liability, the EC is required to present a report to the EP and Council by 31 December.

Date of publication: 12/06/2025

2.5 SECURITIES FINANCING TRANSACTIONS

(i) EU

ESMA: Call for evidence on a comprehensive approach for the simplification of financial transaction reporting

Status: Call for evidence

Deadline for the submission of comments: 19/09/2025

ESMA launched a call for evidence as part of its Data Strategy to gather feedback on how to simplify and streamline supervisory reporting. For more information, please see section 2.3 above.

Date of publication: 23/06/2025

Council of the EU: Provisional agreement on proposal for shortening the settlement cycle to T+1 for CSDR

Status: Final

The Council of the EU and EP reached a provisional agreement to amend the Central Securities Depositories Regulation (CSDR) to introduce a shorter settlement cycle for transferable securities transactions within the EU. The European Commission welcomes the agreement in a [press release](#). The CSDR amendment will reduce the settlement period from two business days after trading takes place (T+2) to one business day (T+1), with the aim of promoting settlement efficiency, improving the liquidity of capital markets and eliminating costs linked to the misalignment of settlement cycles between the EU and other jurisdictions. The co-legislators agreed, however, to exempt certain securities financing transactions (SFTs) from the T+1 settlement cycle requirement. To prevent potential circumvention of the T+1 requirement, the exemption will only apply where SFTs are formally documented as single transactions comprising two linked operations.

The provisional agreement requires approval by both co-legislators before going through the formal adoption procedure. Following adoption, the proposed regulation will enter into force on the twentieth day following its publication in the OJ and will apply from 11 October 2027.

Date of publication: 18/06/2025

3. Market infrastructure

3.1 CUSTODY RULES

(i) EU

ESMA: Final report on technical advice on the scope of CSDR settlement discipline

Status: Final

ESMA published a final report and [press release](#), providing technical advice to the European Commission (EC) on narrowing the scope of the Central Securities Depositories Regulation (CSDR) cash penalties under the CSDR settlement discipline regime. CSDR Refit, which came into force in January 2024, referred to the need for the settlement discipline rules to be more operational and better tailored to diverse market operations and transactions. To this end, ESMA's report provides technical advice to the European Commission on the underlying causes of settlement fails which are considered not to be attributable to participants in the transaction, as well as circumstances which are not considered as trading, and which should therefore not be subject to settlement discipline measures.

Scenarios where CSDR cash penalties would not be triggered according to ESMA include: (i) technical failures at the CSD level, such as system outages, cyberattacks, or network disruptions; (ii) full-day trading suspensions of an ISIN on its most liquid market; and (iii) technical creation and redemption of fund units or shares on the primary market, including those related to exchange-traded funds. The EC will consider ESMA's technical advice when preparing a new delegated act supplementing CSDR, further specifying the scope of operations and transactions subject to the settlement discipline regime.

Date of publication: 26/06/2025

Council of the EU: Provisional agreement on proposal for shortening the settlement cycle to T+1 for CSDR

Status: Final

The Council of the EU and EP reached a provisional agreement to amend the Central Securities Depositories Regulation (CSDR) to introduce a shorter settlement cycle for transferable securities transactions within the EU. The European Commission welcomes the agreement in a [press release](#). For more information, please see section 2.5 above.

Date of publication: 18/06/2025

(ii) Eurozone

ECB: Consultation on extension to T2 operating hours

Status: Consultation

Deadline for the submission of comments: 30/09/2025

The ECB published a consultation paper exploring the extension of operating hours for its real-time gross settlement (RTGS) system, T2. This involves both its daily operational hours and its operational days, while also considering the potential interaction with the operating hours of TARGET2-Securities (T2S), even though T2S is

generally outside the scope of the consultation. T2's operating hours were extended previously in 2023, but the ECB is consulting on a further extension given the growing liquidity management challenges for banks due to increasing use of instant payments and the potential introduction of a digital euro.

The ECB outlines several options for extending T2 operating hours including: (i) move towards a 24-hour operational day, by reducing the duration of the phase between end-of-day (currently at 18:00) and reopening for settlement (currently at 19:30) to a shorter time window—possibly close to zero; (ii) move towards a 6- or 7-day operational week, enabling settlement on Saturdays and/or Sundays; and (iii) move towards a 365-day operational year, enabling settlement on the six TARGET holidays, in addition to weekends. The ECB also proposes re-assessing key operational features of the system, which includes: (a) reorganisation of payments settlement during night-time; (b) adjustments of key cut-off; (c) availability of the intraday credit line; and (d) opening of new value dates.

Date of publication: 06/06/2025

3.2 EMIR

(i) EU

EBA: Technical advice on a possible delegated act on fees for the validation of pro forma models under EMIR

Status: Final

The EBA published its response to the EC's Call for Advice on fees to validate pro forma models under the EMIR. The Technical Advice makes a series of recommendations to the Commission in view of its Delegated Act on fees to be charged by the EBA for the performance of its new role as central validator of pro forma models, such as ISDA SIMM, under EMIR. First, the EBA proposes that the Delegated Act allows for all costs – whether direct or indirect – relating to the activities linked to the central validation function of pro forma models to be covered. Second, to address the feedback received on the difficulties in calculating the 12-month average notional amount of non-centrally cleared OTC derivatives, the EBA proposes to rely on simpler approaches than the ones consulted upon. To this end, the EBA makes proposals on the practical details of the calculation methodology that would ensure proportionality among all counterparties in the determination of the annual fee. Finally, the EBA makes recommendations on the payment modalities and the information to be communicated to EBA for the determination of the individual fees and the invoicing process.

Date of publication: 30/06/2025

ESMA: Consultation on draft RTS on margin transparency requirements and clearing costs

Status: Consultation

Deadline for the submission of comments: 08/09/2025

On 24 June, the European Securities and Markets Authority (ESMA) published [two consultation papers](#) (CP) proposing draft regulatory technical standards (RTS) mandated under the review of European Market Infrastructure Regulation (EMIR 3).

- ♦ **Draft RTS on EMIR 3 margin transparency requirements** (under Article 38 EMIR), regarding the information to be provided by central counterparties (CCPs) on their margin simulation tools and by clearing service providers (CSPs) on their margin simulation requirements; and by both on their margin models. The aim is to improve transparency for clearing participants and enable them to better predict margin calls.

- ♦ **Draft RTS on clearing fees and associated costs** (under Article 7c(4) EMIR), specifying further details of the information to be disclosed by CSPs regarding clearing fees and associated costs, with the aim of increasing costs transparency.

ESMA will submit the final draft technical standards to the European Commission by 25 December.

Date of publication: 24/06/2025

ESMA: Call for evidence on a comprehensive approach for the simplification of financial transaction reporting

Status: Call for evidence

Deadline for the submission of comments: 19/09/2025

ESMA launched a call for evidence as part of its Data Strategy to gather feedback on how to simplify and streamline supervisory reporting. For more information, please see section 2.3 above.

Date of publication: 23/06/2025

ESMA: Final draft RTS on EU active account requirement published

Status: Final

ESMA announced that it has published a final report, including final draft RTS, on the conditions of the Active Account Requirement under the amended European Market Infrastructure Regulation (EMIR 3). The active account requirement requires EU counterparties active in certain derivatives to hold an operational and representative active account at an EU-authorised CCP. The final draft RTS sets out the operational conditions of the account, details of the representativeness obligation and the reporting requirements for in-scope entities as amended by ESMA following its consideration of feedback to the proposed RTS. ESMA's final report discusses the feedback received and explains its decision for either maintaining the original proposal or making changes. ESMA will now submit the final draft RTS to the European Commission for approval. The Active Account Requirement applies from 25 June. Until such time as the Active Account RTS enter into force, in-scope entities should discuss compliance with their national competent authority.

Date of publication: 19/06/2025

EC: Adoption of amendments to Delegated Regulation No 876/2013 to align with EMIR 3 reforms

Status: Adopted by the EC

The EC adopted a Delegated Regulation amending Delegated Regulation (EU) No 876/2013, which supplements EMIR (Regulation (EU) No 648/2012) in relation to the functioning and management of colleges for central counterparties (CCPs). The amendments are limited in scope and aim to align the existing regulatory framework with recent changes made by Regulation (EU) 2024/2987 – part of the broader EMIR 3 reform package. The amendments specifically modify: (i) Article 2, to reflect the changes introduced in article 18(1) of EMIR, specifying the deadline for establishing a college and clarifying the role of the co-chairs in the context of the establishment of such college; (ii) Articles 3 and 4, to align with Article 18 of EMIR, clarifying the roles of the co-chairs and the governance structure of colleges to ensure their effective and consistent functioning for all CCPs across the Union; and (iii) Article 5, to specify the additional information that a CCP's competent authority must provide to college members, and to require the use of the central database established under Article 17c of EMIR for information exchange.

This Regulation will enter into force on the twentieth day following its publication in the OJ.

Date of publication: 11/06/2025

ESMA: Industry associations urge ESMA to issue a no-action letter on EMIR 3 AAR implementation

Status: Final

Four industry associations – EFAMA, EACP, ISDA, and FIA – published a letter addressed to the ESMA and the EC, raising concerns about the implementation of the active account requirement (AAR) under EMIR 3, set to take effect on 24 June. The associations emphasise the importance for the final level 2 RTS on the conditions of the AAR to be published in the OJ before the AAR becomes applicable. Without the RTS, EU financial market participants would not be able to understand the requirements that need to be complied with on day 1.

The letter states that proceeding with the AAR without finalised RTS would infringe on two key principles: (i) legal certainty, which requires that rules impacting market participants' rights and obligations must be clear, precise and predictable; and (ii) proportionality, which mandates that regulatory burdens be appropriate and necessary to achieve intended policy objectives. The complexity is further compounded by ESMA's recent request for additional clarification from the EC on level 1 rules, which highlight ongoing uncertainty. As a result, the associations call for ESMA to issue an opinion or a no-action letter to national competent authorities, advising against prioritising supervisory or enforcement actions related to the AAR until the final RTS are officially adopted and published.

Date of publication: 11/06/2025

3.3 CLEARING, SETTLEMENT, AND CCPS RELATED RULES OTHER THAN IN THE CONTEXT OF DERIVATIVES

(i) EU

ESMA: CCP resolution briefing on the operationalisation of resolution cash calls

Status: Final

ESMA published its first CCP resolution briefing, aiming to support National Resolution Authorities (NRAs) on the operationalisation of the cash call mechanism. The briefing, developed by ESMA's CCP Resolution Committee, provides a methodology to be considered by NRAs when including the resolution cash call in CCP resolution plans. It sets out that NRAs should define the relevant data to be collected by the CCP, with a view to calibrate the resources available through a cash call. In doing so, NRAs should take into account the impact on relevant stakeholders, such as clearing members, financial markets and financial market infrastructures. Finally, NRAs should ensure that appropriate processes are in place for executing the cash calls, and that their effectiveness is tested through dry-runs. The briefing aims to support NRAs in enhancing their preparedness for implementing a resolution cash call. By promoting consistent practices across jurisdictions, it fosters effective financial markets and financial stability, which is a strategic priority for ESMA.

Date of publication: 25/06/2025

4. Anti-money laundering

(i) EU

EC: Adoption of Delegated Regulation updating AML/CFT high-risk third country list

Status: Adopted by the EC

The EC adopted a Delegated Regulation amending Delegated Regulation (EU) 2016/1675 to update the [list of high-risk third countries](#) with strategic deficiencies in their AML/CFT regimes, pursuant to article 9 of the Anti-Money Laundering and Terrorist Financing Directive VI. The amendment adds Algeria, Angola, Côte d'Ivoire, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal and Venezuela to the list. These jurisdictions have made high-level political commitments to address these deficiencies and have developed action plans in cooperation with the FATF. The EC urges the timely and effective completion of these respective action plans. Barbados, Gibraltar, Jamaica, Panama, the Philippines, Senegal, Uganda and the United Arab Emirates have been removed from the list, having demonstrated significant improvements in their AML/CFT frameworks following the implementation of their respective FATF-agreed action plans.

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union, which is on 30 June.

Date of publication: 10/06/2025

(ii) International

FATF: Targeted update on implementation of the FATF standards on VAs and VASPs

Status: Final

The FATF published its sixth targeted update on the implementation of its standards for virtual assets (VAs) and virtual asset service providers (VASPs), alongside an [updated webpage](#). The report assesses global progress in applying anti-money laundering and counter-terrorist financing (AML/CFT) measures to VAs and VASPs, noting improvements in regulation and enforcement. However, challenges remain and the report sets out key recommendations: (i) on risk assessment and policy approach to VASPs; (ii) on licensing/registering and supervising VASPs; (iii) on implementation of the Travel Rule; (iv) on addressing emerging and increasing risks related to stablecoins and decentralised finance arrangements; and (v) for the private sector.

In parallel, FATF also released [Best Practices on Travel Rule Supervision](#), providing more detailed guidance to assist jurisdictions in effectively supervising compliance with the Travel Rule for VASPs. The guidance offers practical examples and supervisory approaches to address common implementation challenges.

Date of publication: 26/06/2025

FATF: Publication of updated Guidance on financial inclusion and AML and CFT measures

Status: Final

The FATF published updated guidance accompanied by a [press release](#), on financial inclusion and anti-money laundering and counter terrorist financing measures (AML/CFT). The update follows the enhancement of [Recommendation 1](#) of the FATF Standards earlier this year, to emphasise the need for a risk-based approach to AML/CFT controls in a manner that promotes global financial inclusion, without undermining the effectiveness of

the measures for the purpose of combatting crime. The guidance now includes practical case studies and sets out ways that national regulators and firms can leverage a risk-based approach to foster financial inclusion while safeguarding financial integrity. Examples of best practice in applying the risk-based approach are included in an Annex to the report.

Date of publication: 22/06/2025

FATF: Report on complex proliferation financing and sanctions evasion schemes

Status: Final

The FATF published a report and accompanying [press release](#), highlighting significant vulnerabilities in the global financial system's ability to combat proliferation financing (PF) and sanctions evasion. The report finds that only 16% of assessed jurisdictions are effectively implementing targeted financial sanctions. It discusses, among other things, trends and methods of sanctions evasion, challenges and good practices in mitigating PF risk and identifies four recommendations for further FATF work on counter-proliferation financing, including:

- ♦ updating the understanding of threats, vulnerabilities and typologies periodically, given the varying levels of risk awareness across the public and private sectors;
- ♦ encouraging more meaningful information sharing to enhance the public and private sectors' ability to detect PF and sanctions evasion, especially given the reliance on suspicious activity reports and transaction reports to trigger investigations;
- ♦ introducing an official definition of weapons of mass destruction PF into the FATF General Glossary within five years to overcome jurisdictional differences that hinder international cooperation; and
- ♦ conducting a horizontal review of PF risk assessments across the FATF Global Network within three years to identify good practices, once countries have had sufficient time to evaluate their PF risks.

Date of publication: 20/06/2025

FATF: Updated standards on payment transparency

Status: Final

The FATF published revised standards and an accompanying [explanatory note](#), updating its comprehensive framework on recommendations to strengthen global efforts in anti-money laundering, counter-terrorist financing and counter-proliferation financing, as announced during the joint FATF-MONEYVAL Plenary meeting (see below for this update). The FATF update includes amendments to Recommendation 16, which governs the transparency of wire transfers through the payment chain and is commonly referred to as the "Travel Rule". The revised recommendation aims to modernise FATF standards in response to the evolving payments landscape, which now includes a broader range of products and services, technologies and business models. The changes to the standards are described below.

- ♦ Clarification of responsibilities within the payment chain, specifying who is accountable for including and maintaining information in payment messages and ensuring it remains unchanged to support secure payments. Under the new standard, the payment chain begins with the financial institution that receives the customer's instruction.
- ♦ Implementing standardised requirements for peer-to-peer cross-border payments exceeding USD/EUR1,000, requiring the inclusion of the sender's name, address and date of birth to improve transparency and aid in detecting suspicious transactions.
- ♦ Requiring financial institutions to adopt new technologies that protect against fraud and error, such as tools to verify recipient banking information many of which are already in use in some jurisdictions.

- ♦ Clarifying the scope of 'purchase of goods and services' on card transactions while maintaining the exemption of such transactions from the full requirements of Recommendation 16.

The changes will take effect by the end of 2030, with the FATF committed to issuing guidance and maintaining active engagement with the private sector to support the industry preparing for them.

Date of publication: 18/06/2025

FATF: Outcome of joint FATF-MONEYVAL plenary

Status: Final

The FATF published notes on the outcome of its joint FATF-MONEYVAL Plenary meeting on 12-13 June 2025, hosted by the Council of the European Union and chaired by FATF President Elisa de Anda Madrazo and MONEYVAL Chair Nicola Muccioli. The meeting concluded with significant progress in global efforts towards anti-money laundering (AML), counter-terrorist financing (CFT) and counter-proliferation financing (CPF) efforts. Key takeaways include:

- ♦ the approval of changes to the FATF Standards to enhance cross-border payment security, supporting the G20 initiative to make payments faster, cheaper, more transparent and accessible;
- ♦ the adoption of Latvia's mutual evaluation report, which assessed the effectiveness of the country's AML, CFT and CPF measures; the report will be published later this year;
- ♦ a review of progress made by three MONEYVAL member states (Czechia, Georgia and the Slovak Republic) in addressing deficiencies in technical compliance as part of the MONEYVAL Compliance Enhancing Procedures; the member states will report back to the MONEYVAL plenary in December;
- ♦ the approval of several upcoming FATF publications aimed at assisting countries in countering emerging illicit finance threats through a risk-based approach, including updated guidance to promote financial inclusion globally into the formal financial sector;
- ♦ agreement on new FATF procedures to help the prevention of misapplication of measures to protect non-profit organisations from abuse; and
- ♦ the removal of Croatia, Mali and Tanzania from the FATF list of jurisdictions under increased monitoring following successful on-site assessments, while adding Bolivia and the British Virgin Islands to the list.

Date of publication: 13/06/2025

5. Payments

5.1 PAYMENT SERVICES/E-MONEY

(i) EU

Council of the EU: Agreement of negotiating mandate for proposed Payment Services Package

Status: Final

The Council of the EU announced it has adopted its negotiating mandate for the proposed [Payment Services Directive](#) (PSD3) and [Payment Services Regulation](#) (PSR), collectively known as 'the Payment Services Package'. The legislative package aims to modernise the EU's regulatory framework for payment services, building on the foundations of PSD2 to enhance consumer protection, strengthen fraud prevention and improve the functioning of open banking. It also seeks to address the pending challenges in the context of the impact and application of PSD2 in the internal market and adapt it to align with new market developments. Once formally agreed by both the Council of the European Union and the European Parliament, the proposals will establish the PSR, which will be directly applicable in the EU and will repeal PSD2, replacing it with PSD3.

Date of publication: 13/06/2025

EBA: Opinion on PSD2 and MiCAR

Status: Final

The EBA issued an opinion (referred to as the No Action letter) in response to a request from the EC in December 2024, on the interplay between Payment Services Directive (PSD2/3) and Markets in Crypto-Assets Regulation (MiCAR) in relation to electronic money tokens (EMTs). It aims to clarify how national competent authorities (NCAs) should approach the authorisation and supervision of crypto-asset service providers (CASPs) that engage in EMT-related activities during the transitional period before PSD3 and the Payment Services Regulation (PSR) come into effect. The EBA advises the EC, European Council and European Parliament to avoid long-term dual authorisation requirements, and advises NCAs to require PSD2 authorisation only after a transition period ending on 2 March 2026, and only for a defined subset of CASPs specifically those providing services such as the custody and administration of EMTs, or facilitating EMT transfers on behalf of clients. NCAs are encouraged to adopt streamlined authorisation procedures that leverage information already submitted during the MiCAR process. Post-transition, NCAs must ensure entities who are not licensed as a payment service provider (PSP) or have not entered partnership with a PSP, are prevented from providing EMT-related services that qualify as a payment service. Once authorisation as a PSP is granted, the EBA advises certain PSD2 provisions, such as safeguarding requirements, consumer disclosures, and open banking obligations, should be deprioritised. Those provisions which should remain prioritised include strong customer authentication for accessing custodial wallets and initiating EMT transfers, fraud reporting, and own funds calculations. The EBA clarifies that certain crypto-asset activities, such as the exchange of crypto-assets for fiat or other crypto-assets, should not trigger licensing requirements. Further, the EBA advises NCAs not to classify the facilitation of crypto-asset purchases using EMTs as payment services. The EBA acknowledges this exempts many EMT transactions from PSD2 requirements during the interim period, but considers that dual authorisation would impose an undue burden on CASPs.

Date of publication: 10/06/2025

5.2 PAYMENT ACCOUNTS

(i) EU

EBA: Report on the standardised terminology for services related to payment accounts

Status: Final

The EBA published a report and accompanying [press release](#) on its review of the RTS under the Payment Accounts Directive concerning standardised terminology for payment account services. The EBA concludes that the current terminology remains fit for purpose. It acknowledges the growing relevance of instant credit transfers and notes that their inclusion in the RTS may become appropriate in the future, although no immediate changes are deemed necessary. Instead, the EBA proposes revisiting the findings in four years or when significant market or legislative developments occur to ensure the terminology remains relevant and effective.

Date of publication: 20/06/2025

5.3 PAYMENT AND SETTLEMENT SYSTEMS

(i) EU

ECB: Publication of Decision (EU) 2025/1148 on access by Non-Bank Payment Service Providers to TARGET

Status: Final

Decision (EU) 2025/1148 of the ECB, adopted on 2 June, was published in the OJ. This decision amends Decision (EU) 2025/222 concerning access by non-bank payment service providers (NB-PSPs), namely payment institutions and electronic money institutions, to central bank operated payment systems, including TARGET. Due to delays by some member states in transposing the relevant EU directives into national legislation, the ECB has decided to defer the date from which NB-PSPs can request access to TARGET from 16 June to 6 October. Additionally, the transition period for NB-PSPs to migrate from their current status (e.g., as addressable BIC holders or reachable parties) to full TARGET participants has been extended from 31 December to 31 March 2026. To ensure a smooth transition, the decision enters into force immediately following its publication in the Official Journal of the European Union.

Date of publication: 10/06/2025

6. Institutional supervisory framework

(i) EU

ESMA: 2024 annual report

Status: Final

The ESMA published its 2024 Annual Report, alongside a [press release](#), outlining the activities undertaken and results achieved in EU capital markets over the past year. Key accomplishments include setting the necessary steps, governance and timeline for the EU's transition to a T+1 settlement cycle, the selection of consolidated tape providers to enhance market transparency and the implementation of new regulations under the Markets in Crypto-Assets Regulation. ESMA also contributed to the development of the European Single Access Point (ESAP), advanced the optimisation of financial market data usage and issued new Guidelines aimed at addressing and mitigating greenwashing risks. Its supervisory effectiveness was further strengthened through the execution of EU-wide stress tests and the deployment of enhanced enforcement tools.

Date of publication: 16/06/2025

7. Investment funds

7.1 PRODUCT REGULATION

a) UCITS

(i) EU

ESMA: Final report on technical advice to the EC on the review of the UCITS Eligible Assets Directive

Status: Final

ESMA published its final technical advice to the EC on the review of the UCITS Eligible Assets Directive (EAD) accompanied by a [press release](#). The EAD clarifies the types of assets in which UCITS funds may invest. ESMA's advice assesses how the EAD has been implemented across jurisdictions and sets out a range of proposals to overcome divergent practices by national regulators and markets. Central to ESMA's recommendations is the adoption of a look-through approach to assess asset eligibility for at least 90% of a UCITS portfolio. ESMA also proposes allowing up to 10% indirect exposures to alternative assets, subject to strict regulatory safeguards. The EC is expected to consider ESMA's advice in its review of the UCITS EAD framework.

Date of publication: 26/06/2025

ESMA: Q&A on updates of notification letters for the cross-border marketing of UCITS

Status: Final

ESMA published a Q&A on updates of notification letters for the cross-border marketing of UCITS, noting that the documents referred to in Article 93(2) of Directive 2009/65/EC should not be included in such updates.

Date of publication: 18/06/2025

8. Special topics

8.1 FINTECH/DIGITAL FINANCE

(i) EU

EC: Commission Delegated Regulation (EU) .../... supplementing MiCAR with regard to RTS specifying the minimum contents of the liquidity management policy and procedures for certain issuers of ARTs and EMTs

Status: Adopted by the EC

The EC adopted a Delegated Regulation supplementing MiCAR with regard to RTS specifying the minimum contents of the liquidity management policy and procedures for certain issuers of asset-referenced tokens (ARTs) and e-money tokens (EMTs). They originate from an EBA package of technical standards and Guidelines under MiCAR on prudential matters, namely own funds, liquidity requirements, and recovery plans.

Date of publication: 27/06/2025

ESMA: Report on the functioning and review of the DLT Pilot Regime pursuant to Article 14 of the DLT Regulation

Status: Final

ESMA published a report, accompanied by a [press release](#), on the functioning and review of the Distributed Ledger Technology (DLT) pilot regime. The DLT pilot regime allows certain DLT market infrastructures to operate with exemptions from some EU financial services legislation. The regime has so far received limited uptake, with only three authorised infrastructures and minimal live trading activity. The report identifies operational and legal challenges, such as interoperability issues and restricted access to central bank money, and refers to industry feedback that the thresholds for financial instruments that may be admitted to trading or recorded on DLT market infrastructures may be too restrictive.

The report sets out a series of recommendations on the future direction of the pilot regime, including: (i) short-term measures such as introducing flexibility and proportionality through tiered and/or adjustable thresholds which would be tailored to each entity's specific risk profile, and enhancing the investor protection provisions under the exemption framework for retail participation; and (ii) long-term measures such as removing regulatory thresholds once a DLT market infrastructure reaches a pre-set level of activity, establishing a pathway toward a permanent DLT regulatory framework beyond the pilot regime and clarifying the regulatory treatment of DLT trading and settlement systems.

The European Commission is expected to present its own report to the European Parliament and Council of the EU within three months of receiving ESMA's report, which may cause the DLT pilot regime to be extended, amended or converted into a permanent regulation. ESMA has indicated its readiness to provide a follow-up report should the regime be extended.

Date of publication: 25/06/2025

ESMA: Three new Q&A on the MiCA Regulation

Status: Final

ESMA published three new Q&A on the MiCA Regulation. The first Q&A deals with terms of services in custody agreements in the exercise of rights attached to crypto-assets. Another Q&A explains the rules surrounding commingling clients' crypto-assets with crypto-assets from other entities of the group when acting as custodian. The third Q&A sets out that shared order book models would be in breach of the authorisation requirements under Article 59 of MiCA and would constitute the unauthorised provision of the crypto-asset service of operation of a trading platform for crypto-assets in the Union by the unauthorised entities whose platform(s) share the order book with the EU-authorised CASP.

Date of publication: 20/06/2025

Commission Delegated Regulation (EU) 2025/1190 supplementing DORA with regard to RTS specifying the criteria used for identifying financial entities required to perform threat-led penetration testing, the requirements and standards governing the use of internal testers, the requirements in relation to the scope, testing methodology and approach for each phase of the testing, results, closure and remediation stages and the type of supervisory and other relevant cooperation needed for the implementation of TLPT and for the facilitation of mutual recognition

Status: Published in the OJ

Date of application: 08/07/2025

The Commission Delegated Regulation (EU) 2025/1190 was published in the OJ. The Delegated Regulation supplements DORA with regard to RTS related to threat-led penetration testing (TLPT). The RTS specify the criteria for identifying financial entities required to carry out TLPT, and establish detailed requirements regarding the scope of testing, the methodologies to be used and the handling and reporting of results. Further, the RTS also set out the requirements and standards governing the use of internal testers, ensuring their independence and competence, and outline the framework for supervisory and other forms of cooperation necessary for implementation of TLPT and the mutual recognition testing.

Date of publication: 18/06/2025

EBA: Opinion on PSD2 and MiCAR

Status: Final

The EBA issued an opinion (referred to as the No Action letter) in response to a request from the EC in December 2024, on the interplay between Payment Services Directive (PSD2/3) and Markets in Crypto-Assets Regulation (MiCAR) in relation to electronic money tokens (EMTs). For more information, please see section 5.1 above.

Date of publication: 10/06/2025

Publication of further suite of technical standards supplementing MiCAR

Status: Published in the OJ

Date of entry into force: 30/06/2025

Three Commission Delegated Regulations supplementing the MiCAR were published in the OJ, namely:

- ♦ **Commission Delegated Regulation (EU) 2025/1141** supplementing MiCAR with regard to RTS specifying the requirements for policies and procedures on conflicts of interest for issuers of asset-referenced tokens.

- ♦ [Commission Delegated Regulation \(EU\) 2025/1140](#) supplementing MiCAR with regard to RTS specifying records to be kept of all crypto-asset services, activities, orders and transactions undertaken.
- ♦ [Commission Delegated Regulation \(EU\) 2025/1142](#) supplementing MiCAR with regard to RTS specifying the requirements for policies and procedures on conflicts of interest for crypto-asset service providers and the details and methodology for the content of disclosures on conflicts of interest.

Date of publication: 10/06/2025

EC: Adoption of RTS specifying the information in an application for authorisation to offer ARTs to the public or to seek their admission to trading

Status: Adopted by the EC

The EC adopted a Delegated Regulation supplementing Regulation 2023/1114 (MiCAR) with regard to RTS specifying the information in an application for authorisation to offer asset-referenced tokens (ARTs) to the public or to seek their admission to trading. The RTS detail the list of information specified in Article 18(2) of MiCAR, to be provided in an application by legal persons or other undertakings (other than credit institutions) seeking to obtain authorisation. In particular, they prescribe information requirements on: (i) the identification of the applicant issuer; (ii) the programme of operations, including the main features of the intended issuance; (iii) the internal governance arrangements and structural organisation, including information on third-party providers of critical and important functions, and internal control framework; (iv) the liquidity management, reserve of assets and redemptions rights, including a description of the stabilisation mechanism for the asset-referenced token for which the authorisation is sought; (v) suitability of the members of the management body; and (vi) the sufficiently good repute of members of the management body, shareholders or members with direct or indirect qualifying holdings.

The Delegated Regulation is now subject to scrutiny by the Council and the EP. If neither objects within three months, it will be published in the OJ, entering into force 20 days after.

Date of publication: 05/06/2025

EC: Commission Implementing Regulation (EU) .../... laying down ITS for the application of the MiCA Regulation with regard to the establishment of standard forms, templates and procedures for the information to be included in the application for authorisation to offer ARTs to the public and to seek their admission to trading

Status: Adopted by the EC

The EC adopted a draft Implementing Regulation laying down ITS for the application of the MiCA Regulation with regard to the establishment of standard forms, templates and procedures for the information to be included in the application for authorisation to offer asset-referenced tokens (ARTs) to the public and to seek their admission to trading. Under the MiCA Regulation, the offer to the public or the admission to the trading of an ART is reserved to legal persons or other undertakings established in the EU subject to the authorisation and approval of the publication of a white paper. The draft ITS set out the standard application letter, the application template and clarify the process relating to the assessment of completeness of the application by the competent authority. As credit institutions are only required to receive approval to publish a white paper, the draft ITS do not apply to credit institutions. Consistent with the general regime applicable in the financial sector, MiCAR envisages a prudential assessment by competent authorities for the acquisition of qualifying holdings in issuers of ARTs that are not credit institutions.

Date of publication: 05/06/2025

(ii) International

BCBS: Information on next-generation monetary and financial system takes shape, based on a tokenised unified ledger

Status: Final

The BCBS announces that, building on the proposal for a unified ledger, the "trilogy" of tokenised central bank reserves, commercial bank money and government bonds is the next logical step to deliver profound change for the financial system. It sets out that tokenisation can enhance efficiency and open new possibilities in cross-border payments, securities markets and beyond, while maintaining the key principles of sound money: singleness, elasticity and integrity. Furthermore, stablecoins as a form of sound money fall short, and without regulation pose a risk to financial stability and monetary sovereignty.

Date of publication: 24/07/2025

8.2 AI

(i) EU

ESMA: Working paper on leveraging large language models in finance

Status: Final

ESMA published a report on leveraging large language models (LLMs) in the financial industry, as part of a collaboration with the FaiR (Finance and Insurance Reloaded) programme at Institut Louis Bachelier and the FAIR (Framework for Responsible Adoption of Artificial Intelligence in the Financial Services Industry) programme of the Alan Turing Institute. It discusses the following three main issues: (i) the current use of LLMs and their potential applications in the financial industry; (ii) the risks and challenges associated with their use; and (iii) the steps necessary for ensuring their responsible adoption.

Date of publication: 04/06/2025

8.3 SUSTAINABLE FINANCE

(i) EU

ESMA: Final report on 2023-2024 CSA on sustainability risks and disclosures

Status: Final

ESMA published its report on the Common Supervisory Action (CSA) carried out in 2023 and 2024 with National Competent Authorities (NCAs) on the integration of sustainability risks and disclosures in the investment management sector. The level of compliance with the framework on the integration of sustainability risks and disclosures is overall satisfactory. Still, ESMA has found that improvements are needed in the integration of sustainability risks, entity-level SFDR disclosures and product-level SFDR disclosures.

In the course of 2023 and 2024, NCAs regularly shared their knowledge and experience to promote supervisory convergence on how they supervise the integration of sustainability risks and disclosures. The aim of the CSA was to assess, foster and enforce the compliance of supervised entities, with the purpose of assessing the compliance of supervised asset managers with the relevant provisions in the SFDR, the Taxonomy Regulation and relevant implementing measures, including the relevant provision in the UCITS and AIFMD implementing acts on the

integration of sustainability risks. This CSA has helped NCAs to identify several breaches that were addressed by the supervised entities.

Date of publication: 30/06/2025

ESAs: Joint consultation on draft joint Guidelines to ensure that consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of ESG risks pursuant to Article 100(4) of CRD IV and Article 304c(3) of Solvency II

Status: Consultation

Deadline for the submission of comments: 19/09/2025

The ESAs launched a public consultation on their draft Joint Guidelines on ESG stress testing, as mandated by the Capital Requirements Directive and the Solvency II Directive. For more information, please see section 1.3 above.

Date of publication: 27/06/2025

Council of the EU: Agreement on position on sustainability reporting and due diligence requirements

Status: Draft

The Council of the EU **announced** it has adopted its **negotiating mandate** on the Omnibus I package which proposes targeted amendments to, among other things, the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). The EU has already published Directive (EU) 2025/794, which implemented the “stop-the-clock” proposal, postponing the application date of aspects of CSRD and CS3D.

Key changes to the CSRD proposals in the Council’s mandate are:

- ♦ introduction of a net turnover threshold of over USD450million (in addition to the 1,000 employee threshold) for mandatory reporting under CSRD, to ensure the reporting burden is limited to the largest companies; and
- ♦ adjustments to the CSRD review clause, taking account of the proposed change to CSRD’s scope and ensuring sufficient availability of corporate sustainability information.

Key changes to the CS3D proposals in the Council’s mandate include:

- ♦ increasing the threshold for in-scope companies from 1,000 to 5,000 employees and USD1.5billion in net turnover;
- ♦ changing the focus of CS3D due diligence requirements from an entity- to a risk-based approach; and
- ♦ limiting the obligation for companies to adopt transition plans for climate change mitigation and postponing the obligation to adopt the transition plan by two years.

The Council of the EU will now enter negotiations with the EP once the latter has adopted its own negotiating position. The proposed changes will take effect following agreement by the co-legislators and publication in the OJ.

Date of publication: 23/06/2025

ESMA: Statement on ESRS supervision in the omnibus environment

Status: Final

ESMA issued a public statement on its intended approach to supervision of the European Sustainability Reporting Standards (ESRS), confirming its commitment to transparent sustainability reporting while acknowledging the need

for proportionality. During the first few years of ESRS application, the Guidelines for Enforcement of Sustainability Information (GLESII) will need to be applied proportionately and realistically. National regulators can also help by conducting informal dialogues with issuers on areas for improvement in their reporting and by bearing in mind the uncertain regulatory context in which issuers are operating. National regulators will also continue to promote a harmonised supervisory approach under ESMA's coordination.

Date of publication: 20/06/2025

(ii) International

Taskforce on Nature-related Financial Disclosures: New phase of work – nature-related data solutions

Status: Final

The Taskforce on Nature-related Financial Disclosures (TNFD) announced a new phase of work to improve market access to decision-useful nature data with plans to release a set of recommendations at COP30 this year. This new phase of work will involve pilot testing and market consultations to develop technical design specifications for a proposed Nature Data Public Facility (NDPF). The pilot programme will: (i) test nature-data principles; (ii) test data quality of nature-related data set; (iii) identify nature-data gaps in need of long-term funding; and (iv) test the NDPF with downstream users to define their data needs and inform design specifications. TNFD will also launch a grand challenge to encourage the development of new technology solutions to enable small and medium-sized enterprises to rapidly assess their nature-related issues globally. The pilot testing will run until October and involve a wide range of global implementation partners as well as a diverse group of over 40 upstream nature data providers and more than 20 downstream nature data users and market intermediaries across markets and sectors.

Date of publication: 16/06/2025

BCBS: Voluntary framework for disclosure of climate-related financial risks

Status: Final

The BCBS released a framework for the voluntary disclosure of climate-related financial risks, alongside an [updated webpage](#) and [press release](#). This framework, which builds on the November 2023 [consultative document](#) and forms part of the BCBS's broader efforts to strengthen the resilience of the banking system to climate-related risk, is designed to operate within the Pillar 3 disclosure framework. It aims to enhance financial stability by providing banks with structured guidance for disclosing both qualitative and quantitative climate-related financial risks. While the BCBS agreed for the framework to be voluntary in nature, jurisdictions may choose to implement it domestically. The framework is structured around a series of qualitative tables and quantitative templates.

- ♦ Table CRFRA, covering governance, strategy and risk management practices related to climate risk.
- ♦ Table CRFRB, focusing on banks' assessments of transition, physical and concentration risks.
- ♦ Template CRFR1, providing data on transition risk, including exposures and financed emissions by sector.
- ♦ Template CRFR2, capturing exposures subject to physical climate risks.
- ♦ Template CRFR3, reporting on real estate exposures in the mortgage portfolio, by energy efficiency level.
- ♦ Template CRFR4, measuring emission intensity per physical output and by sector.

The BCBS will monitor developments on global disclosure practices and consider revising the framework as necessary in the future.

Date of publication: 13/06/2025

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