

A&O SHEARMAN



Regulatory monitoring: EU Version

NEWSLETTER

JULY 2025

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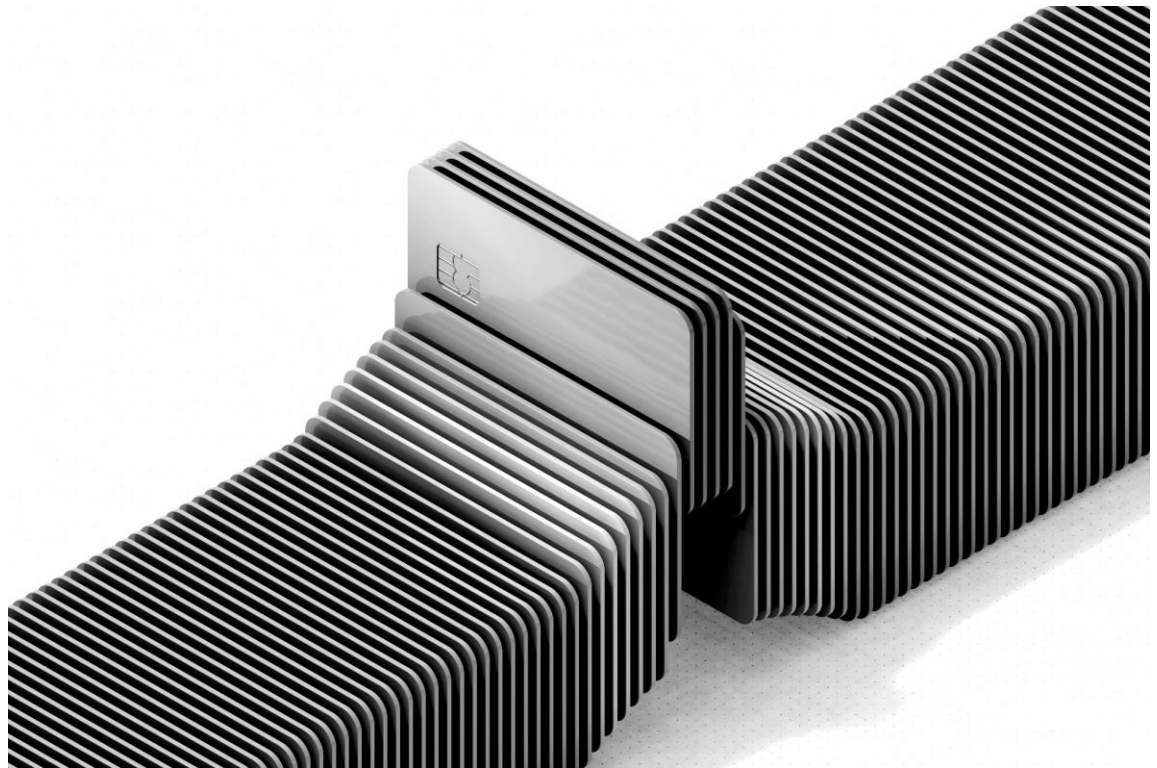
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FEATURES

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: Report on the exemption of third country undertakings from the requirement to set-up a branch for the provision of banking services to EU financial sector entities

Status: Final

The EBA published its report under Article 21c(6) of the Capital Requirements Directive VI on whether to amend the provisions governing the direct provision of core banking services from third countries to EU credit institutions and EU financial sector entities (FSEs). In collaboration with the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority, the EBA conducted a quantitative and qualitative assessment to determine whether third-country undertakings should be allowed to provide core banking services directly to EU FSEs in addition to EU credit institutions without establishing a branch in the EU. The EBA concludes that there is no current evidence to justify amending the current framework under Article 21c since there is already sufficient flexibility, including exemptions for interbank and intragroup transactions, reverse solicitation and certain MiFID-related services. However, the EBA recommends clarifying the interaction between Article 21c with other sectoral legislation, particularly the Undertakings for the Collective Investment in Transferable Securities and the Alternative Investment Fund Managers Directive frameworks, where EU FSEs may need to access core banking services in third countries to support their business models. The EBA also suggests using its [Q&A tool](#) to provide further guidance. The EBA also clarifies the treatment of custody under Article 21c: where custody is ancillary to a MiFID investment service, any related core banking services are not captured by the requirement to establish an EU branch; core banking services related to standalone custody services, however, are not covered by the carve-out.

Date of publication: 23/07/2025

EBA: Consultation on three regulatory products on third-country branches under the CRD

Status: Consultation

Deadline for the submission of comments: 10/10/2025

The EBA published three consultation papers under the CRD IV, as amended by CRD VI, relating to the regulatory requirements for third-country branches (TCBs)

EBA/CP/2025/15 proposes draft RTS under Article 48p(7), outlining cooperation mechanisms and the conditions for the functioning of supervisory colleges to enhance coordinated oversight of TCBs and their EU subsidiaries. The draft RTS cover: (i) the creation and operation of supervisory colleges; and (ii) requirements for cooperation and information sharing in situations where establishing a college is not required.

EBA/CP/2025/16 sets out RTS under Article 48h. Chapter 1 of Title VI under CRD IV sets out minimum harmonised requirements for TCBs operating in the EU, including the obligation to maintain a registry book that records all assets and liabilities booked or originated in the host Member State and ensure they are managed independently by the branch. These draft RTS specify the booking arrangements that TCBs must implement to ensure accurate tracking of assets, liabilities and off-balance sheet items across jurisdictions.

EBA/CP/2025/17 introduces draft Guidelines under Article 48e(2)(c), specifying the types of “other financial instruments” – beyond cash and government securities – that TCBs may use to meet capital endowment requirements. These instruments must be immediately available, placed in escrow and suitable for covering risks or losses in the event of resolution or winding-up. The Guidelines also outline minimum operational conditions to ensure that these “other instruments” and other eligible instruments are readily available for use in the event of a branch’s resolution or winding-up.

- ♦ [Consultation on draft RTS specifying the booking arrangements that third-country branches are to apply for the purposes of Article 48h CRD](#)
- ♦ [Consultation on draft Guidelines on instruments available for third-country branches for unrestricted and immediate use to cover risks or losses under Article 48e\(2\)\(c\) CRD](#)
- ♦ [Consultation on draft RTS on cooperation and colleges of supervisors for third-country branches under Article 48p\(7\) CRD](#)

Date of publication: 11/07/2025

(ii) International

BCBS: Working paper on bank capital and balance sheet management during times of distress

Status: Final

BCBS published a working paper which studies how banks manage their equity capital in the short run, particularly during periods of distress, based on Basel III monitoring data. The findings challenge the conventional assumption that bank capital is largely exogenous in the short run, meaning that banks cannot adjust their capital level in a period in response to distress, capital targets and/or growth opportunities in the same period. In contrast, the authors' findings highlight the active forward-looking role of bank management in adjusting capital levels to meet these challenges, even in the short run. Hence, existing studies that treat bank capital as fixed in the short run tend to underestimate the ability of banks to adjust to changes in their operating environment such as changes to regulatory requirements or bank-specific distress.

Date of publication: 30/07/2025

b) Solvency/Own funds issues

(i) EU

ECB: Revised guide to internal models

Status: Final

The ECB published a revised guide to internal models, accompanied by a [press release](#) and [FAQ](#) on this topic. The revision incorporates updates to the regulatory framework and builds on the experience the ECB has gained over the years of supervising internal models. The main changes in the revised guide include:

- ♦ (i) Machine learning: A new section, part of the rebranded chapter on “Overarching principles for internal models”, specifies expectations for using machine learning techniques in internal models, addressing a need for clarification previously raised by the industry. It aims to ensure that models using these techniques are adequately explainable and that their performance justifies their complexity;
- ♦ (ii) Credit risk: The chapter on credit risk includes updates on roll-out and permanent partial use to align with CRR3 requirements, refined expectations on internal validation and internal audit in line with the EBA’s supervisory handbook on the validation of internal ratings-based (IRB) rating systems, and clarifications of the

responsibilities of senior management and the management body regarding the readiness for submission to the ECB of applications concerning internal models. It also refines expectations on the definition of default and the estimation of credit risk parameters, in particular with regard to the risk quantification of probability of default (PD) and loss given default (LGD) models;

- ♦ (iii) Market risk: This topic is now split into two chapters to present supervisory expectations for market risk models under both CRR2 and CRR3, reflecting the two EC's decisions to delay the implementation of legislation on the new Basel standards, first until the beginning of 2026, and subsequently with an intended further delay until the beginning of 2027 which is now subject to the scrutiny of the European Parliament and Council for a period of three months; and
- ♦ (iv) Counterparty credit risk: This chapter includes more detail on how to model the risks of trades with partners, changes in exposure and updates on maturity in line with CRR3.

Date of publication: 28/07/2025

EC: Consultation on the treatment of equity exposures incurred under legislative programmes in the CRR

Status: Consultation

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

The EC published a targeted consultation, accompanied by a [press release](#), on a [draft communication](#) regarding the prudential treatment of equity investments by banks under legislative programmes in Article 133(5) of the CRR. These programmes, established under EU and national laws, aim to channel both public and private financing into strategic sectors of the economy. The draft communication proposes more favourable capital treatment for banks investing in equities through qualifying public programmes, typically involving public subsidies or guarantees and subject to oversight by public authorities. This means banks would be required to hold less capital against such investments compared to other equity exposures. The guidance, set out in the Annex to the draft communication, forms part of the EU's Strategy on the Savings and Investments Union. It aims to boost competition and mobilise private funding, particularly from institutional investors like banks or insurers, to support fast-growing companies and strategic sectors that often struggle to access debt markets. The guidance covers the scope, particularly the measures that would fall within the definition of "legislative programme" and the eligibility conditions of legislative programmes for the purposes of Article 133(5). There is also guidance on the monitoring and enforcement obligations for competent authorities to ensure that equity exposures benefitting from the treatment under Article 133(5) do not exceed 10% of the institutions' own funds. The EC will maintain a public register of legislative programmes. A final communication is expected in Q4 2025.

Date of publication: 22/07/2025

EBA: Consultation on draft RTS amending Commission Delegated Regulation (EU) No 241/2014 on the timing for the application for prior permission to reduce own funds and eligible liabilities instruments under Articles 77, 78 and 78a CRR

Status: Consultation

Deadline for the submission of comments: 09/10/2025

The EBA launched a public consultation proposing amendments to Commission Delegated Regulation (EU) No 241/2014 on the timing for the application for prior permission to reduce own funds and eligible liabilities instruments under Articles 77, 78 and 78a of the CRR. The assessment timeline to process the applications to reduce own funds and eligible liabilities instruments had been extended from three to four months, to accommodate more complex evaluations by competent and resolution authorities. However, following a monitoring period and in light of feedback from institutions, the EBA now considers that authorities have gained sufficient

experience to process applications more efficiently. As such, the EBA proposes reverting to a three-month timeframe. References to the simplified requirement for liquidation entities, with an MREL set at the loss absorption amount, are also deleted from the RTS. This is to reflect amendments made by Directive 2024/1174 to the Bank Recovery and Resolution Directive, which exclude liquidation entities from the requirement to obtain the prior permission of the resolution authority to effect the call, redemption, repayment or repurchase of liabilities that would meet the eligibility requirements for the MREL.

Following the consultation, the EBA will submit the final draft RTS to the European Commission for adoption.

Date of publication: 09/07/2025

EBA: Consultation on draft Guidelines on ancillary services undertakings specifying the criteria for the identification of activities referred to in Article 4(1)(18) CRR

Status: Consultation

Deadline for the submission of comments: 07/10/2025

The EBA launched a consultation paper on its draft Guidelines on ancillary services undertakings (ASUs) specifying the criteria for the identification of activities referred to in Article 4(1)(18) CRR, as amended by CRR III. The draft Guidelines set the criteria for the identification of: (a) activities that should be considered a “direct extension of banking”; and (b) activities that should be considered “ancillary to banking”. They also outline the process to identify activities that the EBA may consider similar to those referred to in the CRR, to ensure that the Guidelines remain responsive to emerging sources of risks. The proper identification of ASUs plays a key role in determining the scope of prudential consolidation for banking groups, thereby enabling institutions to comply with the obligations laid down in the CRR on a consolidated basis. The EBA expects the Guidelines to be read in conjunction with Regulation (EU) 2022/676 (RTS on methods of prudential consolidation). The date of application remains to be specified.

Date of publication: 07/07/2025

EC: Commission Delegated Regulation (EU) .../... supplementing the CRR with regard to RTS specifying the conditions for assessing the materiality of extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors

Status: Adopted by the EC

The EC adopted the Commission Delegated Regulation supplementing the CRR with regard to RTS specifying the conditions for assessing the materiality of extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors.

Date of publication: 03/07/2025

EBA: Consultation on draft Guidelines amending Guidelines on the application of the definition of default under Article 178 CRR

Status: Consultation

Deadline for the submission of comments: 15/10/2025

The EBA launched a consultation on draft Guidelines under the CRR, as amended by the revised CRR III. It proposes amendments to the Guidelines on the application of the definition of default under Article 178 of the CRR. Key proposals include:

- ♦ maintaining the 1% threshold for the net present value loss in debt restructuring, emphasising the framework's flexibility and alignment with accounting principles;
- ♦ considering a shortened probation period for certain forborne exposures from one year to three months – however this is not incorporated in the draft amended Guidelines;
- ♦ increasing the exceptional treatment of days past due at invoice level from 30 to 90 days for non-recourse factoring arrangements to better reflect the economic reality of purchased receivables; and
- ♦ making other technical updates to align with the CRR III.

Date of publication: 02/07/2025

EBA: Consultation on draft Guidelines on Credit Conversion Factor estimation under Article 182(5) CRR

Status: Consultation

Deadline for the submission of comments: 15/10/2025

The EBA launched a consultation on draft Guidelines under the CRR, as amended by the revised CRR III. The Guidelines set out draft Guidelines on the methodology institutions shall apply for their own estimation and application of credit conversion factors (CCF) under Article 182(5) of the CRR, to ensure alignment and consistency with existing Guidelines on the Probability of Default (PD) and Loss Given Default (LGD) estimation. The EBA did not include CCF estimation in its original internal ratings based (IRB) repair programme due to updates in the Basel III framework restricting the scope of application of CCF models to revolving commitments. These updates have now been included as part of CRR III. The EBA considers the Guidelines a natural continuation of the IRB repair programme now that the CRR requirements relating to CCF estimation have stabilised. By leveraging existing guidance, the EBA aims to ensure alignment and coherence across key risk parameters in the IRB approach and therefore promote a harmonised and reliable modelling landscape.

Date of publication: 02/07/2025

EC: Commission Delegated Regulation (EU) .../... supplementing the CRR with regard to RTS specifying the method for identifying the main risk driver of a position and for determining whether a transaction represents a long or a short position as referred to in Articles 94(3), 273a(3) and 325a(2)

Status: Adopted by the EC

The EC adopted a Commission Delegated Regulation supplementing the CRR with regard to RTS specifying methods for identifying the main risk driver of a position and determining whether a transaction represents a long or short position. The proposed general method to identify the main risk driver hinges on sensitivities defined under the market risk standardised approach (FRTB-SA) or on add-ons defined under the standardised approach for counterparty credit risk (SA-CCR). For the determination of the direction of the positions, the methodology is aligned with the one set out in the technical standards developed in accordance with Article 279a(3), point (b), of the CRR. For relatively simple instruments, such as fixed-rate bonds, floating-rate notes, stocks, forwards, futures, simple swaps and plain vanilla options, a simplified method has also been specified. The Delegated Regulation will enter into force on the twentieth day following its publication in the OJ.

Date of publication: 01/07/2025

EBA: Final Guidelines on ADC exposures to residential property under Article 126a CRR III

Status: Final

The EBA published its final Guidelines, accompanied by a [press release](#), on the treatment of acquisition, development and construction (ADC) exposures to residential property under Article 126a of the CRR. These Guidelines mark the first phase of the EBA's roadmap for implementing credit risk provisions under the EU Banking Package. They clarify the conditions under which institutions may apply a reduced risk weight of 100%, instead of the default 150%, to ADC exposures that meet specific credit risk-mitigating criteria. These conditions include: (i) at least 50% of total contracts must be either pre-sale contracts with a cash deposit of at least 10% of the sale price, pre-lease contracts with a cash deposit equal to or exceeding three times the monthly lease rate, or a combination of sale and lease contracts; and (ii) obligor-contributed equity of at least 25% of the property's value upon completion. This threshold was revised down from 35% following the May 2024 consultation. The Guidelines also introduce flexibility for public housing projects by reducing the equity requirement to 20% and broadening the scope of eligible equity to include committed subsidies.

Date of publication: 01/07/2025

c) Securitisation

(i) EU

EC: Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2015/35 as regards technical provisions, long-term guarantee measures, own funds, equity risk, spread risk on securitisation positions, other standard formula capital requirements, reporting and disclosure, proportionality and group solvency

Status: Request for feedback

Deadline for the submission of comments: 18/07/2025

The EC published for stakeholder feedback a draft Delegated Regulation reviewing the Solvency II Delegated Regulation, together with a [press release](#). It asks for feedback regarding changes to the technical rules governing the valuation of insurers' liabilities, the calculation of solvency requirements, reporting and disclosure obligations, group supervision, and other related areas.

Date of publication: 18/07/2025

ESMA: Feedback statement regarding a consultation on the revision of the disclosure framework for private securitisation under Article 7 of the Securitisation Regulation

Status: Final

ESMA published its feedback statement on the outcome of its consultation on the private securitisation reporting regime. ESMA had previously [consulted](#) on introducing changes to the disclosure regime, including in relation to a new, simpler, prescribed template. The feedback statement confirms that, while respondents generally supported the idea of simplifying the disclosure framework, there was little appetite for proposed amendments to the relevant technical standard at this stage. In terms of next steps, ESMA does not intend to proceed with any further action until there is more clarity in respect of level 1 changes being made to the Securitisation Regulation (Regulation (EU) 2017/2402), which will come into force under the wider European securitisation reforms.

Date of publication: 17/07/2025

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

(i) EU

ECB: Finalised Guide on outsourcing cloud services to cloud service providers

Status: Final

The ECB published its final guide on outsourcing cloud services, following from a July 2024 consultation. Feedback on the consultation is set out in an accompanying feedback statement. The guide clarifies supervisory expectations for banks under the ECB's remit in relation to DORA. While not legally binding, the guide outlines good practices for effective cloud outsourcing risk management, particularly given growing reliance on a limited number of third-party providers. Key areas covered include governance and risk management strategy, pre-outsourcing analysis, contractual arrangements, exit strategies and termination rights, and ongoing monitoring and oversight. The guide emphasises a risk-based and proportionate approach to outsourcing cloud services, tailored to the diverse structures, activities and risk profiles of ECB-supervised banks. The final version distinguishes more clearly between DORA requirements and ECB-recommended practices.

Date of publication: 16/07/2025

ESMA: Final report on Guidelines on outsourcing to cloud service providers

Status: Final

ESMA published its final report updating the 2021 Guidelines on outsourcing to cloud service providers in line with DORA. The 2021 Guidelines were designed to assist firms in identifying, managing and monitoring risks associated with cloud outsourcing. However, since the implementation of DORA in January, which covers the same scope, including ICT third-party risks, these Guidelines are no longer needed for most financial entities. However, DORA does not apply to certain depositories under AIFMD and UCITS. Therefore, ESMA revises the scope of the 2021 Guidelines to apply only to these specific depositories that fall outside DORA's coverage. According to ESMA, the content of the Guidelines is not substantively changed. The updated Guidelines will now be translated into all official EU languages and published on ESMA's website. NCAs must notify ESMA within two months of publication whether they comply or intend to comply with Guidelines.

Date of publication: 11/07/2025

e) Cyber security

(i) EU

ESAs: Guide on DORA oversight activities

Status: Final

The ESAs published a joint guide detailing their oversight activities under DORA. The guide outlines the processes employed by the Joint Examination Teams to supervise critical ICT third-party service providers (CTPPs). Offering a high-level overview of the CTPP Oversight framework, the guide covers: (i) governance structures; (ii) oversight processes; (iii) the founding principles; (iv) available supervisory tools; and (iv) the adoption process. While the guide is not legally binding and does not supersede existing EU legal requirements, the ESAs encourage financial entities and third-party providers to use it in preparation for DORA's oversight implementation. The guide may be subject to future revisions, when necessary.

Date of publication: 15/07/2025

EBA: Consultation on draft Guidelines on the sound management of third-party risk

Status: Consultation

Deadline for the submission of comments: 08/10/2025

The EBA launched a consultation paper on its draft Guidelines for managing third-party risk with regards to non-ICT related services. The Guidelines will revise and update the EBA's prior 2019 outsourcing Guidelines in line with the DORA. The Guidelines reaffirm that financial entities' management bodies remain fully accountable for all activities, including those outsourced to third-party service providers (TPSPs), particularly when critical or important functions are involved. The Guidelines specify steps to be taken for the lifecycle of third-party arrangements, covering risk assessment and due diligence and termination processes, and stress the need for adequate resources to manage associated risks. To promote consistency with DORA, the draft Guidelines allow financial institutions to maintain a single unified register for both ICT and non-ICT services, reducing administrative burden by limiting the level of information to be documented. A transitional period of two years is provided for financial entities under the scope of the updated Guidelines, to review and amend existing third-party arrangements and update their non-ICT registers accordingly.

Date of publication: 08/07/2025

Commission Delegated Regulation (EU) 2025/532 supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions

Status: Published in the OJ

Date of entry into force: 22/07/2025

Date of application: 22/07/2025

The Commission Delegated Regulation (EU) 2025/532 was published in the OJ. The Delegated Regulation supplements the DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions. The RTS cover:

- ♦ proportionality and the application of the requirements within groups
- ♦ due diligence and risk assessment obligations that apply to financial entities when they use sub-contractors that support critical or important functions
- ♦ requirements relating to the conditions under which ICT services supporting critical or important functions may be sub-contracted and the terms of the contractual arrangements between the financial entity and the ICT third-party service provider
- ♦ what happens when material changes are made to sub-contracting arrangements of ICT services supporting critical or important functions
- ♦ the financial entity's right to terminate the contract with the ICT third-party service provider in certain situations.

Date of publication: 02/07/2025

f) Supervisory reporting

(i) EU

EBA: Consultation on draft ITS on the supervisory reporting of third-country branches under CRD

Status: Consultation

Deadline for the submission of comments: 31/10/2025

The EBA launched a public consultation on its draft ITS for the supervisory reporting of third-country branches under the CRD. This initiative aims to establish uniform formats, definitions, and reporting frequencies for third-country branches, ensuring a consistent and comprehensive approach to regulatory and financial information reporting across the EU. The draft ITS not only aim at harmonising reporting formats and definitions but also at enhancing supervisory oversight of third-country branches. By introducing structured data collection – covering both the third-country branches and their head undertakings – the ITS support the effective supervision of third-country branches by addressing previous inconsistencies in national approaches and enabling a standardised reporting of their activities across the Union. The new templates should provide a clear picture of the financial soundness, risk exposures, and intra-group dependencies of third-country branches, thereby supporting more effective and consistent supervision across the EU. Importantly, the ITS incorporate a proportionate approach through a “core + supplement” model, ensuring that reporting obligations are tailored to the systemic relevance of each third-country branch. This ensures that supervisory scrutiny is risk-sensitive while maintaining a level playing field.

Date of publication: 31/07/2025

g) Accounting/Prudential filter/Audit

(i) EU

EC: Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings

Status: Adopted by the EC

The EC adopted a Delegated Regulation amending Delegated Regulation (EU) 2023/2772, introducing targeted amendments, referred as a “quick fix”, to postpone the application of certain disclosure requirements under the European Sustainability Reporting Standards. These changes aim to reduce the reporting burden and enhance legal certainty for companies already subject to sustainability reporting for financial year 2024 (“wave one” companies). The amendments allow these companies to continue omitting certain disclosures, such as anticipated financial effects of sustainability-related risks, among others, for financial years 2025 and 2026. Additionally, larger wave one companies (with over 750 employees) will now benefit from the same phase-in provisions previously reserved for smaller entities. These changes are set out in an annex to the Delegated Regulation, which replaces Appendix C of ESRS 1 and provides a revised list of phased-in disclosure requirements. The amendments address the gap left by the “stop-the-clock” Directive, which deferred reporting obligations for wave two and three companies but excluded wave one. A broader ESRS review is underway, targeting simplification and alignment, with completion expected by financial year 2027.

Date of publication: 11/07/2025

Commission Regulation (EU) 2025/1331 amending Regulation (EU) 2023/1803 as regards IFRS 1, 7, 9 and 10, and IAS 7

Status: Published in the OJ

Date of entry into force: 30/07/2025

Date of application: 30/07/2025

Commission Regulation (EU) 2025/1331 amending Regulation (EU) 2023/1803 as regards IFRS 1, 7, 9 and 10, and IAS 7 was published in the OJ.

Date of publication: 10/07/2025

Commission Regulation (EU) 2025/1266 amending Regulation (EU) 2023/1803 as regards IFRS 9 and IFRS 7

Status: Published in the OJ

Date of entry into force: 21/07/2025

Date of application: 21/07/2025

Commission Regulation (EU) 2025/1266 amending Regulation (EU) 2023/1803 as regards International Financial Reporting Standard (IFRS) 9 and IFRS 7 was published in the OJ.

Date of publication: 01/07/2025

1.2 RECOVERY AND RESOLUTION

(i) EU

EBA: MREL Dashboard

Status: Final

The EBA published its Q4 2024 semi-annual Dashboard on the MREL, which discloses aggregated statistical information for 345 banks earmarked for resolution across the EU and for which the EBA has received data about both decisions and resources. All in all, banks meet their MREL requirements in line with the BRRD deadline of 1 January 2024, as shortfalls are reported only by a few banks, mostly in their transition period towards future requirements. The amount of instruments becoming ineligible over the next year for the sample reached EUR 242 billion.

Date of publication: 31/07/2025

EBA: Handbook on simulation exercises for resolution authorities

Status: Final

The EBA published a handbook on simulation exercises for resolution authorities. The Handbook provides, for the first time, a comprehensive framework of best practices, methodologies and processes to support resolution authorities in enhancing their preparedness and operational capabilities through structured simulation exercises. In particular, it proposes a taxonomy for simulation exercises for resolution authorities to harmonise the use of main concepts within the financial stability framework. In addition, the handbook distinguishes between testing, simulations and dry runs and introduces six main types of simulation exercise: brainstorm, desktop exercises, walkthroughs, fire drills, decision-making exercises and operational simulations. This new chapter also presents the concept of end-to-end simulations, which combine multiple exercise types to replicate real-world resolution scenarios. Furthermore, the handbook describes in operational terms how to initiate, plan, prepare and deliver a

simulation exercise. It provides practical guidance on defining objectives and scope, designing scenarios, allocating resources, managing delivery, and collecting feedback. It includes templates and examples to support authorities in implementing effective and proportionate simulation exercises.

Date of publication: 16/07/2025

(ii) Eurozone

SRB: Updated guidance on solvent wind-down of trading books

Status: Final

The SRB published its updated operational guidance, accompanied by a [press release](#), on the solvent wind-down (SWD) of trading books. The guidance is intended to outline the scope and key expectations for SWD planning and potential execution. Its objectives are to provide a framework to: (i) ensure that banks are adequately prepared and possess the necessary capabilities to plan for an SWD in resolution; and (ii) enable the timely and effective execution of the SWD plan within a reasonable timeframe. This version of the guidance updates and replaces the SRB's original SWD guidance, published in December 2021, which was aimed at facilitating the phase-in of SWD-related expectations. It incorporates feedback from banks and other stakeholders, and addresses the shortcomings identified by the SRB from its review of banks' deliverables. The SRB has also simplified the guidance by removing complexity and enhancing proportionality.

Date of publication: 02/07/2025

1.3 STRESS TESTS/MACROPRUDENTIAL TOPICS

(i) EU

EBA: Announcement of date and time of the publication of the 2025 EU-wide stress test results

Status: Final

The EBA announced that the 2025 EU-wide stress test results will be published on **Friday, 1 August 2025 at 18:00 CEST, including individual results for the 64 participating banks**. On 30 July, the EBA published [additional data guidance](#) ahead of the release of this stress test.

Date of publication: 25/07/2025

2. Investment firms regulation

(i) EU

ESAs: Guide on DORA oversight activities

Status: Final

The ESAs published a Guide on DORA oversight activities, aiming to provide an overview of the processes used by the ESAs through the Joint Examination Teams (JET) to oversee critical ICT third-party service providers (CTPPs). For more information, please see section 1.1e) above.

Date of publication: 15/07/2025

EBA: Consultation on draft Guidelines on the sound management of third-party risk

Status: Consultation

Deadline for the submission of comments: 08/10/2025

The EBA launched a consultation on the draft Guidelines on the sound management of third-party risk. For more information, please see section 1.1e) above.

Date of publication: 08/07/2025

Commission Delegated Regulation (EU) 2025/532 supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions

Status: Published in the OJ

Date of entry into force: 22/07/2025

Date of application: 22/07/2025

Commission Delegated Regulation (EU) 2025/532, supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions, was published in the OJ. For more information, please see section 1.1e) above.

Date of publication: 02/07/2025

3. Market regulation/ Conduct rules

3.1 BENCHMARKS

(i) EU

EC: Consultation on a Delegated Regulation amending Delegated Regulation (EU) 2022/805 as regards fees for the supervision by the ESMA of benchmark administrators endorsing third-country benchmarks

Status: Consultation

Deadline for the submission of comments: 15/08/2025

The EC launched a consultation on a draft Delegated Regulation amending Delegated Regulation (EU) 2022/805 as regards fees for the supervision by the ESMA of benchmark administrators endorsing third-country benchmarks. Following the review of the Benchmark Regulation (BMR), as of 1 January 2026, EU benchmark administrators endorsing non-EU benchmarks will be supervised by the ESMA. In light of this development, this legal act specifies the supervisory fees to be paid by these EU benchmark administrators to ESMA.

Date of publication: 18/07/2025

3.2 CAPITAL MARKETS UNION

(i) EU

EBF: Roadmap and consultation for capital markets

Status: Consultation

Deadline for the submission of comments: 31/08/2025

The EU T+1 Industry Committee (the Industry Committee) held a summit, presenting its **high-level roadmap** for transitioning to a shorter T+1 securities settlement cycle, targeted for implementation by 11 October 2027. While there is no formal public consultation on the roadmap or report, there is a feedback phase to gather additional input from stakeholders that may support the Committee's future work.

After the consultation period, firms are encouraged to begin preparing their transition strategies and allocating resources for system upgrades and testing throughout the remainder of the year.

Date of publication: 03/07/2025

3.3 MARKET ABUSE

(i) EU

ESMA: Official translations of Guidelines on supervisory practices for competent authorities to prevent and detect market abuse under MiCAR

Status: Final

Date of application: 09/10/2025

ESMA published official translations of its Guidelines on supervisory practices to prevent and detect market abuse under MiCAR. The Guidelines, initially released in April through a final report, outline general principles to promote high-quality and effective supervision of market abuse in crypto-assets, alongside more targeted practices to support national competent authorities (NCAs) in detecting and preventing such abuse.

NCAs shall confirm by 9 September whether they comply or intend to comply with the Guidelines. If an NCA does not comply or does not plan to comply, it must notify ESMA, providing the reasons for its position. ESMA will subsequently publish this information on its website.

Date of publication: 09/07/2025

3.4 MIFID/MIFIR

(i) EU

ESMA: Preparation for the switch toward single volume cap in October 2025

Status: Final

ESMA published a press release to confirm that, effective from October, the EU will transition from the current double volume cap (DVC) mechanism to a single volume cap mechanism (VCM) as part of the MiFIR Review. Under the new regime, trading under the reference price waiver will be capped at 7% of the total EU trading volume over the preceding 12 months for each equity and equity-like instrument. If this threshold is exceeded, trading venues must suspend the waiver for the affected instrument for three months, based on data published by ESMA under the [new VCM webpage](#). To streamline compliance, VCM calculations will rely on transaction data collected by national competent authorities, and the DVC reporting system will be decommissioned in January 2026. ESMA has submitted amendments to the relevant regulatory technical standard, known as RTS 3, for adoption to reflect these changes, although the VCM transition will proceed regardless of the RTS 3 adoption timeline. ESMA advises interested parties to prepare for the new requirements, with the first publication of the VCM calculation results expected on 9 October.

Date of publication: 24/07/2025

ESMA: Selection of Ediphy (fairCT) to become the first CTP for bonds

Status: Final

ESMA announced the selection of Ediphy (fairCT), a fintech company, as the first consolidated tape provider for bonds in the EU. The decision marks a significant step towards establishing consolidated tapes in the EU, contributing to the development of the Savings and Investment Union and enhancing capital markets in Europe. Ediphy (fairCT) was selected following a thorough assessment process against the criteria listed in the EU Markets in Financial Instruments Regulation. The firm met all eligibility requirements and achieved the highest overall score

on the award criteria. ESMA now invites Ediphy (fairCT) to apply for formal authorisation without delay, after which it will operate the CTP for bonds for five years under ESMA's direct supervision.

Date of publication: 03/07/2025

ESMA: Findings from a CSA on convergence opportunities for pre-trade controls

Status: Final

ESMA published a press release sharing its view that the pre-trade controls that investment firms have implemented warrant further convergence. MiFID II requires investment firms engaging in algorithmic trading to have effective systems and risk controls to ensure that its trading systems are resilient, have sufficient capacity, are subject to appropriate trading thresholds and limits and prevent incorrect orders being sent. Those systems must also ensure that the trading systems cannot be used for market abuse or insider trading or other purposes contrary to the EU Market Abuse Regulation. Commission Delegated Regulation (EU) 2017/589 further specifies the pre-trade controls that an investment firm must have in place to meet these MiFID II requirements.

ESMA's announcement follows a common supervisory action (CSA) conducted with national competent authorities which assessed how investment firms are using the pre-trade controls in their trading activity and risk management framework. The results of the CSA highlighted that most investment firms have implemented pre-trade controls. However, implementation and governance of those controls diverge and could be strengthened. ESMA intends to publish guidance, including clarifications and best practices, to assist in further convergence in the approach across the EU.

Date of publication: 02/07/2025

4. Anti-money laundering

(i) EU

EBA: Opinion on ML/TF risks affecting the EU's financial sector

Status: Final

The EBA published an opinion on ML/TF risks affecting the EU's financial sector. It sets out that 2025 marks a significant change in the ML/TF risk landscape. In a context of important geopolitical developments, legislative reforms and digitalisation, new ML/TF vulnerabilities are emerging. It therefore determines that the consistent application of the new EU legal framework will be key to addressing these risks. At the same time, the EBA notes that, thanks to a greater supervisory engagement, some sectors are now better equipped to tackle financial crime.

Date of publication: 28/07/2025

Commission Implementing Regulation (EU) 2025/1338 laying down ITS for the application of Regulation (EU) 2023/2859 with regard to the functionalities of the ESAP

Status: Published in the OJ

Date of entry into force: 31/07/2025

The Commission Implementing Regulation (EU) 2025/1338 laying down ITS for the application of Regulation (EU) 2023/2859 with regard to the functionalities of the European single access point (ESAP) was published in the OJ. The ESAP is foreseen in Level 1 legislation to be a two-tier system, where information is first submitted by entities to the "collection bodies" – Officially Appointed Mechanisms (OAMs), offices and agencies of the EU, national authorities, among others – and then made available by the collection bodies to the ESAP. The requirements of these ITS are designed to enable future users to be able to access and use financial and sustainability information effectively and effortlessly in a centralised ESAP platform.

Date of publication: 11/07/2025

EC: Commission Implementing Regulation (EU) .../... laying down implementing technical standards for the application of Regulation (EU) 2023/2859 of the European Parliament and of the Council with regard to certain tasks of the collection bodies

Status: Adopted by the EC

The EC has adopted the Commission Implementing Regulation laying down implementing technical standards for the application of Regulation (EU) 2023/2859 of the European Parliament and of the Council with regard to certain tasks of the collection bodies. The ESAP is foreseen in Level 1 legislation to be a two-tier system, where information is first submitted by entities to the "collection bodies" – Officially Appointed Mechanisms (OAMs), offices and agencies of the EU, national authorities, among others – and then made available by the collection bodies to the ESAP. The requirements of these ITS are designed to enable future users to be able to access and use financial and sustainability information effectively and effortlessly in a centralised ESAP platform.

Date of publication: 10/07/2025

EC: Commission Delegated Regulation (EU) .../... amending a Delegated Regulation to introduce a review clause for countries that may pose a threat to the EU financial system

Status: Final

The EC adopted a Delegated Regulation amending a Delegated Regulation it adopted on 10 June, to introduce a review clause requiring the EC to independently assess countries that may pose a threat to the EU financial system, even if they are not publicly identified by the FATF. The Delegated Regulation adopted on 10 June amended the list of high-risk third countries laid down in Commission Delegated Regulation 2016/1675. The EC states that countries that are not publicly identified as being subject to calls for action or increased monitoring by the FATF might still pose a threat to the integrity of the EU financial system. Where membership of such countries to the FATF is suspended because of gross violations of core principles upon which that standard-setter is built, the threat to the EU financial system is likely to increase. The proposed review clause would require the EC to complete an autonomous assessment of whether such countries are high-risk third countries as referred to in Article 9 of Directive 2015/849 by 31 December.

Date of publication: 08/07/2025

ESAs: MoU with AMLA for effective cooperation and information exchange

Status: Final

The ESAs announced the signing of a multilateral Memorandum of Understanding (MoU) (dated 27 June) with the EU's Anti-Money Laundering Authority (AMLA). The agreement establishes a framework for effective cooperation and information exchange among the four institutions. The MoU outlines practical arrangements for collaboration, aiming to enhance supervisory convergence across the EU's financial sector. It also seeks to facilitate the sharing of relevant information, promote cross-sectoral learning and support capacity building in areas of mutual interest. The agreement is a key component of the AMLA's broader cooperation framework with the financial sector, as required under Article 91 of the AMLA Regulation, which mandates the conclusion of a multilateral MoU with the ESAs by 27 June.

Date of publication: 03/07/2025

ECB: MoU with AMLA

Status: Final

The ECB published an MoU (dated 27 June) that the ECB has entered into with the EU's Anti-Money Laundering Authority (AMLA) to enhance cooperation between prudential and anti-money laundering supervision. The MoU establishes practical arrangements for cooperation and information exchange, aiming to enhance supervisory effectiveness, maximise efficiency and avoid duplication of efforts. Under the MoU, the AMLA will directly supervise certain high-risk financial institutions (referred to as "selected obliged entities") that are particularly exposed to cross-border money laundering. These include payment institutions, crypto-asset service providers and, in some cases, banks that also fall under the ECB's prudential supervision. Article 92(3) of the AMLA Regulation requires the AMLA and the ECB to conclude an MoU setting out the practical modalities for cooperation and for exchanging information in the performance of their respective tasks by 27 June.

Date of publication: 03/07/2025

(ii) International

FATF: Launch of new procedure to address unintended consequences affecting Non-Profit Organisations

Status: Final

The FATF has introduced a new process to address unintended consequences arising from the misapplication of its Standards on non-profit organisations (NPOs), strengthening global efforts to protect legitimate NPO activity from disproportionate disruption. The non-profit sector performs a vital role in our society, providing relief and support to groups of the population in need, at times of urgent crisis and often in challenging circumstances and regions. Unfortunately, at times, bad actors have also taken advantage of charitable fundraising to provide cover for the financing of terrorism.

Date of publication: 10/07/2025

FATF: Report providing a comprehensive update on terrorist financing risks

Status: Final

The FATF published a new report highlighting serious and evolving terrorist financing risks and warns of gaps in countries' abilities to fully understand terrorism financing trends and thus respond effectively. The report, Comprehensive Update on Terrorist Financing Risks, reveals terrorists' persistent ability to exploit the international financial system to support their activities and carry out attacks. With the Terrorist Financing methods varying depending on several factors and contexts, the report highlights terrorists' adaptability, underscoring the need for risk-based counter-terrorist financing measures.

Date of publication: 08/07/2025

5. Payments

5.1 PAYMENT SERVICES/E-MONEY

(i) EU

ESAs: Guide on DORA oversight activities

Status: Final

The ESAs published a Guide on DORA oversight activities, aiming to provide an overview of the processes used by the ESAs through the Joint Examination Teams (JET) to oversee critical ICT third-party service providers (CTPPs). For more information, please see section 1.1e) above.

Date of publication: 15/07/2025

EBA: Consultation on draft Guidelines on the sound management of third-party risk

Status: Consultation

Deadline for the submission of comments: 08/10/2025

The EBA launched a consultation on the draft Guidelines on the sound management of third-party risk. For more information, please see section 1.1e) above.

Date of publication: 08/07/2025

Commission Delegated Regulation (EU) 2025/532 supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions

Status: Published in the OJ

Date of entry into force: 22/07/2025

Date of application: 22/07/2025

Commission Delegated Regulation (EU) 2025/532, supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions, was published in the OJ. For more information, please see section 1.1e) above.

Date of publication: 02/07/2025

Council of the EU: Publication of comparison tables on Payment Services Package

Status: Draft

The Council of the EU published initial four-column tables for the two key legislative proposals under the Payment Services Package: (i) the proposed [Payment Services Directive](#) (PSD3); and (ii) the [Payment Services Regulation](#) (PSR). The tables present, side-by-side, the positions of the European Commission, the European Parliament and Council of the EU, along with a fourth column left blank for Member State comments.

Date of publication: 30/06/2025

5.2 PAYMENT AND SETTLEMENT SYSTEMS

(i) EU

Regulation (EU) 2025/1355 of the ECB on oversight requirements for systemically important payment systems

Status: Published in the OJ

Date of entry into force: 03/08/2025

Regulation (EU) 2025/1355 of the ECB adopted on 2 July was published in the OJ. This Regulation recasts and replaces Regulation (EU) No 795/2014, updating the oversight framework for systemically important payment systems (SIPS) in the euro area. It strengthens the ECB's supervisory role by aligning it with international standards, particularly the CPMI-IOSCO Principles for Financial Market Infrastructures. The Regulation applies to both large-value and retail payment systems, operated by either central banks or private entities. However, Eurosystem-operated SIPS are exempt from certain requirements (such as those relating to governance, wind-down planning, capital and liquidity buffers, collateral, and investment risks) where equivalent internal ECB rules already apply. Key updates include:

- ♦ expanded definition of SIPS operators, allowing for the designation of euro area branches of non-euro area entities under specific conditions;
- ♦ clearer defined criteria for identifying SIPS, based on size, interconnectedness and substitutability;
- ♦ enhanced risk management requirements, covering governance, operational resilience and liquidity risk; and
- ♦ provisions addressing digitalisation and cybersecurity threats, including mandatory cyber resilience frameworks and penetration testing.

Date of publication: 14/07/2025

6. Banking union

6.1 SINGLE SUPERVISORY MECHANISM (SSM)

(i) Eurozone

ECB: Guide on options and discretions available in Union law

Status: Final

The ECB has updated its policies, outlining how it exercises options and discretions available in Union law when supervising banks. The update includes several clarifications and adjustments that relate, among others, to how the ECB grants permissions to banks concerning how they calculate capital requirements for operational and market risks, and to whether minority interests in subsidiaries can be included in the capital of a banking group. The ECB also published a [feedback statement](#) providing an overview of the comments received and the ECB's assessment of these comments.

Date of publication: 25/07/2025



7. Institutional supervisory framework

(i) International

FSB: Letter to G20 finance ministers and central bank governors on the priorities by the new FSB Chair

Status: Final

The FSB published a letter from Andrew Bailey, Governor of the Bank of England, who was appointed chair of the FSB from 1 July. In the letter, the chair confirms his commitment to the FSB's work in the interest of financial stability and comments that global cooperation is key for ensuring resilience in the global financial system. He also confirms delivery of the FSB's report on non-bank financial intermediation (NBFI) leverage, the FSB workplan on non-bank data, and the updated FSB climate roadmap, as requested by the G20 presidency. In addition, the chair lists three priorities for his term: (i) enhancing surveillance capabilities to ensure surveillance keeps pace with developments in the markets and new technologies, including communicating with stakeholders outside the FSB membership; (ii) focusing on the key areas of NBFI policy implementation, private finance-related vulnerabilities, and the role of stablecoins for payment and settlement; and (iii) strengthening the FSB's effectiveness to prevent regulatory arbitrage and market fragmentation, including by considering areas capable of meaningful improvement as identified by the G20 implementation monitoring review process. The FSB chair is appointed for a term of three years, renewable once.

Date of publication: 14/07/2025

8. Investment funds

8.1 PRODUCT REGULATION

a) AIF

(i) EU

EBA: Report on the exemption of third-country undertakings from the requirement to set-up a branch for the provision of banking services to EU financial sector entities

Status: Final

The EBA published a report on the direct provision of banking services from third countries. For more information, please see section 1.1a) above.

Date of publication: 23/07/2025

ESMA: Final report on Guidelines on outsourcing to cloud service providers

Status: Final

ESMA published its final report updating the 2021 Guidelines on outsourcing to cloud service providers in line with DORA. For more information, please see section 1.1d) **Error! Reference source not found.** above.

Date of publication: 11/07/2025

b) UCITS

(i) EU

ESMA: Q&A on the application of UCITS

Status: Final

ESMA published new Q&A regarding the UCITS Directive. The update considers whether the manager of a feeder fund within the meaning of Article 58 of the UCITS Directive can charge a performance fee.

Date of publication: 15/07/2025

8.2 PRUDENTIAL REGULATION

- a) Compliance
- (i) International

BCBS: Final report on banks' interconnections with non-bank financial intermediaries

Status: Final

The BCBS published a horizon scanning report examining the interconnections between banks and non-bank financial intermediaries (NBFIs). The report discusses trends shaping bank-NBFI linkages, identifies key activities linking banks and NBFIs, covering leverage, clearing, market-making and underwriting services, and discusses the potential systemic risks arising from these interconnections. Drawing on case studies and stylised scenarios, the report demonstrates how failure in NBFIs could affect the banking system and broader financial stability. The report also identifies data gaps and limitations, emphasising the importance for granular, timely and high-frequency data to effectively monitor these interconnections. The BCBS intends to continue assessment on these interconnections, with specific attention to synthetic risk transfers, to better understand their associated benefits and potential risks.

Date of publication: 10/07/2025

FSB: Final report on leverage in non-bank financial intermediation

Status: Final

The FSB published its final report on leverage in nonbank financial intermediation (NBFI) which highlights the significant role of NBFI leverage in recent financial stress episodes and provides policy recommendations to mitigate associated financial stability risks. The recommendations build on existing implemented policy measures by authorities and the work of standard-setting bodies (SSBs) and relate specifically to:

- ♦ identification and monitoring – recommendations 1 to 3 advise authorities to establish a domestic framework identifying and monitoring financial stability risks stemming from NBFI leverage in an effective, timely, frequent and proportionate manner, to evaluate the adequacy of existing public disclosures, and to address data challenges within their domestic risk monitoring frameworks, collaborating, where appropriate, to enhance cross-border risk identification through improved data and information sharing;
- ♦ NBFI leverage in core financial markets – recommendations 4 and 5 advise authorities to address financial stability risks from NBFI leverage in core financial markets by applying policy measures that are most appropriate to the identified risks, while also considering potential adverse effects and calibrating responses to minimise unintended consequences;
- ♦ counterparty credit risk management – recommendations 6 and 7 urge authorities to ensure timely implementation of BCBS guidelines for bank leverage providers and, where needed, work with industry to improve existing private disclosure practices between leveraged nonbanks and their counterparties
- ♦ addressing incongruencies in regulatory treatment – recommendation 8 stresses the importance of authorities identifying and addressing inconsistent regulatory treatments of NBFI leverage that may lead to regulatory arbitrage and heighten financial stability risks; and
- ♦ cross border cooperation – recommendation 9 highlights the importance of cross-border cooperation to coordinate crisis or policy responses to NBFI leverage risks, where legally and operationally feasible.

The FSB and SSBs will continue supporting authorities in implementing the recommendations, beginning with supervisory discussions. Later this year, members will consider follow-up work on recommendations 4, 5 and 7.

Date of publication: 09/07/2025

FSB: Progress report on enhancing the resilience of non-bank financial intermediation

Status: Final

The FSB published its 2025 NBFi progress report highlighting the near-completion of the original policy agenda set in response to the March 2020 market turmoil. The FSB will now shift focus towards reviewing vulnerabilities, mitigating data challenges, policy sharing and evaluating reform impacts.

Date of publication: 09/07/2025

FSB: Workplan to address non-bank data challenges

Status: Final

The FSB published a workplan, at the request of the South African G20 presidency, to address data challenges in NBFi. The workplan outlines the structure and next steps of the Non-bank Data Task Force (NDTF), including a test case report to be published by mid-2026 that will propose solutions to the identified data gaps. Based on the findings, the FSB will assess the need for further work in additional areas. The FSB will also undertake an analytical deep dive into vulnerabilities in private credit markets, which will also explore related data challenges.

Date of publication: 09/07/2025



9. Special topics

9.1 FINTECH/DIGITAL FINANCE

(i) EU

ESAs: Guide on DORA oversight activities

Status: Final

The ESAs published a Guide on DORA oversight activities, aiming to provide an overview of the processes used by the ESAs through the Joint Examination Teams (JET) to oversee critical ICT third-party service providers (CTPPs). For more information, please see section 1.1e) above.

Date of publication: 15/07/2025

ESMA: Final report on Guidelines for the criteria on the assessment of knowledge and competence under MiCAR

Status: Final

ESMA published its final Guidelines under MiCAR specifying the criteria for assessing the knowledge and competence of staff at crypto-asset service providers (CASPs). Aimed at enhancing investor protection and trust in the crypto-asset sector, the Guidelines: (i) outline the minimum professional qualifications and experience required for staff providing information or advice on crypto-assets; (ii) set out the organisational requirements for assessment, maintenance and updating of knowledge and competence; and (iii) address specific risks associated with the crypto-asset market, such as high volatility and cybersecurity, by setting out the assessment criteria for staff knowledge and skills. The Guidelines will be translated into all EU languages and will apply six months after publication. Competent authorities must notify ESMA within two months of publication whether they comply or intend to comply with Guidelines.

Date of publication: 11/07/2025

ESMA: Statement giving guidance for CASPs offering unregulated services on avoiding misperceptions

Status: Final

ESMA issued a public statement addressed to crypto-asset service providers (CASPs) that offer both regulated and unregulated services under MiCAR. ESMA calls on CASPs to avoid creating investor confusion about the regulatory protections that apply to unregulated products and services. To address this risk, ESMA reminds CASPs of their obligation to act fairly, professionally and in the best interests of their clients, to avoid any conduct that can mislead or confuse them. In the statement, ESMA also cautions against CASPs using their regulated status as a marketing tool to promote unregulated services, as this can further contribute to investor misunderstanding. To mitigate these risks, ESMA encourages CASPs to adopt all necessary measures and provides a practical table of “dos and don’ts”. This includes measures such as maintaining clear and effective communication with clients at every stage of the sales process, ensuring marketing materials are fair, clear and not misleading, and disclosing the absence of MiCAR protections for unregulated services, among others.

Date of publication: 11/07/2025

ESMA: Peer review report on a CASP authorisation and supervision in Malta

Status: Final

ESMA published a peer review report assessing the authorisation and supervision of crypto-asset service providers (CASPs) under MiCAR. While the peer review was conducted in Malta and sets out specific recommendations addressed to the Malta Financial Services Authority (MFSA), ESMA also makes broader recommendations which apply to all NCAs. These relate to specific aspects of the CASP authorisation process, in particular:

- ♦ business growth – NCAs should assess CASP business plans with a forward-looking perspective, considering anticipated growth and the rise of any associated risks;
- ♦ conflicts of interest – NCAs should evaluate potential conflicts arising from the combination of CASP services and ensure that firms comply with relevant disclosure obligations;
- ♦ governance and third-party risk – NCAs are advised to apply ESMA's principles on third-party risk supervision as a baseline, particularly for intragroup arrangements;
- ♦ ICT architecture – NCAs should review CASPs' ICT systems prior to authorisation, with particular focus on critical functions such as custody. They should also ensure that CASPs implement robust ICT security measures capable of detecting and preventing malicious transactions; and
- ♦ Web3 and decentralised products – NCAs should assess exposure to risks related to decentralised finance and ensure appropriate controls are in place. In addition, they should also assess the promotion of any unregulated services to ensure it does not mislead customers into believing such services are regulated.

Date of publication: 10/07/2025

ESMA: Official translations of Guidelines on supervisory practices for competent authorities to prevent and detect market abuse under MiCAR

Status: Final

Date of application: 09/10/2025

ESMA published official translations of its Guidelines on supervisory practices to prevent and detect market abuse under MiCAR. For more information, please see section 3.3 above.

Date of publication: 09/07/2025

ESMA: Q&A on the application of the MiCAR

Status: Final

ESMA published two new Q&A under MiCAR, providing further guidance on the application of MiCAR to crypto-asset service providers (CASPs). Question [ESMA_QA_2607](#) addresses whether MiCAR permits the staking of clients' crypto-assets by CASPs for their own account, and Question [ESMA_QA_2608](#) considers whether MiCAR allows CASPs to use clients' crypto-assets for pre-funding client orders.

Date of publication: 09/07/2025

EBA: Consultation on draft Guidelines on the sound management of third-party risk

Status: Consultation

Deadline for the submission of comments: 08/10/2025

The EBA launched a consultation on the draft Guidelines on the sound management of third-party risk. For more information, please see section 1.1e) above.

Date of publication: 08/07/2025

Commission Delegated Regulation (EU) 2025/532 supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions

Status: Published in the OJ

Date of entry into force: 22/07/2025

Date of application: 22/07/2025

Commission Delegated Regulation (EU) 2025/532, supplementing DORA with regard to RTS specifying the elements that a financial entity has to determine and assess when subcontracting ICT services supporting critical or important functions, was published in the OJ. For more information, please see section 1.1e) above.

Date of publication: 02/07/2025

9.2 SUSTAINABLE FINANCE

(i) EU

Commission Delegated Regulation (EU) 2025/754 supplementing the EU Green Bonds Regulation by specifying rules of procedure for the exercise of the power to impose fines or periodic penalty payments by the ESMA on external reviewers

Status: Published in the OJ

Date of entry into force: 14/08/2025

The Commission Delegated Regulation (EU) 2025/754 supplementing the EU Green Bonds Regulation by specifying rules of procedure for the exercise of the power to impose fines or periodic penalty payments by the ESMA on external reviewers was published in the OJ.

Date of publication: 25/07/2025

ECON: Opinion on the proposal for a Directive amending the Audit Directive, Accounting Directive, CSRD and CSDDD as regards certain corporate sustainability reporting and due diligence requirements

Status: Draft

The ECON adopted its opinion on the Omnibus I package which proposes targeted amendments to key directives on corporate sustainability reporting and due diligence. The opinion recommends significantly narrowing the scope of reporting obligations by raising the applicability thresholds from 1000 to over 5000 employees and a net worldwide turnover exceeding EUR 450 million. ECON also proposes aligning reporting standards with international frameworks, such as those of the International Sustainability Standards Board. It also calls for the deletion of certain due diligence obligations, including the requirement to implement climate transition plans and suggests capping financial penalties at 5% of net profits. The Council of EU has already adopted its negotiating

mandate. Trilogue negotiations between the Council of the EU and EP will begin once the latter has adopted its own formal negotiating position.

Date of publication: 22/07/2025

Commission Delegated Regulation (EU) 2025/755 supplementing the EU Green Bonds Regulation by specifying the type of fees to be charged by ESMA to external reviewers of European Green Bonds, the matters in respect of which fees are due, the amount of the fees, and the manner in which those fees are to be paid

Status: Published in the OJ

Date of entry into force: 14/08/2025

Commission Delegated Regulation (EU) 2025/755 supplementing the EU Green Bonds Regulation by specifying the type of fees to be charged by ESMA to external reviewers of European Green Bonds, the matters in respect of which fees are due, the amount of the fees, and the manner in which those fees are to be paid was published in the OJ.

Date of publication: 25/07/2025

EC: Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings

Status: Adopted by the EC

The EC adopted the Commission Delegated Regulation amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings. For more information, please see section 1.1g) above.

Date of publication: 11/07/2025

EBA: Consultation on the revision of the Guidelines on product oversight and governance arrangements for retail banking products to take into account products with ESG features and greenwashing risks

Status: Consultation

Deadline for the submission of comments: 09/10/2025

The EBA launched a consultation on proposed revisions to its product oversight and governance (POG) Guidelines for retail banking products. The EBA considers the update necessary in light of its June 2024 greenwashing report, which identified growing risks across the financial sector, and to align with recent legislative amendments to the CRD and CRR concerning ESG risk management. The revised Guidelines aim to strengthen safeguards against greenwashing and ensure that financial institutions maintain high standards of conduct when offering products with ESG features. The EBA proposes a proportionate and targeted approach, adjusting a limited set of existing requirements related to the product's subject matter, manufacturers internal controls, target market, distribution channels and information flows for the manufacturer's arrangements. A small number of consequential updates are also proposed.

The final Guidelines are expected to be published in Q1 2026 and effective from 1 December 2026. A virtual public hearing is scheduled for 11 September.

Date of publication: 09/07/2025

ESMA: Climate transition plan

Status: Final

ESMA published its first Climate transition plan, which it introduces as an important milestone in aligning ESMA's own operations with the EU climate objectives. Under this plan, and in line with the Paris Agreement, ESMA commits to reducing its gross greenhouse gas (GHG) emissions by 15.4% in 2027 and 31.4% in 2030, compared to 2023. Through the implementation of this plan, ESMA aims to reduce the carbon footprint of its operations, particularly in relation to staff business travel, energy use, and food consumption. In the short term, progress towards this goal will be achieved through: (i) introduction of an annual GHG budget to manage emissions from air travel; (ii) optimising floor occupancy during certain periods of the year to reduce energy consumption; and (iii) implementing incentives to shift to lower-carbon practices in the purchase of goods and services. This first plan has been put in place with the data currently available. It will be regularly reviewed, adapted, and improved.

Date of publication: 08/07/2025

EC: Commission Delegated Regulation (EU) .../... amending Commission Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives

Status: Adopted by the EC

Date of application: 01/01/2026

The EC adopted a Delegated Regulation amending Delegated Regulation (EU) 2021/2178 to simplify reporting requirements for environmentally sustainable activities under the EU Taxonomy Regulation. It also amends Delegated Regulations 2021/2139 and 2023/2486 to simplify certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives. Key simplification measures include:

- ♦ financial and non-financial companies will no longer be required to assess Taxonomy eligibility or alignment for economic activities that are not financially material to their business. For non-financial companies, this exemption will apply to activities representing less than 10% of total revenue, capital expenditure (CapEx), or operational expenditure (OpEx);
- ♦ non-financial companies will also be exempt from assessing Taxonomy alignment for their entire OpEx when it is considered immaterial to their business model;
- ♦ for financial institutions, key performance indicators (KPIs), such as the Green Asset Ratio (GAR), will be simplified. Institutions will also be given an option not to report detailed Taxonomy KPIs for a period of two years;
- ♦ reporting templates will be streamlined, reducing the number of required data points by 64% for non-financial companies and 89% for financial companies; and
- ♦ the technical screening criteria for determining whether economic activities cause no significant harm – related to pollution prevention and control, including the use and presence of chemicals – will also be simplified.

The Delegated Regulation will now be subject to scrutiny by the EP and the Council of the EU. If no objections are raised, it shall enter into force on the 20th day following its publication in the OJ.

Date of publication: 04/07/2025

ESMA: Thematic notes on clear, fair and not misleading sustainability-related claims

Status: Final

ESMA published a thematic note to assist firms when making sustainability claims to ensure that they are clear, fair and not misleading. The aim of the thematic notes is to provide market participants with information and build on observed market practices. The note focuses on ESG credentials and outlines four guiding principles on making sustainability claims: (i) accurate – sustainability claims should fairly and accurately represent the entity's sustainability profile without exaggeration and avoiding falsehoods, omissions, and cherry-picking; (ii) accessible – sustainability claims should be based on information that is easy to access and understand, with the appropriate level of detail and clarity, avoiding oversimplification; (iii) substantiated – sustainability claims should be backed by clear, credible reasoning, facts and processes, with transparent methodologies and limitations; and (iv) up to date – sustainability claims should be up to date with any material changes disclosed promptly, including a clear indication of the analysis' date and perimeter.

Date of publication: 01/07/2025

(ii) International

FSB: 2025 update on roadmap for addressing financial risks from climate change

Status: Final

The FSB published its 2025 progress report on the implementation of its 2021 Climate Roadmap. The report provides a factual overview of progress made across four key areas: disclosures, data, vulnerability analysis, and regulatory and supervisory practices. Its publication does not imply that all G20 members endorse every aspect of the initiatives described. In addition to reviewing past progress, the report outlines the FSB's medium-term strategy for addressing potential climate-related financial risks, continuing its focus on the same four areas:

- ♦ firm-level disclosures – efforts are underway to support jurisdictions in adopting and applying the 2023 International Sustainability Standards Board (ISSB) standards, alongside initiatives to build capacity and implement new global sustainability assurance and ethics standards;
- ♦ data – international organisations, standard-setting bodies, and private sector actors are working to improve the availability of comprehensive, consistent and comparable climate-related data across jurisdictions to support financial risk analysis;
- ♦ vulnerability analysis – work is being conducted to explore how climate shocks could affect the financial system, including the development of forward-looking metrics; and
- ♦ regulatory and supervisory practices and tools – sector-specific guidance is being developed by standard-setting bodies and supervisory authorities to help integrate climate-related financial risks into regulatory and supervisory frameworks.

Date of publication: 14/07/2025

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