

# The Financial Services Insider

Risk & Regulatory Insights

Q2 2025



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# 01 Highlights



# Highlights

The 2nd quarter of 2025 was marked by several regulatory developments in various areas such as ESG, Fintech, Risk Management, Insurance and Capital Markets.

## Capital Markets

ESMA published i) implementing rules on Liquidity Management Tools for funds, ii) the final report on the active account requirement under EMIR 3 and iii) a final report that specifies the scope of CSDR cash penalties.

## ESG

ESMA launched consultation on rules for external reviewers of European Green Bonds and EBA published key indicators on climate risk in the EU/EEA banking sector. Furthermore, ESMA published its report on the CSA carried out in 2023 and 2024 with NCAs on the integration of sustainability risks and disclosures in the investment management sector.

## Fintech

ESMA issued supervisory guidelines to prevent market abuse under MiCA.



# Highlights

## Insurance

EIOPA and Insurance Europe published their annual reports. Moreover, EIOPA:

- launched consultations on new rules related to group supervision, related undertakings and volatility adjustments following Solvency II Review;
- released a new study highlighting the importance of clearer and more consumer-friendly information disclosures regarding the natural catastrophe coverage of home insurance policies;
- published the results of the first coordinated mystery shopping exercise in the EU's insurance sector.

## Risk Management

Basel Committee continues to prioritise Basel III implementation, progresses work to strengthen supervisory effectiveness and discusses finalisation of principles on third-party risks. Furthermore, EBA:

- published key regulatory products on operational risk capital requirements and related supervisory reporting;
- updated technical standards on resolution planning reporting;
- published an updated list of indicators for risk assessment and risk analysis tools.

## Other

EC published an analysis indicating that EU's RRF impact is expected to reach EUR 891.7 billion by 2030. EBA and BIS published their annual reports. Also, ESAs published their Joint Annual Report for 2024.



## **02 Risk & Regulatory Insights**

# Capital Markets

ESMA published reports on fund liquidity, EMIR accounts and CSDR cash penalties.

## ESMA published implementing rules on Liquidity Management Tools for funds.

On April 15, 2025 the European Securities and Markets Authority (ESMA) published draft Regulatory Technical Standards (RTS) and a final report on the guidelines on Liquidity Management Tools (LMTs).

These provisions will make EU fund managers better equipped to manage the liquidity of funds, in particular in case of market stress. In addition, the draft RTS will also clarify the functioning of LMTs, such as the use of side pockets for which rules currently vary significantly across the EU. Through their role in mitigating financial stability risks, these rules are an important contribution to the ongoing debate on Non-Bank Financial Intermediation.

This publication is a key step in the implementation of the revised AIFMD and UCITS Directive and will facilitate the harmonisation and full availability of the LMTs defined in the Directives in all Member States.

## ESMA published the final report on the active account requirement under EMIR 3.

On June 19, 2025 the European Securities and Markets Authority (ESMA) published its final report on the Regulatory Technical Standards (RTS) specifying the conditions under which the active account requirement (AAR) should be met, as mandated under the European Market Infrastructure Regulation (EMIR) 3. The AAR is a key component of EMIR 3, aimed at enhancing the resilience of the EU clearing landscape. It creates an obligation for EU market participants to maintain an active account at an EU central counterparty (CCP) for certain derivatives, in order to reduce their exposure to important third-country CCPs (Tier 2 CCPs).





# Capital Markets

## ESMA narrows down the scope of CSDR cash penalties.

On June 26, 2025 the European Securities and Markets Authority (ESMA) [published](#) a final report that specifies the scope of Central Securities Depositories Regulation (CSDR) cash penalties, supporting the simplification and burden reduction in post-trading.

In line with the revised settlement discipline framework set out in CSDR Refit, ESMA provides technical advice to the European Commission (EC) on the scope of settlement discipline, identifying:

- the causes of settlement fails that are considered as not attributable to the participants in the transaction, and
- the circumstances in which operations are not considered as trading.

According to the technical advice, a broad range of scenarios would not trigger CSDR cash penalties. These include:

- technical failures at the CSD level, such as system outages, cyberattacks, or network disruptions;
- full-day trading suspensions of an ISIN on its most liquid market;
- technical creation and redemption of fund units or shares on the primary market, including those related to Exchange-Traded Funds (ETFs).





ESMA launched consultation on rules for external reviewers of European Green Bonds and EBA published key indicators on climate risk in the EU/EEA banking sector.

## ESMA launched consultation on rules for external reviewers of European Green Bonds.

On April 07, 2025 the European Securities and Markets Authority (ESMA) published its consultation paper on the remaining Regulatory Technical Standards (RTS) for external reviewers under the European Green Bonds Regulation.

The RTS relate to the following aspects of the external reviewer regime:

- appropriateness, adequacy and effectiveness of systems, resources and procedures;
- authority, resources, expertise and access to relevant information of the compliance function;
- soundness of administrative and accounting procedures, internal control mechanisms and effectiveness of information systems controls;
- quality and reliability of sources of the information used for external reviews;
- information, form and content of applications for recognition; and
- notification of material changes in the information provided at registration.

## EBA published key indicators on climate risk in the EU/EEA banking sector.

On April 25, 2025 the European Banking Authority (EBA) released an ESG dashboard that establishes a broader ESG risks monitoring framework and allows centralised access to comparable climate risk indicators. This dashboard provides benchmarks and enhances the assessment and monitoring of transition and physical climate-related risk across the EU/EEA banking sector. It is based on the information disclosed by banks as part of their Pillar 3 ESG disclosures.

## ESMA finds improvements needed in supervision of sustainability risks and disclosures.

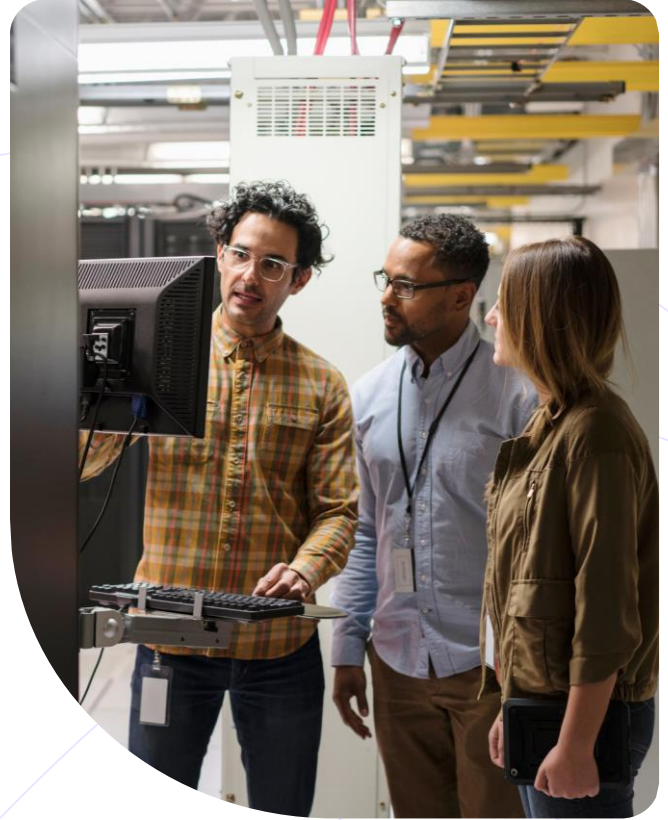
On June 30, 2025 the European Securities and Markets Authority (ESMA) published its report on the Common Supervisory Action (CSA) carried out in 2023 and 2024 with National Competent Authorities (NCAs) on the integration of sustainability risks and disclosures in the investment management sector. The 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.

# Fintech

ESMA issued supervisory guidelines to prevent market abuse under MiCA.

## ESMA issued supervisory guidelines to prevent market abuse under MiCA.

On April 29, 2025 the European Securities and Markets Authority (ESMA) published guidelines on supervisory practices to prevent and detect market abuse under the Market in Crypto Assets Regulation (MiCA). Based on ESMA's experience under Market Abuse Regulation (MAR), the guidelines intended for National Competent Authorities (NCAs) include general principles for effective supervision and specific practices for detecting and preventing market abuse in crypto assets. They consider the unique features of crypto trading, such as its cross-border nature and the intensive use of social media. The guidelines set out general principles requiring supervisory activity to be risk-based and proportionate, and set the objective for NCAs to build a common supervisory culture specific for crypto assets through an open dialogue with the industry and interactions with other NCAs.



# Insurance

EIOPA launched consultations on new rules for group supervision, related undertakings and volatility adjustments under the Solvency II Review.

## EIOPA launched consultations on new rules related to group supervision, related undertakings and volatility adjustments following Solvency II Review.

On April 03, 2025 the European Insurance and Occupational Pensions Authority (EIOPA) launched a series of public consultations related to the review of Solvency II. The three consultations focus on guidelines on exclusions from group supervision, revised guidelines on the treatment of related undertakings and a revised opinion on the use of volatility adjustments.

## Clearer and more consumer-friendly information is needed to prevent the 'illusion of being insured' for natural catastrophe coverage, EIOPA study finds.

On May 19, 2025 the European Insurance and Occupational Pensions Authority (EIOPA) released a new study highlighting the importance of clearer, and more consumer-friendly information disclosures regarding the natural catastrophe coverage of home insurance policies. EIOPA's analysis of Insurance Product Information Documents (IPIDs) shows that while many insurers demonstrate good practices in disclosing essential information, there is still room for improvement in ensuring that consumers can make more informed decisions. As a result of some of the issues identified, consumers may be left in the dark about whether or not they are protected against certain natural disasters, such as floods, fires or landslides.

## Insurance Europe published 2024–2025 Annual Report.

On June 11, 2025 Insurance Europe published its 2024–2025 Annual Report, offering a comprehensive overview of the key developments, priorities, and challenges facing Europe's insurance sector.

# Insurance

## EIOPA published its 2024 Annual Report.

On June 13, 2025 the European Insurance and Occupational Pensions Authority (EIOPA) published its Annual Report for 2024. The report details the work of EIOPA and outlines its accomplishments in the past year. 2024 was marked by rapid advances in Artificial Intelligence, elections in many parts of the world, geopolitical instability, more frequent and intense weather events, and the rise of cyber threats. Despite a challenging environment, and aggravated by financial and human resource constraints, EIOPA remained committed to protecting the public interest by contributing to the stability, effectiveness and sustainability of the European financial system.

## EIOPA published the results of the first coordinated mystery shopping exercise in the EU's insurance sector

On June 17, 2025 the European Insurance and Occupational Pensions Authority (EIOPA) published the results of its first EU-coordinated mystery shopping exercise, which examined the sales process for insurance-based investment products across 8 EU member states. As part of the exercise, trained shoppers made visits to insurers, banks, agents, brokers and post offices to assess distributors' information-gathering processes, their information disclosure practices as well as their ability to offer products that match consumers' needs and objectives. Overall, the findings indicate that while distributors often provide relevant information to shoppers, there are areas for improvement in terms of disclosure, transparency and consumer outcomes.





# Risk Management

EBA sets new rules on operational risk capital and resolution reporting.

## Risk-Weighted Assets

**EBA published key regulatory products on operational risk capital requirements and related supervisory reporting.**

On June 16, 2025 the European Banking Authority (EBA) published three final draft technical standards that are crucial for the implementation of the EU Banking Package and will allow supervisors to monitor institutions' compliance, thus fostering consistent and enhanced supervision. In particular, the EBA published the following Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS):

- RTS concerning the calculation and adjustments of the Business Indicator (BI), which is central to the standardised and harmonised application of the operational risk capital requirements.
- ITS on the mapping to FINREP, which will ensure consistency and reduce implementation, administrative and operational costs.
- Amending ITS on operational risk reporting, which will keep the supervisory reporting framework relevant, meaningful and aligned with the amended regulation.

## Recovery / Resolutions

**EBA updated technical standards on resolution planning reporting.**

On May 07, 2025 the European Banking Authority (EBA) published its updated final draft implementing technical standards (ITS) on resolution planning reporting. This comprehensive review of the ITS on the provision of information for the purposes of resolution plans seeks to achieve full harmonisation of reporting requirements in the EU and avoid duplication of data requests, thus reducing the cost of compliance with resolution planning reporting obligations by institutions. Proportionality has been a key driver of this regulatory product.

## Surveys and Statistics

**EBA updated list of indicators used to perform risk assessments.**

On April 16, 2025 the European Banking Authority (EBA) published an updated list of indicators for risk assessment and risk analysis tools, together with the accompanying methodological guide. Without adding any reporting burden on reporting institutions nor on competent authorities, this guidance describes how risk indicators are computed in EBA publications. It will allow competent authorities and users of EBA data to interpret key bank figures in a consistent fashion when conducting their risk assessments and analyses.

# Risk Management

## Other General aspects

**Basel Committee continues to prioritise Basel III implementation, progresses work to strengthen supervisory effectiveness and discusses finalisation of principles on third-party risks.**

On May 21, 2025, the Basel Committee on Banking Supervision [released](#) a statement outlining its key priorities. Key takeaways include:

- Continued prioritisation of the full and consistent implementation of Basel III.
- Ongoing efforts to strengthen supervisory effectiveness, building on lessons from the 2023 banking turmoil.
- Commitment to finalise principles for third-party risk management in banking by the end of 2025.



# Other

EU's RRF impact is expected to reach EUR 891.7 billion by 2030.

## ESAs published Joint Annual Report for 2024.

On April 16, 2025 the Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) [published](#) its 2024 Annual Report, which provides an overview of the joint ESAs work completed during the past year.

The main areas of cross-sectoral focus in 2024 were joint risk assessments, sustainable finance, operational risk and digital resilience, consumer protection, financial innovation, securitisation, financial conglomerates and the European Single Access Point (ESAP). Among the Joint Committee's main deliverables were policy products for the implementation of the Digital Operational Resilience Act (DORA) as well as ongoing work related to the Sustainable Finance Disclosure Regulation (SFDR).

## EBA published 2024 report of its key achievements and activities.

On May 20, 2025 the European Banking Authority (EBA) [published](#) the first part of its 2024 Annual Report presenting the main achievements and activities of the organisation in fulfilling its mandates under its Work Programme over the past year.

## EU's RRF impact set to reach EUR 891.7 billion.

On May 21, 2025 the Joint Research Centre of the European Commission [published](#) an analysis indicating that, if all national recovery plans are fully implemented, the EU Recovery and Resilience Facility (RRF) is expected to generate a total economic impact of €891.7 billion by 2030. More specifically:

- €546.2 billion (61%) will stem from direct domestic investments
- €345.5 billion will result from cross-border spillover effects, benefiting other Member States

Every EU country is expected to gain from these spillovers, with some economies seeing up to twice the impact compared to the funding they receive. The RRF continues to play a key role in supporting the green and digital transitions, while strengthening the EU's economic resilience.

## BIS published its annual report.

On June 29, 2025 the Bank for International Settlements (BIS) [published](#) its annual report, outlining key institutional achievements and strategic priorities. The report highlights continued progress under the Innovation BIS 2025 strategy, expanded support for central banks through the BIS Innovation Hub and strong financial performance backed by high creditworthiness. Key areas of focus included digital innovation, cross-border payments and climate-related financial risks.

## **03 Appendixes**



# Appendix: Glossary

**AANA**

Aggregate Average Notional Amount

**AML/CFT**

Anti-Money Laundering and Countering the Financing of Terrorism

**AI**

Artificial Intelligence

**AISPs**

Account Information Service Providers

**AIFMD**

Alternative Investment Funds Market Directive

**BCBS**

Basel Committee on Banking Supervision

**BIS**

Bank of International Settlements

**BMR**

EU Benchmark Regulation

**CDD**

Customer Due Diligence

**CRD IV**

Capital Requirements Directive IV

**DGSs**

Deposit Guarantee Schemes

**DLT**

Distributed Ledger Technology

**DRSP**

Data Reporting service providers

**AISPs**

Account Information Service Providers

**EBA**

European Banking Authority

**ECON**

Economic and Monetary Affairs Committee

**EIOPA**

European Insurance and Occupational Pensions Authority

**EP**

European Parliament

**ESAs**

European Supervisory Authorities

**ESG**

Environmental, Social and Governance

**FICC**

Fixed Income Clearing Corporation

**GAR**

Green Asset Ratio

**IOSCO**

International Organization of Securities Commissions

**IAS**

International Accounting Standards

**IFRS**

International Financial Reporting Standards

# Appendix: Glossary

**IT**

Information Technology

**ITS**

Implementing Technical Standards

**IOSCO**

International Organization of Securities Commissions

**LCR**

Liquidity Coverage Ratio

**LIBOR**

London Inter-Bank Offered Rate

**MiCA**

Markets in Crypto Assets

**NPEs**

Non-Performing Exposures

**NPL**

Non-Performing Loans

**P2B**

Platform to Business

**PISPs**

Payment Initiation Services Providers

**RTS**

Regulatory Technical Standard

**RegTech**

Regulatory Technology

**RWAs**

Risk weighted assets

**SFDR**

EU Regulation on sustainability-related disclosures in the financial services sector

**SFTR**

Securities Financing Transactions Regulation

**SFT**

Securities Financing Transactions

**SupTech**

Supervisory Technology

**OTC**

Over-the-Counter

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We are happy to assist with queries you may have and any other issue you would like to discuss with us.



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