Navigating 2025

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

A "Background Briefing" from PwC Legal's EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre

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Welcome to Navigating 2025!

Dear clients and friends of the firm,
2024 was the year the much of the world voted and 2025 is the year markets begin to find out what all of this change means. The dramatic geopolitical and financial market-related developments over the opening weeks of the new year suggests that the outlook may be far from "business as usual" for the remainder of 2025.

These most recent developments come on top of challenging and unprecedented operating conditions that financial services firms and market participants have had to tackle in recent years, and which are likely to persist into 2025 and beyond. Some are specific to the EU (as analysed herein) and others are common across the globe (as assessed in standalone coverage equally available from our EU RegCORE).

Increased global competition, including in the form of various new and differing types of conflict, will likely continue to (a) impact financial markets and shape (b) global policymakers' appetite as well as (c) the approach on agreeing (or not as the case may be) on whether to advance, pause or scrap a breadth of new or implementing existing global standards. The EU is not free from these global and transversal issues, instead it is also is facing key considerations and challenges many of which are much closer to home.

EU policymakers are thus at a crossroads during this new legislative cycle. The EU faces both significant strategic challenges along with more basic and persistent socio-economic problems including those still stemming from pre-COVID-19 issues as well as those following the pandemic's conclusion. These challenges also involve new kinds of dangers and threats in a more geopolitically heated world fuelling the continuing "polycrisis"[1] even further. In tackling these issues, the EU will have to navigate a different composition of elected representatives in the EU's co-legislators and across national capitals of various EU Member States.

Given this outlook, EU policymakers and stakeholders may need to reopen, recalibrate, or redesign various aspects of rulemaking affecting the real economy as well as the Single Market for financial services to strengthen growth prospects and the EU's strategic autonomy but also look to protect the union from some of the adverse disruptive forces from within.

Despite shifting political priorities, some reforms scheduled for 2025 aim to futureproof the EU's Single Market for financial services. This is crucial given the EU's position in a more fragmented and factionalised global financial market ecosystem in 2025, experiencing varying degrees of (de)globalisation across market sectors, asset classes, and transaction types. Discussions on competitiveness also raise the question of whether "smarter" deregulation, as debated in the UK and the US, may be the key driver of growth and at what level.

So where are we now and where are we headed in the EU's Single Rulebook and Single Market for financial services?

For the EU and in particular the Single Market for financial services, 2025 is poised to be another transformative year. Both established and emerging financial services firms, as well as market participants will need to engage with a host of new legislative and regulatory developments as well as supervisory pressures. These include those advanced at the EU-level and by EU authorities but equally a wealth of domestic legislative reforms and regulatory and supervisory efforts at the national competent authority (**NCA**) level, which together with EU authorities constitute the European System of Financial Supervision (**ESFS**).

As a general goal, the EU's and ESFS' respective legislative, regulatory and supervisory priorities for 2025 all continue to focus on delivering a safer, more resilient and sustainable Single Market, shaped by a more harmonised Single Rulebook and a uniform single supervisory culture[2] for financial services. Accordingly, the European Commission as well as the legislative, regulatory and supervisory policymakers across the ESFS will likely focus their efforts on (i) simplification, (ii) streamlining and use of (iii) proportionality to deliver on demands for competitiveness.

Such approach however will most likely not lead to widespread deregulation in the EU but instead could translate into smarter and more principles-based regulation generally as well as in respect of ongoing efforts of EU policymakers to complete the Banking Union, the Capital Markets Union (**CMU**)/European Savings and Investment Union (**E-SIU**) as well as more recent (yet overdue) targeted measures to improve the resilience of the European (re-)insurance sector. In 2025, the Single Rulebook will see new chapters and revisions to existing ones becoming finalised and operational. Additionally, new EU and national-level authorities will be created or will take up their mandates, and existing EU authorities and NCAs will be granted additional rulemaking, supervisory, and enforcement powers.

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[1] Unlike single crises that may have clearer causes and solutions, a polycrisis involves overlapping and interdependent issues, making it a more pervasive and enduring state of instability.

[2] The EU's aims of finalising the Single Market for financial services continues to be advanced through different legislative and non-legislative means. The degree of integration is usually assessed by reference to convergence/divergence of asset prices by asset class type, as well as investor participation from retail and wholesale sectors in domestic as well as cross-border situations, as well as the degree of cross-border market activity in primary and secondary markets, as well as the operational footprint and pan-EU market infrastructure. The European Commission, in its European Financial Stability and Integration Reviews (EFSIR) and the ECB, in its Financial Integration in Europe Report (the awkwardly named "Fintec Report") provide annual updates on the levels of integration, trends and policy outlook.

Moreover, 2025 will mark the move towards some wide-reaching but perhaps very necessary changes transforming how financial markets operate and function. The legislative efforts in shortening settlement cycles (to T+1), which are now, despite delays, very rapidly being advanced in the EU so as to keep up pace with similar efforts underway by other global policymakers notably in the UK and US, will keep a range of stakeholders busy. So too will the continued operationalisation in 2025 of frameworks across (digital) operational risks, cloud computing, crypto-assets and generative AI, where the EU has led the way amongst global peers.

When looking further afield, it is important to note that the EU's approach to regulation and supervision will increasingly contrast with the perspectives in the US and the UK. In light with the actions taken since the inauguration of the new US administration, the US domestic driven deregulation efforts, while reducing regulatory burden for some financial institutions may have unintended effects and detriments for operations in the EU. Conversely, the UK, post-Brexit, has sought to take a different route both to the EU as well as to the new tone of the administration in the US, by instead, balancing the maintenance of high regulatory standards while fostering a competitive financial services sector.

Deglobalisation and regionalisation

Global economic growth prospects are likely to remain impacted by persisting trends and actions from certain jurisdictions to deglobalise, decouple and regionalise. The resurgence of the threat and/or use of tariffs and other economic sanctioning tools present a new range of threats. Greater polarisation of policy responses will likely have both local and global ramifications on the level of access, conformity, competition and collaboration across various markets, central banks and regulatory bodies. All of this may (further) compound existing pressures and create new types of pressures for real economy as well as financial services firms and the counterparties, clients and the customers they engage with.

Despite the best efforts of EU policymakers, financial services firms and market participants' compliance efforts in 2025 will likely need to remain suitably agile to respond to the breadth of dynamic and fast-moving changes flowing from actions taken in (non-EU) third countries as well as how the EU responds. Markets globally and the EU's Single Market specifically will during 2025 likely remain beholden to the impact of (rising) geopolitical risks, differing forms of conflict as well as diverging priorities and reforms across the G-20. These can be summarised as follows:

1. US-EU relations
   - **Transatlantic cooperation**: The relationship between the US and the EU over 2025 and beyond will become ever more stressed due to geopolitical developments. This will influence the amount (or lack of) regulatory alignment, particularly in areas such as data privacy, digital finance and financial crime prevention. The degree of US (de-)regulation and divergence from global standards may also shape policy responses from other (non-EU) third countries and their own relationship with the EU. Financial institutions will need to stay informed about bilateral agreements and regulatory developments as well as to dynamic shifts in political order as financial services itself becomes another fulcrum in geopolitical positioning.
   - **Tariffs, economic sanctions and trade policies**: Changes in US tariffs, economic sanctions and trade policies could have further ripple effects on global as well as EU financial markets. Financial institutions will need to ensure compliance with evolving sanctions regimes and assess the impact on their operations as well as that of their counterparties, clients and other stakeholders.
2. Geopolitical tensions and global trade
   - **Global trade**: Geopolitical tensions and conflict will continue to affect global trade and financial markets. Financial institutions with exposure to certain markets will need to assess geopolitical risks and develop contingency plans.
   - **Emerging markets**: Political instability and economic volatility in emerging markets could pose risks to financial institutions with significant investments or operations in these regions. Enhanced risk management and due diligence will be essential.
3. Climate change and environmental risks
   - **Climate-related financial risks**: The increasing frequency and severity of climate-related events will heighten financial risks as well as even redefine perhaps what is (re-)insurable in certain markets. EU-led regulatory initiatives, such as climate stress testing and disclosure requirements, will require financial institutions to integrate climate risk into their risk management frameworks.

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

Key considerations for financial services firms and market participants

While financial services firms and market participants operating across the EU's Single Market will need to remain even more agile than in previous years. They are also likely to face an ever more complex set of often overlapping and competing requirements within the EU. This is particularly the case as the EU's Single Rulebook on financial services has now been expanded considerably with a number of new chapters set to become operational between 2025 and 2027.

These new chapters of the Single Rulebook also extend to encompass new thematic areas. Many of them have extraterritorial impact and some may overlap and/or compete with rules and expectations in (non-EU) third countries. This specifically applies to EU reforms to existing rules and introduction of new comprehensive frameworks – ranging from (digital) operational resilience through to FinTech and generative artificial intelligence (**GenAI**) – along with rules on crypto-assets as well as the more fundamental move in the EU, UK and Switzerland to shorten settlement cycles to T+1 with an optimal transition date (currently at the time of writing) recommended as 11 October 2027.

The impact of the developments explored in this publication will be felt across all market sectors and asset classes of the EU's financial markets as well as for firms based beyond the EU's borders looking to access or otherwise engage with the EU's Single Market. This also puts pressure on securing and retaining sufficient talent for various roles in business units and control functions. Cost and resourcing optimisation pressures are likely to continue for traditional financial (**TradFi**) services firms and other market participants as well as for FinTechs and crypto-asset service providers (**CASPs**) and issuers (**CAIs**).

Such pressures summarised above are also likely to be felt in multiple waves. Some may be easy to spot and some may be more sudden. Differing priorities, agendas and paths that the EU and its global peers may continue to take, including as to the speed and depth of (de-)regulation, will all likely mean that firms, regardless of market sector and asset class, may have to step up their horizon scanning efforts on what applies to them when, where and how as well as how to comply with competing principles and obligations. Navigating issues around extraterritoriality and lack of conceptual or approved equivalence, in order to efficiently conduct their business, will likely become ever more important.

Ultimately for those stakeholders that perhaps do choose to use 2025 to adopt a (perhaps even more dedicated) strategic approach as to how they structure, operate and expand their activities across markets and asset classes, 2025, despite the uncertain and often difficult outlook, may still present a number of attractive opportunities on the horizon. However, all of this warrants financial services firms and market participants carefully navigating the new "new normal" and being poised to seize opportunities across regions and markets.

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

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

Aims and structure of this Background Briefing

Aims of this Background Briefing

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

Navigating 2025 should be read together with further Thought Leadership (Client Alerts, Background Briefings and other Whitepapers) available from our EU RegCORE along with further publications and resources as available from other parts of PwC Legal and/or PwC.

Structure of this Background Briefing

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

Part 1:

2025 priorities of the Banking Union supervisory authorities and policymakers, comprised of the:

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

Part 2:

2025 priorities of the European Supervisory Authorities (ESAs) and the European Systemic Risk Board:

- The focus areas of the individual ESAs comprised of the:
  - European Banking Authority (**EBA**)
  - European Securities and Markets Authority (**ESMA**)
  - European Institutional and Occupational Pensions Authority (**EIOPA**)
- The focus areas of the Joint Committee (**JC**) of the ESAs
- Possible changes to the European Systemic Risk Board (**ESRB**) during 2025?

Part 3:

The European Commission's Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG-FISMA) and its policy and rulemaking priorities for financial services in 2025

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

This (public) version of this Background Briefing is compiled as at 14 February 2025 and replaces previous versions that may have been shared with selected readers.

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

If you would like to discuss the contents herein in further detail, such as how the EU's legislative, regulatory and supervisory priorities for 2025 translate into firm-specific legal, regulatory and risk workstreams and possible compliance solutions, please do get in contact with PwC Legal's EU RegCORE at or via de_eufinreg@pwc.com

We hope you find this Background Briefing useful!

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

Global Governance of Financial Services Regulation

Global

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

MoF & NCAs contribute to meetings.

FSB FINANCIAL STABILITY BOARD

Basel Committee on Banking Supervision
BANK FOR INTERNATIONAL SETTLEMENTS

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

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

European level

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

Council of the European Union

EP members negotiate a common position on EC proposal.

Parlamentum Europaeum

European Commission

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

EC reviews & adopts RTSs from EBA.

EBA EUROPEAN BANKING AUTHORITY

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

Issue Recommendations & Opinions on relevant matters.

ESRB European Systemic Risk Board
European System of Financial Supervision

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

EUROPEAN CENTRAL BANK
EUROSYSTEM

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

Publish guidance & manuals on implementation of EU publications.

ESMA European Securities and Markets Authority

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

Local level

Implements European legislation into national legislation.

Contributes to discussions in the Council and FSB.

National Competent Authority

Ministry of Finance/legislator

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

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

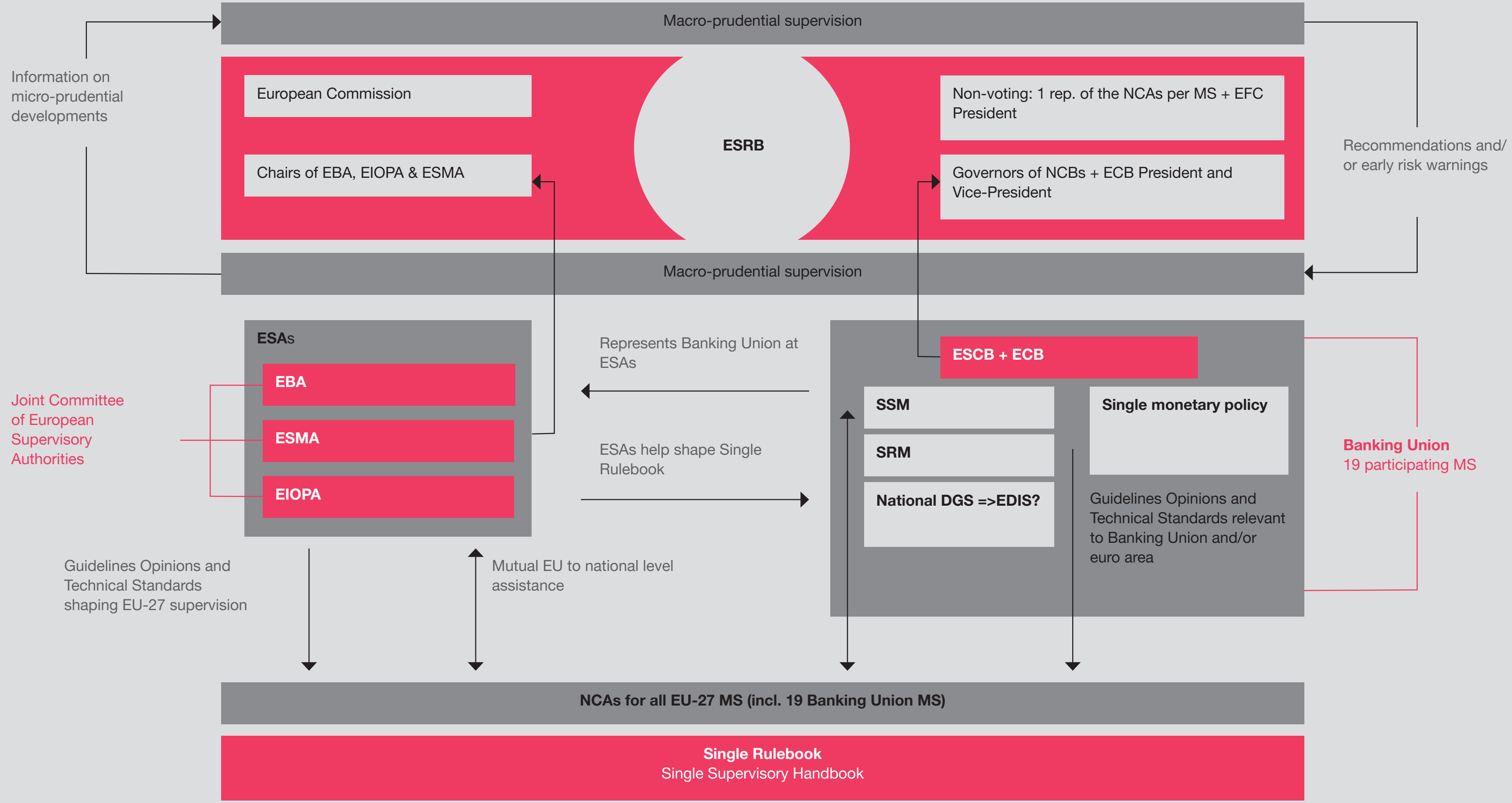
Legend:

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

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

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

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



Legend:

DGS = Depositor Guarantee Scheme
EBA = European Banking Authority
EDIS = European Deposit Insurance Scheme (proposed)
EIOPA = European Insurance and Occupational Pensions Authority
EFC = Economic and Financial Committee
ESAs = European Supervisory Authorities
ESCB = European System of Central Banks
ESMA = European Securities and Markets Authority
ESRB = European Systemic Risk Board
MS = Member State
NCAs = National Competent Authority comprised of national supervisory authorities and national resolution authorities
NCBs = National Central Bank
SRM = Single Resolution Mechanism
SSM = Single Supervisory Mechanism

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

As in previous years, each of the EU-level authorities and NCAs participating in the ESFS have published individual "Annual Work Programmes" (**AWPs**). Some have published "Multi-Annual Programmes" (**MAPs**) or "Single Programming Documents" (**SPDs**) that set out priorities for beyond 2025.

Each of these documents typically run to multiple hundreds of pages and detail what the respective authority(ies) plan to do during the respective period. Although each authority may have specific priorities or agendas aligned with their respective focus and mandate(s), they do share some common themes. Some of these are even aligned in joint publications, such as the European Supervisory Authorities (**ESA**) Joint Committee (**JC**) and its AWP for 2025 (which is explored in Part 2 of this publication).

As in previous years, all of the EU authorities' publications emphasise how they aim to achieve specific aims and deliverables across individual workstreams as well as how they will concurrently continue to reduce fragmentation overall. These publications at EU level are also binding upon and thus influence the actions and priorities of the NCAs in the EU's Member States and are of interest to firms and equally non-regulated market participants.
Most of the EU-level and nationalled efforts on reducing fragmentation revolve around (i) targeted measures to increase harmonisation of EU rules and their (national) interpretation along with (ii) where warranted, reducing national options and discretions in EU rules or how these fit in with supervisory expectations and engagement and (iii) increased dialogue and supervisory convergence across the EU-27's EU-level plus national-level authorities.

Given that a number of EU rules, especially those that were supposed to be finalised in previous years were delayed due to the COVID-19 pandemic, relevant authorities in 2025 are looking to step up efforts and timing to finalise a select number of such overdue efforts. Nevertheless, given developments in the opening weeks of 2025, some proposals already have been or will be amended or further calibrated to reflect changing market realities as well as policymaking dynamics. Then there are other developments that are moving ahead and span all AWPs summarised herein – this includes particular the EU's AML Package and the operationalisation on AMLA and its mandate.

Part of picking up the pace on implementation also applies to the EU's longstanding efforts to introduce globally agreed standards into the EU's Single Rulebook. This includes the Basel IV framework – also known as the "Basel III Endgame", which itself was and remains subject to a degree of paused implementation, due in part to changing political dynamics and appetite in the US and the UK.

The on-going finalisation efforts of Basel IV in the EU are set to be implemented through CRR III and CRD VI. Those legislative instruments introduce extensive changes, especially in the calculation of risk-weighted assets will be translated into EU law with phased implementation through to 2030 will significantly affect the EU's Single Market for financial services. These alterations may significantly impact business models and may prompt some firms to reconsider their capital allocation strategies.[3] So too will the new globally-agreed prudential regulatory standards for exposures to crypto-assets as and when these are finalised and which like the operationalisation of the Markets in Crypto-Assets Regulation (**MiCAR**) during 2024 will see a phased entry of certain rules and further implementing technical standards (**ITS**)/(regulatory technical standards (**RTS**) taking effect and keeping firms busy through to 2030.

During 2025 and likely through to 2026, EU policymakers will also look to ramp-up rulemaking efforts to improve cyber-risk standards as well as more broadly the (digital) operational resilience of financial services providers, financial market infrastructure providers (**FMIPs**) plus existing and new forms of regulated market participants and critical infrastructure providers more broadly. A number of firms were put through the paces during the pandemic and others were ill-prepared in dealing with a whole new set of risks ranging from power supply outages through to wide-scale cyber-threats. ESMA as an example is rolling out a range of internal governance and compliance expectations, in the form of a new harmonised supervisory guideline, to a range of FMIPs that will become directly supervised by ESMA during 2025.

Consequently, with the ongoing uncertain geostrategic outlook in 2025 along with an increase in cyber-threats as well as new forms of financial crime, EU policymakers will expect firms to adopt best practices and recent lessons learned as well as forward-planning for their own as well as their third parties' (and not just service providers') resilience.

The EU's Digital Operational Resilience Act (**DORA**) framework as well as a host of other rulemaking instruments setting standards and expectations in this area continue to advance in various stages of finalisation and operationalisation. Affected firms as well as

[3] Further extensive coverage on the efforts of implementing Basel IV in the EU via the CRR III and CRD VI are available from PwC's market-leading FS Governance, Risk and Compliance Team available here.

service providers will in 2025 need to pick up the pace to move counterparty- as well as client-facing documentation and agreements along with internal policies, procedures, systems and controls to meet the deadlines set by DORA and other rules.

Firms will also have to continue to adapt how they conduct regulated activity and how they evidence compliance in light of the continuing wave of digitalisation, the continued rapid rise of GenAI and the now quite established shift to hybrid, full-remote and/or location independent working arrangements. Supervisory responses to such more flexible means of working are also beginning to be reflected in regulatory principles and supervisory expectations of select EU authorities and NCAs. Nevertheless, a number of firms will want to continue to assess how their own risk and compliance frameworks, including the three-lines of defence (**3LoD**) model may need to be adapted to reflect that reality. In short, firms but also supervisory may need to assess how the set of existing frameworks that were previously exclusively office-centric in design are actually deployed across firms' remote, decentralised and non-office centric arrangements and how these compare across business relationships with counterparts, clients as well as the communities in which such firms operate.

Aside from GenAI (and AI Act compliance (see deep dive overleaf), the continued advances in both disruptive and non-disruptive digitisation of financial services will likely continue to gather pace. While this may increase competition amongst incumbent firms and new entrants across all parts of the EU's Single Market for financial services, BigTechs are also increasingly disrupting both traditional and/or crypto-assets focused financial services providers but equally also (digital asset focused) FinTechs. As markets may become more competitive through increased technological turbulence and disruption, this may also redefine how and who conducts what type of services and regulated activity with whom as well as how EU authorities engage with their global peers and tackle transatlantic tension – notably with respect to US headquartered FinTechs and BigTechs.

Accordingly, firms will want to periodically assess not just the individual priorities and action of respective authorities, but how common priorities shaping the entire market or subsectors thereof impact firms and their own respective "run the business", "run the compliance" as well as "change the business", "change the compliance" workstreams for 2025 and beyond. Such an assessment may be relevant for firms' strategic forward-planning of how to shape business and target operating models as well as how and when to strengthen existing or implement new compliance measures.

As part of the assessments above, firms will want to ensure that they are not only setting the tone from the top and improving the "strategic steering" of the firm but also delivering on a bottom-up approach, communicating and embedding expectations and accountability across all levels. As in previous years, governance and executive functions of firms, themselves under increased scrutiny in their processes and outcomes-based supervision, may want to consider setting up dedicated working groups of internal and external stakeholders to take greater "ownership" of delivery of impact of individual reforms but also overarching themes.

All of the above is likely to be important in how firms evidence compliance but equally how they engage with supervisory engagement and enforcement activity across the various levels of the ESFS. The ESFS will in 2025 continue to apply a breadth of supervisory tools and enforcement measures. The EU authorities notably the ESAs, working together with the NCAs, will continue to apply the full breadth of their supervisory powers and/or targeted tools with respect to individual firms and/or the respective sectors of the market within their mandates.

Such supervisory tools range from Common Supervisory Actions (**CSAs**) as well as using coordinated "mystery shopping exercises", a comparably new addition to the supervisory toolkit, along with thematic reviews as well as targeted on-site inspections (**OSIs**)[4] to further shape supervisory standards and expectations of the markets and firms they supervise. Firms will want to further familiarise themselves with how such tools are used and adopt their respective policies and procedures accordingly to minimise their enforcement and litigation risks. This is in particular important as the AWPs and SPDs explored in the next sections below do contain, in addition to the range of rulemaking efforts, a number of market-wide as well as thematic supervisory engagement announced to take place over 2025.

[4] See also the EU RegCORE's analysis on the ECB-SSM's guide on OSIs – available here.

A focus on the EU's AML Package

On the 20th July 2021 the European Commission presented an ambitious package of legislation to strengthen the EU's anti-money laundering and countering the financing of terrorism rules ("AML Package") and proposes plans to introduce a new EU Authority to fight money laundering.

On 30th May 2024, the European Council adopted the EU AML Package.

Proposal for an EU Regulation on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (AMLR)
"AML Rulebook" refers to the unification of the regulatory framework for the prevention of money laundering and terrorist financing. Done by introducing, regulations that will be directly and uniformly applied by the obliged institutions in all EU Member States. AML Rulebook will be complemented by regulatory technical standards, which in the future will be issued by AMLA , e.g. on the application of due diligence measures

6th AMLD: Proposal for a Directive establishing the mechanisms that Member States should put in place to prevent the use of the financial system for ML/TF purposes, and repealing Directive (EU) 2015/849
Replacing the existing Directive 2015/849/EU (the fourth AML directive as amended by the fifth AML directive), containing provisions that will be transposed into national law, such as rules on national supervisors and Financial Intelligence Units (FIUs)in Member States.

AMLA: Proposal for a Regulation creating an EU Authority for anti- money laundering and countering the financing of terrorism (AMLA-R)
The authority will centrally coordinate the activities of national authorities, contributing to the development of consistent and uniform market practice. In addition, it will assist individual national authorities with their analysis, contributing to the improvement of the collection of financial intelligence - a key material for law enforcement authorities.

Traceability of Funds: Proposal for the recast of Regulation (EU) 2015/847 expanding traceability requirements to crypto-assets (WTR II)
Virtual assets have remained outside of the scope of Union legislation, exposing holders of crypto-assets to money laundering and financing of terrorism risks, as flows of illicit money can be done through transfers of crypto-assets and damage the integrity, stability and reputation of the financial sector.

Source: ec.europa.eu

Timeline

- On 30th May 2024, the European Council adopted the EU AML Package, serving as the final step of the adoption procedure.
- The AML regulation will apply three years after the entry into force.
- EU Member States will have two years to transpose parts of the AML directive into national law
- The proposed changes are primarily aimed at improving processes for detecting suspicious transactions & suspicious activity and closing loopholes that criminals exploit to launder illicit proceeds or finance terrorist activities through the financial system.
- The AML Authority is to be based in Frankfurt, Germany, and will begin to operate in md-2025.

Revised Banking Package (CRD VI/CRR III)

Global

In **2021**, the European Commission published a proposal on the revised **Capital Requirements Directive and Capital Requirements Regulation (the CRD6/CRR3 package)** and the Bank Recovery and Resolution Directive. In **June 2024, the final texts of the CRD6/CRR3 package were published**. With this banking package, the final Basel 3 reforms are implemented within the Union. The package consists of:

- a legislative act to amend the Capital Requirements Directive (Directive 2013/36/EU)
- a legislative act to amend the Capital Requirements Regulation (Regulation No (EU) 2013/575)

The CRR3 enters into force as of 9 July 2024 and will be applicable to all Member States as of 1 January 2025. All institutions must comply with the new legal requirements as of the application date.

The CRD6 also enters into force on 9 July 2024. The Directive will need to be transposed into national law of each Member State before applicability. The provisions of the Directive must largely be applied as of 11 January 2026.

Next Steps

European institutions must be compliant with the requirements of the CRR3 as of 1 January 2025. Whereas, Member States must transpose the CRD6 into national law for applicability as of 11 January 2026.

How is the Union implementing the Basel III agreement?

1. **Introduction of the output floor to reduce excessive variability of banks' capital requirements calculated with internal models**
   - The output floor works as a **lower limit ('floor') on the capital requirements ('output')** that banks calculate when using their internal models. The output floor is introduced to reduce the excessive variability of banks' capital requirements calculated with internal models.

2. **Implementation of the Basel III agreement to strengthen Union banks' resilience face at the main risk areas (credit risk, market risk, operational risk**
   - The key elements for **credit risk** include the revision of the standardized approach in line with the Basel standard, e.g. with the introduction for the preferential treatment of real estate exposures, including a new category of 'buy-to-let' exposures and exposures to real estate acquisition, development and construction.
   - In the area of **market risk**, the banking package completes the implementation of the Fundamental Review of the Trading Book (FRTB). Co-legislators agreed to include a number of mandates for the Commission to specify certain elements of the market risk framework, based on EBA input on a number of technical standards.
   - In the context of **operational risk**, the package implements the new Basel standards. The calculation of capital requirements for operational risk is made simpler, it mainly relies on the corresponding financial statements of banks. An Internal Loss Multiplier (ILM) reflecting historical losses was not included (therefore, ILM=1). This simplification is explicitly recognized in the Basel standard and aims to limit increases in capital requirements

3. **Environmental, Social, and Governance risks ("ESG risks')**
   - Co-legislators agreed that banks will have to draw up **transition plans** under the prudential framework that will need to be consistent with the sustainability commitments banks undertake under other pieces of Union law, such as the CSRD.
   - Bank supervisors will oversee how banks handle ESG risks and **include ESG considerations** in the context of the annual supervisory examination review (SREP).
   - **ESG reporting and disclosure requirements** will apply to all EU banks, with proportionality for smaller banks.
   - Banks will be allowed to enjoy a **favorable risk weight treatment** only where they finance an infrastructure project that have a positive or neutral environmental impact assessment.

4. **Clear rules for third country banks operating in the Union**
   - The package introduces **minimum harmonizing conditions** for on the establishment of branches of third-country banks in the EU. While third country banks' branches will continue to be subject to national supervision, supervisory powers have been strengthened to make sure supervisors remain able to manage risks related to these entities, which have significantly increased their activity in the EU over recent years.
   - Co-legislators also agreed to introduce, in minimum standards for the regulation and supervision of branches of third-country banks in the EU, including **a clear set of rules on when such branches need to be established** (Article 21c). In addition they have clarified the delineation towards the rules governing investments services under MiFID (Directive 2014/65/EU).

5. **Strengthened supervision**
   - Co-legislators have increased the harmonisation of certain supervisory powers and tools. Notably, **supervisors will be given more powers** to check if certain transactions (e.g. large acquisitions) undertaken by banks are sound and do not entail excessive risks for banks.
   - The package also enhances and further harmonises supervisory sanctioning powers to enforce rules, and provides authorities with better oversight of complex banking groups, including fintechs.

6. **Governance: fit and proper assessment for bank managers**
   - Co-legislators **harmonised the checks carried out on bank managers** ('fit-and-proper'), requiring that, except in specific cases, banks conduct the suitability assessment before the managers take up their positions. They also extended the scope of the rules to include other influential managers ('key function holders') and ensured that the bank supervisors are equipped with the powers and tools to perform their task.

Source: ec.europa.eu

A focus on the EU's AI Act

What are the main objectives?

- Ensuring AI systems that are placed on the EU market are safe and respect existing EU legislation, fundamental rights and values.
- Enhancing governance and enforcement of existing legislation on fundamental rights and safety requirements applicable to AI systems.
- Ensuring legal certainty to facilitate investment and innovation in AI.
- Facilitating the development of a single market for lawful, safe, trustworthy AI systems.

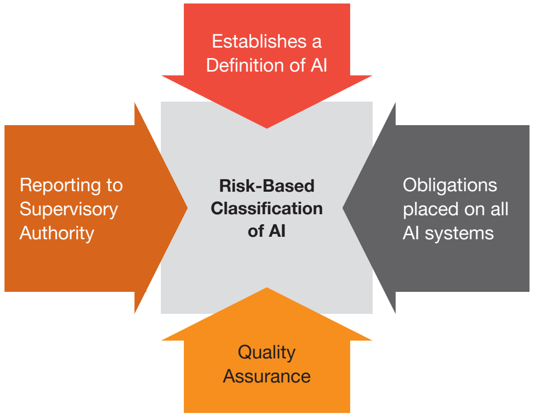
What are the main requirements?

Obligations placed on all AI systems
Responsibilities are now placed on all providers of AI systems regardless of the systems assessed risk category. This includes adhering to Ethics Guidelines for Trustworthy AI and ensuring compliance with the EU charter of fundamental rights.

Specific requirements for General Purpose AI Models
General-purpose AI models (including large generative AI models such as ChatGPT) will incur specific provisions under the AI Act, which are separate to the requirements imposed on high-risk AI Systems. GPIA providers will be obliged to disclose certain information to downstream system providers, and assess and mitigate risks, report serious incidents, conduct state-of-the-art tests and model evaluations, in addition to ensuring cybersecurity and provision of information on energy consumption of the models.

A focus on the EU's AI Act

The AI Act was proposed in 2021 as a comprehensive legal framework of harmonised rules. The goal of this regulation is to address the risks of specific uses of AI through a set of **complimentary and proportionate** rules.

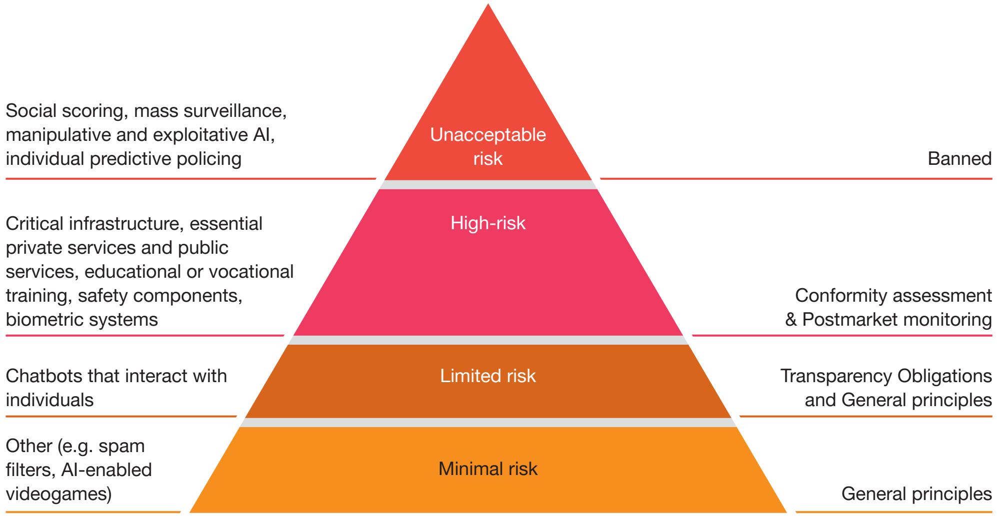


Regulators are attempting to safeguard the fundamental rights and values of EU citizens by introducing a product safety regime, while also enabling innovation and experimentation to improve technological capabilities.

2024	2025	2026
The EU AI Act entered into force on 1 August 2024.	AI Technical Standards are developed and adopted.	AI Act is applicable and is fully enforced.

Artificial Intelligence Act (AIA)

The AI Act entered into force in 2024 as a comprehensive legal framework of harmonised rules. The goal of this regulation is to address the risks of specific uses of AI through a set of **complimentary and proportionate** rules.



Source: ec.europa.eu

Part 1

2025 priorities of the Banking Union supervisory authorities and policymakers

Part 1 – 2025 priorities of the Banking Union supervisory authorities and policymakers

Every year, usually during the fourth quarter, the Banking Union relevant authorities, comprised of the ECB, acting at the helm of the SSM and the SRB, acting at the helm of the SRM, individually publish their AWPs and SPDs setting out their priorities and resourcing for the coming calendar year and beyond. The European Banking Union supervisory authorities have established a comprehensive agenda for 2025 to address critical vulnerabilities, enhance financial stability and align regulatory practices of BUSIs as well as across the banking sector more broadly.

The ECB-SSM's supervisory priorities for 2025–2027 aim to strengthen BUSIs' resilience against macro-financial and geopolitical shocks. Particular attention is given to improving credit risk management frameworks. This includes addressing vulnerabilities in sensitive portfolios, such as small and medium-sized enterprises (**SMEs**) and commercial real estate, as well as ensuring accurate credit risk provisioning through a review of the IFRS 9 standards and demanding full compliance with the EBA's Guidelines on Loan Origination and Monitoring.

As in previous years, supervision of governance and operational risk management equally remain central themes. However, a greater emphasis in 2025 is placed on BUSIs evidencing how they are remedying deficiencies in board effectiveness, capital and liquidity planning as well as data aggregation practices.

During 2024 and at the start of 2025 supervisors further sharpened their tone and expectations on BUSIs needing to tackle climate-related and environmental risks. Authorities expect BUSIs to tackle compliance more seriously than to date and be able to sufficiently evidence how these risks are embedded into their strategies, disclosures and regulatory compliance under emerging frameworks like CRR III and CRD VI. These areas are also very much in focus outside the context of Banking Union supervision. If shortcomings continue to persist, further supervisory and enforcement measures are likely to follow.

Digital transformation and operational resilience are equally significant priorities for 2025 both within and outside the Banking Union. This is in particular the case in light of the recently introduced requirements of the DORA and a number of ICT and BigTech-specific stresses during 2023 and 2024. Supervisory efforts will focus on enhancing BUSIs' digital strategies to mitigate risks associated with advanced technologies, including AI and cloud computing. Simultaneously, authorities across the entirety of the ESFS will require institutions to strengthen their defences against (new) cybersecurity threats and comply with the DORA and other requirements on ICT risk management frameworks.

The above-mentioned SSM focused priorities are also complemented by principles specific to the SRM. Accordingly, the SRB's focus in 2025 will continue to advance efforts on crisis preparedness, resolution planning and operational resolution readiness with a focus on digital/cyber-threats as well as ICT failings.

The SRB's focus during 2025 also means that financial institutions will be required to prioritise the improvement of their separability and transferability, the resilience of access to financial market infrastructure (**FMI**) services and the readiness to meet and withstand liquidity and funding challenges.

The SRB aims to operationalise its and BUSIs' resolution strategies as well as refine the crisis communication capabilities by making use of the SRB's information tools. The SRB will also enhance its oversight of digital and cybersecurity risks, promoting compliance with DORA and fostering innovative approaches to operational continuity.

Together, the ECB-SSM and SRB are charting a forward-looking path for the Banking Union that has now celebrated a first transformative decade, having withstood a number of shocks and stresses. While BUSIs are much more resilient then ever before, the ECB-SSM's and the SRB's priorities reflect the authorities' commitment to addressing new forms of systemic risks, while driving supervisory convergence and fostering resilience and sustainability within the European financial system as a whole. These initiatives also align with the SRB's long-term "SRM Vision 2028" strategy, ensuring that the regulatory landscape evolves in tandem with emerging challenges and opportunities as well as priorities across other parts of the ESFS (as explored in part 2 and 3 below).

Key expected banking legislation in the European Union

11 January 2024
European Data Act
- Entered into force, putting in place new rules for a fair and innovative data economy.

2024
Anti-Money Laundering Package
- Harmonizes AML/CFT rules across the EU.
- Proposes the creation of a new EU authority to fight money laundering.

26 June 2024
EU AMLA is legally established
- European wide Anti-Money Laundering Authority established as part of AML package
- Commence general activities by 2024, and fully by 2026.

1 August 2024
AI Act
- Harmonized rules on the use and development of AI enter into force.
- At this point it time, none of the requirements apply – they will begin to apply gradually.

1 January 2025
Transfer of Funds and Crypto-Assets Regulation
- Enters into force.

Q1/Q2 2025
AI Act
- Regulatory Technical Standards developed.

17 January 2025
DORA and NIS2
- compliance mandated.

2024 2025

2025 2026

1 July 2025
Basel III European Commission Implementation
- The implementation date for the final Basel III reforms was extended by six months to 1 July 2025, while the transitional period was reduced by six months (to 4.5 years) in order not to delay the full implementation.

September 2025
PSD 3, PSR & FIDA
- Estimated adoption of the wide-range package of proposals on digital finance regulation, in line with the digital finance strategy of the European Commission

2025–2029
Corporate Sustainability Reporting Directive (CSRD)
- Business have reporting requirements by dates depending on business category.
- 2025 for EU companies subject to NFRD and all large entities > 500 employees.
- 2026 for all other large entities, parent of a "large group" and all other companies that are "large" with securities listed on an EU-regulated market.
- 2027 for listed SMEs.
- 2029 for non-EU
- ultimate parent companies with significant EU activity may be in scope at a global consolidated level.

2026
AI Act
- Expected to be fully enforced and full compliance mandated.

2026
Digital Euro
- Estimated adoption.

Proposals in discussion
Crisis Management and Deposit Insurance Framework (CMDI)

Source: ec.europa.eu

Organisation of SSM for strong banking supervision

ECB organisation changes

The ECB announced July 2020 changes to the organizational structure of its supervisory arm, including the **creation of two additional business areas and the redistribution of tasks** across business areas:

- Bank-specific supervision will be organized according to banks' business models and supported by teams of risk or subject matter experts.
- Activities such as supervisory strategy and risk, on-site supervision, and governance & operations will have dedicated business areas.

This reorganization aims to establish:

- Create more synergies ancd allow a better comparison of common risks and challenges by **bank-specific supervision** (through 3 directorates).
- Strengthen risk expertise in the supervision of banks, to conduct benchmarking and industry-wide assessments thrugh a **dedicated horizontal supervision**.
- Conduct strategic planning, propose supervisory priorities and ensure consistent treatment of all banks, via a **Supervisory Risk Function**.
- **A structurally independent on-site supervision** function.
- **A stronger governance and operations function** to support decision-making.

SSM Organisation

ECB Governing Council

SSM Supervisory Board
Chair: Claudia Buch (former Andrea Enria)
Vice-Chair: Frank Elderson

DG HOL – General Horizontal Line Supervision
Thijs van Woerden

DG SSR: Supervisory Strategy & Risk
Mario Quagliaiello

DG OMI – General On-Site and Internal Model Inspections
Linette Field

DG SGO – General SSM Governance and Operations
Pedro Teixeira

DG SIB – Systemic and International Banks
Ramón Quintana

DG UDI – Universal and Diversified Institutions
Korbinian Ibel

DG SPL – Specialized Institutions and Less Significant Institutions
Patrick Amis

Source: bankingsupervision.europa.eu

ECB sets out its SSM supervisory priorities for 2025–2027

On 17 December 2024, the ECB-SSM published its 2025 AWP for the period 2025–2027 (for simplicity herein the 2025 AWP). The document builds upon the goals of the previous AWP for the period 2024–2026, yet in 2025 focuses on redressing key strategic priorities and implementation of new mandates.[5] The ECB-SSM's priorities in the **2025 AWP** also focus on fostering cross-sectoral regulatory consistency and supervisory convergence and is thus of relevance to NCAs and more importantly the relevant firms within the scope of ECB-SSM's and NCAs' Banking Union mandates as exercised by joint supervisory teams (**JSTs**).

Equally on 17 December 2024, the ECB-SSM published a number of more detailed descriptions of the methodology for assessing the (i) market risk, (ii) credit risk, (iii) interest rate and credit spread risk in the banking book, (iv) the internal governance and risk management as well as the operational and ICT risk of those entities that for SSM purposes are designated as 'significant institutions' (**SIs**), as part of the ECB-SSM-run Supervisory Review and Evaluation Process (**SREP**) along with aggregated results of the 2024 SREP, details of which are assessed in a separate Client Alert[6] but can be summarised as follows (please see on following page).

[5] Available here.
[6] Available here.

The 2024 SREP results

The 2024 SREP for banks supervised by the ECB took place during a period of uncertainty about both the economic outlook and the dynamics in financial markets.
The banking sector continues to show strength:

- **Euro Banks supervised by the ECB have strong capital and liquidity positions and remain resilient**;
- Against improvements in some risk indicators, downside risks called for caution in the supervisory assessments.
- The overall capital requirements and guidance stood at 15.6% of risk-weighted assets (RWA), on average, against a total capital ratio (transitional definition) of 19.9% as at the second quarter of 2024.

1 Business Model

Euro area **bank profitability continued to grow in 2023, reaching a new high in 2024** despite intensified cost pressures and weaknesses in operating profits in the latter half of 2023.

Although 24% of banks improved their SREP scores due to burgeoning profits and strategic improvements, **supervisors remain cautious about the sustainability of banks' business models due to challenges** such as a slowdown in net interest income, cost pressures, and a worsening business outlook.

2 Internal Governance and Risk Management

Internal governance and risk management remain areas of concern for ECB. The main findings on these areas are:

- Concerns about the **effectiveness of management bodies**, also due to their composition (including diversity), **Absence of a strong challenge culture and/or weak decision-making**.
- Insufficient attention and **inadequate resources allocated to internal control functions**, hampering their operational functionality,
- **Non-harmonised IT landscapes**, with low capacity for aggregating data, and slow progress on the remediation programmes, which hamper banks' ability to produce accurate non-standard reports.

3.1 Credit Risk

Average credit risk scores remained stable despite a gradual deterioration in asset quality since mid-2023, reversing the long-term decline in non-performing loans (NPLs). This stability was supported by a resilient retail sector and NPL reductions in high-NPL countries, but offset by weaknesses in commercial real estate markets and increased corporate insolvencies.

ECB Banking Supervision continued extensive supervisory actions, including targeted reviews of sensitive portfolios, follow-ups on previous reviews, and assessments of banks' credit risk management, especially in the context of IFRS 9 frameworks and forbearance measures. These activities have informed the credit risk scores and the 2024 SREP cycle.

3.2 Capital Adequacy and ICAAP

Capital adequacy scores have remained broadly the same, albeit a few changes in their distribution compared to 2023. Around 68% of banks were assigned the same score as in the previous SREP assessment cycle, while 10% saw their score deteriorate and 22% received an improved score.

In the 2024 SREP cycle, supervisors continued to focus on progress in institutions' capital planning, by assessing their capital planning frameworks, processes, capacity and the general quality of these frameworks in the context of political and macroeconomic uncertainties.

4 Other risks

Short-term liquidity risk remained stable, reflecting medium to low riskiness. The aggregate liquidity coverage ratio (LCR) of all banks marginally improved, from 158% to 159%, between the second quarter of 2023 and 2024 respectively, despite the repayment of more than 80% of borrowed targeted longer-term refinancing operation funds over recent quarters. Repayments of these funds released high-quality liquid assets and had a limited impact on the LCR.

Operational and ICT risk continued to be the SREP element with the worst average scores, with its ICT risk component being the worst average score. A revised 2024 SREP methodology for IT risk, operational risk and operational resilience was used for this SREP cycle. The three main objectives of the revision were to (i) reduce the dilution of IT risk in the SREP framework, (ii) facilitate a SREP multi-year assessment of operational risk, and (iii) allow for a single view of operational resilience.

Importantly, on 13 December 2024, the ECB-SSM had published its 2024 Supervision Report setting out observations relating to those Banking Union supervised institutions (**BUSIs**) that for SSM purposes are categorised as 'less significant institutions' (**LSIs**).

Source: bankingsupervision.europa.eu

Key takeaways from the ECB-SSM's 2025 AWP

As in previous years the ECB-SSM's 2025 AWP has outlined an ambitious and comprehensive work programme for 2025, aimed at enhancing regulatory consistency, supervisory convergence and addressing identified vulnerabilities across the Banking Union.

In summary the 16 pages of the 2025 AWP communicate the ECB-SSM's requirements and expectations of BUSIs as well as improvements to the ECB-SSM's functioning across the following three key priorities for 2025–2027:

Priority 1:
Banks should strengthen their ability to withstand immediate macro-financial threats and severe geopolitical shocks – with a focus on the following vulnerabilities amongst BUSIs:

- **Credit risk**: addressing deficiencies in credit risk management frameworks;
- **Operational risk**: addressing deficiencies in operational resilience frameworks as regards ICT outsourcing, security and cyber-risks including risks relating to artificial intelligence (**AI**); and
- **Multiple risk categories**: incorporating the management of geopolitical risks in supervisory priorities. In particular, this includes reviewing:
  - **Risk Management Frameworks**: Assessing the adequacy of BUSIs' frameworks for managing geopolitical risks;
  - **Capital and Liquidity Planning**: Evaluating how BUSIs incorporate geopolitical risks into their capital and liquidity planning processes; and
  - Internal Stress Testing: Reviewing BUSIs' internal stress testing practices to ensure they adequately account for geopolitical risks;

Priority 2:
Banks should remedy persistent material shortcomings in an effective and timely manner – with a focus on the following vulnerabilities amongst BUSIs:

- **Climate-related and environmental risks**: addressing deficiencies in business strategies and risk management around climate-related and environmental risks; and
- **Governance**: addressing deficiencies in risk data aggregation and reporting but equally in redressing continuing weaknesses when it comes to collective suitability (including as regards IT expertise and board independence, succession planning and the functioning and composition of committees). These weaknesses have been analysed in further detail in the ECB-SSM's revised supervisory Guide on Governance and Risk Culture which will be published in final form in early 2025.[7]

Priority 3:
Banks should strengthen their digitalisation strategies and tackle emerging challenges stemming from the use of new technologies – with a focus on the following vulnerability amongst BUSIs:

- **Business models**: addressing deficiencies in digital transformation risks.[8]

As in past years and in addition to the findings from the 2025 Stress Test[9], the ECB-SSM plans to carry out targeted supervisory activities assessing, monitoring and following up on the vulnerabilities identified. Specifically, the ECB-SSM will carry out targeted reviews and on-site inspections (**OSIs**)[10] on areas such as credit risk management, operational resilience and digital transformation as well as outsourcing of critical functions to third-party providers including in light of the implementation of the EU's Digital Operational Resilience Act (**DORA**) (see separate series of coverage from our EU RegCORE on DORA).

In summary, while the ECM-SSM's 2025 AWP is comprehensive and forward-looking there have been some changes between the focus, scrutiny and tone of what the ECB-SSM focused on in its 2024 AWP compared to what it plans to do in furtherance of its 2025 AWP's objectives and the longer-term goals set in the path to 2026 or indeed 2027.

[7] See our analysis on the draft of this ECB-SSM Guide available here.
[8] See our analysis on recent ECB-SSM's expectations available here.
[9] The 2025 EU-wide stress test, coordinated by the EBA, will include exploratory scenario analysis to assess banks' ability to model counterparty credit risk under stress conditions influenced by geopolitical factors. This analysis aims to identify vulnerabilities in banks' risk management frameworks and ensure preparedness for potential geopolitical shocks on the following key focus areas:
- Geopolitical Scenarios: The stress test will consider various geopolitical events, such as conflicts, sanctions, and trade disruptions, and their potential impact on the financial sector.
- Counterparty Credit Risk: A primary focus will be on banks' ability to model counterparty credit risk under stress conditions influenced by geopolitical factors, particularly exposures to counterparties in sensitive regions.
- Provisioning and Capital Levels: The adequacy of banks' provisioning and capital levels in response to geopolitical risks will be assessed.
- Risk Management Frameworks: The robustness of banks' risk management frameworks in incorporating geopolitical risks will be evaluated, including how banks identify, monitor and mitigate these risks.
- Capital and Liquidity Planning: Banks' capital and liquidity planning processes will be scrutinised to determine their ability to account for geopolitical risks, including the impact on funding sources, liquidity positions and overall financial stability.
- Internal Stress Testing Practices: The stress test will review banks' internal stress testing practices to ensure they adequately account for geopolitical risks, enhancing their preparedness for geopolitical shocks.

[10] For an overview of how the ECB-SSM carries out on-site inspections and internal model investigations please see here.

Key messages and differences between the ECB-SSM's 2024 AWP and 2025 AWP

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly, between the ECB-SSM's 2024 and 2025 AWPs:

Topic – running order as used in publications	ECB-SSM's 2024 AWP – had the ECB-SSM focusing on:	ECB-SSM's 2025 AWP – will have the ECB-SSM focusing on:
Supervisory framework and priorities	• The focus included digital transformation and cyber threats, with seven key vulnerabilities identified. • Specific deadlines were set for banks to meet certain requirements by the end of 2024. • The text included detailed information about internal model investigations, counterparty credit risk (**CCR**) management and targeted OSIs on CCR management. • There was a focus on the extension of deep dives on forbearance and unlikely to pay (**UTP**) policies. • The supervisory priorities included an OSI campaign on interest rate risk in the banking book (**IRRBB**), investigating asset and liability management (**ALM**) positioning and strategy, IRRBB behavioural models and hedging strategy. • Prioritised vulnerability included deficiencies in operational resilience frameworks, particularly ICT outsourcing and ICT security/cyber risks.	• The focus shifted to include strategic objectives, work programmes and the identification of five key vulnerabilities with a special focus on geopolitical risks. • Emphasis was placed on the importance of digitalisation, managing risks from new technologies and the supervisory priorities for 2025–27, including banks' resilience to macro-financial threats and geopolitical shocks. • The text now includes targeted OSIs on operational risk and ICT resilience frameworks, implementation of DORA and a special focus on geopolitical risks. • The revised text includes a detailed explanation of ongoing and future supervisory activities, including follow-up remediation activities and progress in credit risk management frameworks.

<table>
<tr><th>Topic – running order as used in publications</th><th>ECB-SSM's 2024 AWP – had the ECB-SSM focusing on:</th><th>ECB-SSM's 2025 AWP – will have the ECB-SSM focusing on:</th></tr>
<tr><td>Risk management and compliance</td><td>• Credit risk and ALM frameworks, ensuring both liquidity and funding risks and also IRRBB.
• Shortcomings in asset and liability management frameworks, liquidity and funding risk, IRRBB and credit risk and counterparty credit risk management.
• Shortcomings in credit risk and counterparty credit risk management frameworks.
• Follow-up on the IFRS 9 targeted review, monitoring progress on the ability of banks' expected credit loss models to capture emerging risks, with a focus on overlays.
• Extension of the OSIs, focusing on IFRS 9 collective staging and provisioning for small to medium sized enterprises (SMEs), retail and commercial real estate (CRE) portfolios, including collateral valuations.
• Detailed passage about deposit insurance, targeted longer-term refinancing operations (TLTRO) exit strategies and various supervisory activities related to ALM and liquidity.
• Deficiencies in risk data aggregation and reporting, with a focus on addressing long-standing deficiencies and having adequate and effective risk data aggregation and risk reporting (RDARR) frameworks in place.
• Timely and accurate risk-related data aggregation and reporting are essential for sound decision-making and effective strategic steering by banks.
• Substantial progress in remedying long-standing shortcomings identified in RDARR, with a structured escalation mechanism, possibly including enforcements and sanctions.
• Refinement of supervisory expectations related to the implementation of RDARR principles and publication of the respective ECB-SSM's RDARR Guide.
• Supervisors will perform targeted reviews and OSIs and will engage with banks.
• Detailed information on supervisory activities, findings and actions related to internal models, counterparty credit risk management, ALM and the functioning of banks' management bodies.</td><td>• Credit risk management frameworks, however the focus on ALM and related risks will be removed.
• Deficiencies in credit risk management frameworks.
• Identify deteriorations in asset quality in a timely manner.
• Follow-up phase of IFRS 9 focusing on the use of overlays and coverage of novel risks, including geopolitical risks, with detailed supervisory follow-up processes.
• Continuation of credit risk OSIs, focusing on IFRS 9 collective staging and provisioning for corporates/SMEs, retail and commercial real estate portfolios.
• Added a new focus area on SME portfolios, emphasising early identification and handling of borrower distress, SME models and governance.
• Removed detailed passage about deposit insurance, TLTRO exit strategies and various supervisory activities related to ALM and liquidity.
• Emphasis on remediating long-standing shortcomings in RDARR frameworks and aligning practices with supervisory expectations, with potential escalation measures.
• Progress in tackling long-standing deficiencies in RDARR frameworks remains insufficient, highlighting non-compliance with supervisory expectations.
• Adherence to supervisory expectations laid down in the ECB-SSM's RDARR Guide.
• Increased supervisory pressure on banks that fail to remedy deficiencies, with tailored remediation strategies and use of sanctions.
• Follow-up work on the targeted review of RDARR practices and adherence to the ECB-SSM's RDARR Guide, with targeted OSIs looking at overarching governance and ICT infrastructure issues.
• Continuation of targeted reviews of RDARR capabilities and proactive engagement with banks when shortcomings are identified.
• Detailed information on supervisory activities, findings and actions related to internal models, counterparty credit risk management, ALM and the functioning of banks' management bodies, with specific areas of concern and actions taken.</td></tr>
</table>

Topic – running order as used in publications	ECB-SSM's 2024 AWP – had the ECB-SSM focusing on:	ECB-SSM's 2025 AWP – will have the ECB-SSM focusing on:
Digital transformation and ICT risks	• Banks should comply with the legal requirements stemming from DORA as regards ICT risk management, incident reporting, the testing of digital operational resilience and third-party service providers. • Shortcomings in asset and liability management were identified as a prioritised vulnerability. • Targeted reviews of the soundness and reliability of funding plans, contingency planning and the adequacy of collateral optimisation capabilities, as well as of ALM governance and strategies. • Targeted OSIs assessing the robustness and appropriateness of funding and recovery plans. • Follow-up work on the findings from the targeted review on interest rate and credit spread risks, extending this review also to a wider scope of institutions. • Banks should develop and execute sound digital transformation plans through adequate arrangements (e.g., business strategy and risk management) to strengthen their business model. sustainability and mitigate risks related to the use of innovative technologies. • Targeted reviews focusing on the impact of banks' digital transformation on their business model/strategy, governance and risk identification/ management, complemented by JSTs' follow-up with banks where material deficiencies are identified. • Targeted OSIs on digital transformation, combining the business model dimension with the ICT aspect of banks' digital transformation strategies. • Banks need to strengthen and, where needed, adjust their operational resilience frameworks to mitigate potential risks, especially in light of increasing cyber threats stemming from the current geopolitical environment.	• Banks should comply with DORA and address ICT risk management, incident reporting and digital operational resilience testing. • Deficiencies in operational resilience frameworks as regards ICT outsourcing and ICT security/cyber risks were identified as a prioritised vulnerability. • Collection of data on third-party ICT providers to identify links between supervised entities and third-party providers, potential concentration risks and weaknesses in banks' outsourcing arrangements. • Reviews of risk management frameworks for outsourcing risks and of cyber resilience frameworks and risk controls. • Follow-up work on the findings from the cyber resilience stress test. • Detailed passage about the 2024 cyber resilience stress test and its findings, including areas for improvement and future supervisory actions. • Specific areas of focus related to ICT systems and data quality were added. • New priority focusing on banks strengthening their digitalisation strategies and addressing challenges from new technologies. • Emphasis on digital transformation, cyber threats and the role of AI in banking, highlighting the need for safe-guards, structured approaches and targeted strategies. • Banks should strengthen their digitalisation strategies and the related execution plans to properly mitigate the underlying risks, including risks stemming from the use of new/advanced technologies such as cloud services and AI. • Detailed discussion on the profitability of banks, the impact of the macro-financial environment and the importance of leveraging profits for digitalisation and operational resilience. • Targeted activities focusing on the impact that banks' digital activities have on their business models/strategies and the risks stemming from the use of innovative technologies. • Targeted OSIs looking at both ICT-related and business model-related aspects of banks' digital transformation strategies. • The passage discussing the need for banks to strengthen operational resilience frameworks, address vulnerabilities from third-party providers and improve ICT security in light of geopolitical cyber threats was removed.

Topic – running order as used in publications	ECB-SSM's 2024 AWP – had the ECB-SSM focusing on:	ECB-SSM's 2025 AWP – will have the ECB-SSM focusing on:
Economic and geopolitical context	• Detailed description of past challenges, including the COVID-19 pandemic, Russia's war in Ukraine and failures of US and Swiss banks and their impact on the banking sector. • Forward-looking assessment of challenges, including the impact of rising interest rates, potential asset quality deterioration and geopolitical risks. • Discussion of the resilience of firms and households, early signs of asset quality deterioration and various market conditions affecting asset quality. • Emphasis on the need for banks to strengthen their resilience to immediate macro-financial and geopolitical shocks. • Detailed discussion of specific risks to banks' asset quality, including geopolitical tensions, interest rates and economic slowdown. • Analysis of inflationary pressures, ECB-SSM's actions and banks' liquidity and funding resilience. • Discussion on the recent profitability of supervised institutions, their structural weaknesses and the challenges posed by high cost-to-income ratios and inflationary pressures.	• Current assessment of the banking sector's resilience and performance, emphasising recent achievements and stability. • Call for prudence and vigilance in light of ongoing geopolitical tensions and macroeconomic uncertainties. • Detailed economic outlook, including real GDP growth, inflationary pressures and the impact of geopolitical risks and structural challenges. • Emphasis on the need for heightened supervisory scrutiny and proactive risk management practices. • Comprehensive analysis of various risks and challenges facing the banking sector, including geopolitical shocks, climate-related crises, technological transformation and market conditions. • Updated references to the most current ECB projections and publications, providing more relevant and up-to-date information. • Introduction of a new discussion on the profitability of supervised entities due to the shift from low to positive interest rates, highlighting the impact on net interest margins and cost efficiency.
Governance and strategic planning	• Highlighted the need for strong internal governance and effective risk controls, particularly in response to recent bank failures. • Emphasised the importance of timely and effective supervisory responses and escalation mechanisms. • Detailed deficiencies in management bodies' functioning, RDARR capabilities and digital transformation strategies. • Stressed the need for banks to address material deficiencies in management bodies' functioning, oversight and composition. • Identified deficiencies in governance and the management of climate-related and environmental risks as a priority. • Mentioned the update and publication of supervisory expectations on governance and risk management. • Included a comprehensive discussion on climate change risks, governance and the impact of geopolitical tensions on transition risks.	• Emphasises the need for banks to address major shortcomings and comply fully with supervisory expectations. • Focuses on the importance of addressing material deficiencies and meeting supervisory expectations, particularly related to C&E risks. • Provides a detailed assessment of banks' compliance with supervisory expectations regarding C&E risks, including deadlines, supervisory decisions and future monitoring. • Highlights the shift from risk identification to risk remediation, stressing the need for banks to remedy persistent material shortcomings promptly and effectively. • Updates the reference to a blog post, indicating a shift in focus to the importance of transition planning. • Expands the content to include specific references to ESG risks and future supervisory priorities, providing more detailed guidance and context for banks. • Clarifies the purpose of the Management Report, emphasising accountability. • Removes the emphasis on climate change risks and the need for banks to incorporate these risks into their business strategies and governance frameworks, shifting the focus to other priorities.

Topic – running order as used in publications	ECB-SSM's 2024 AWP – had the ECB-SSM focusing on:	ECB-SSM's 2025 AWP – will have the ECB-SSM focusing on:
Other action points	• Included both regular and ad hoc activities, allowing for a broader scope of supervisory actions. • Referenced past reports and specific supervisory priorities for 2024–2026, providing historical context and continuity. • Detailed discussion of CCR management, highlighting material shortcomings and specific supervisory activities. • Identified key deficiencies related to management bodies, data architecture and ICT landscapes, emphasising the need for strong prioritisation by management bodies. • Included specific references and citations, enhancing the document's credibility and verifiability.	• Narrowed the scope to only regular activities, excluding ad hoc activities, which may limit the flexibility of supervisory responses. • Emphasised the importance of addressing material shortcomings, particularly in risk data aggregation and reporting and updated the timeline for supervisory priorities. • Broadened the focus to include emerging risks and expected credit loss models, highlighting progress and deficiencies in banks' risk management practices. • Provided a more structured and detailed account of identified weaknesses, emphasising findings from recent supervisory reviews.

Outlook

The ECB-SSM's 2025 AWP sets out a comprehensive agenda aimed at enhancing the resilience and robustness of BUSIs. With the ECB-SSM set to step up its scrutiny, in particular on a number of points where its patience is wearing thin, BUSIs need to adapt to these new requirements and actively participate in the ECB-SSM's but also other Banking Union-specific and EU-wide initiatives to ensure compliance and readiness in the evolving regulatory as well as supervisory landscape.

More crucially, as the regulatory landscape continues to evolve, BUSIs are encouraged to actively engage with supervisory authorities, leverage technological advancements and implement sound risk mitigation strategies including expectations of the ECB-SSM in light of digital transformation and business model reinvention. The ECB-SSM will continue to monitor and assess the progress of supervised entities, adapting its supervisory approach as necessary to address emerging risks and vulnerabilities. Accordingly, some of the issues highlighted above may also require changes to as well as strengthening of systems and controls, policies and procedures as well counterparty, client and customer facing documentation during the 2025 supervisory cycle.

SRB – sets out its SRM supervisory priorities for 2025

On 28 November 2024, the SRB published its AWP for 2025 setting out its joint focus on key strategic priorities and implementation of new mandates.[11] The SRB on the same day equally published a list of upcoming consultations and requests to the industry during 2025, its 10th year of full operationalisation.[12] Both of these documents highlight a particular emphasis on ongoing collaboration to tackle cross-sectoral plus new emerging risks as well as promoting resilience and resolvability across the EU financial system firms within the scope of the SRB's mandate. Both documents should also be read in conjunction with the SRB's Multi-Annual Plan 2024–2028 (the **MAP**)[14], which sets out the SRB's longer term plan to meet its "SRM Vision 2028" strategy.[14]

The SRB's 2025 AWP has outlined a comprehensive set of requirements and expectations for financial institutions within the Banking Union to ensure effective crisis preparedness, resolution planning and operational resolution readiness (including a greater focus on the impact of digital/cyber-threats as well as ICT failings). The SRB has identified the following common priorities for all banks under its supervision:

- **Separability and transferability**: Focus on operationalising the sale of business through enhancements to the Transfer Playbook, preparing for future testing of transfer strategies.
- **Access to financial market infrastructure (FMI) services**: Conduct walkthroughs on FMI contingency plans with a sample of service providers to identify and address potential shortcomings. Additionally, banks must test their ability to deliver an up-to-date list of critical
  and essential FMI service providers within 24 hours.
- **Liquidity and funding in resolution**: Participate in a dry run to test capabilities in reporting an updated Joint Liquidity Template (**JLT**) as part of a horizontal liquidity exercise.

[11] Available here.
[12] Available here.
[13] Available here.
[14] See our analysis available here.

Key takeaways from the SRB's 2025 AWP

As in previous years the SRB's 2025 AWP has outlined an ambitious and comprehensive work programme for 2025, aimed at enhancing regulatory consistency, supervisory convergence and resolvability across the Banking Union. The SRB remains committed to fostering consistency and supervisory convergence within its mandate. This involves regular coordination of activities within their respective responsibilities to ensure uniformity in practices and expectations.

In summary the 62 pages of the 2025 AWP communicate the SRB's requirements and expectations of banks as well as improvements to the SRB's functioning across the following nine key areas:

Strategic area	Specific actions
1. Crisis Preparedness and Management	a. Centralised Crisis Management Function • Financial institutions must be prepared to respond to evolving threats. The SRB will enhance crisis communications through the SRM Communications Forum, which includes experts from the SRB, NRAs, ECB and the European Commission. • Financial institutions are expected to participate in the development and implementation of "crisis communication plans", integrating digital communication tools and platforms and adjusting them regularly to reflect the latest threats and risks. This includes adapting to changes in the external environment, such as geopolitical developments, economic shifts and technological advancements. • Financial institutions are required to participate in regular training sessions, dry runs and simulations organised by the SRB and implement lessons learned from such efforts as well as from actual crisis events. These exercises help identify gaps in crisis communication plans and provide opportunities for updates and improvements. • The SRB produces bi-annual monitoring reports to assess the overall state of crisis readiness and communication. Financial institutions must contribute to these reports by providing updated information on their crisis communication plans and any changes made. b. Risk Policy Framework • Financial institutions must actively monitor risks under the SRB's overarching risk policy framework. This includes a horizon-scanning process to identify and assess emerging threats and implement mitigation measures as needed. See further details about Rule Scanner in the About Us section below, as a possible solution to meet this expectation. c. Operationalisation of Resolution Strategies and Tools • Financial institutions are required to develop and update resolution tools, such as the bail-in calculator, public interest assessment (**PIA**) tool and moratorium tool. These tools must be tested and integrated into the banks' operational frameworks. • As set out in the MAP, the SRB and the NRAs are expected to action the development of National Handbooks, the integration of lessons learned from previous crises and the enhancement of valuation capabilities. The SRB will also focus on developing operational aspects regarding the use of the SRF and coordinating procedures with national jurisdictions to ensure a seamless response during resolution actions.

Strategic area	Specific actions
2. Resolution Planning and Resolvability	a. Annual Resolution Planning Cycle (**RPC**) • The SRB has shifted focus from drafting and updating resolution plans to operationalising and testing them. The SRB will manage multiple RPCs, ensuring the adoption of resolution plans and engaging with NRAs and banks to enhance preparedness. Some financial institutions may need to adopt a more modular approach to resolution planning, making plans more actionable in case of a crisis. • The 2025 RPC will follow a new and simplified approach to make plans more user-friendly and enable the shift towards a more comprehensive testing framework. This framework will include various layers of testing, such as resolution authority-led testing, bank testing and larger dry runs and simulations. The SRB will also develop training packages for crisis readiness, which will be accessible to both SRM and external stakeholders. These initiatives aim to ensure that all resolution teams are adequately prepared for crises and can implement resolution strategies effectively. • Communication and document exchange with financial institutions will be streamlined using the Integrated Resolution Information System (**IRIS**). b. Resolvability Self-Assessment • Financial institutions are required to conduct self-assessments of their resolvability using new SRB guidance. These self-assessments will be the starting point for the SRB's resolvability assessments. • Institutions must participate in bankled testing exercises and deep dives to provide additional information on their level of resolvability and crisis readiness. c. On-Site Inspections (**OSIs**) • The SRB will conduct OSIs based on a methodological framework. Financial institutions must be prepared for these inspections and implement any recommendations from the SRB. d. Addressing Substantive Impediments • Financial institutions must remove any substantive impediments to their resolvability. The SRB will provide internal guidance and training on policy considerations and procedural steps for addressing these impediments.
3. Minimum Requirements for Own Funds and Eligible Liabilities (MREL)	a. MREL Monitoring • Financial institutions must adhere to their individual MREL targets. The SRB will monitor compliance and may impose restrictions or trigger substantive impediments procedures if targets are not met. b. Eligibility Checks • The SRB will phase in eligibility checks in a new standardised format to ensure that banks' eligible liabilities meet the required standards.

Strategic area	Specific actions
4. Operational Continuity in Resolution (OCIR)	a. Policy and Best Practices • Banks must comply with the SRB's policies on operational continuity, including those related to the DORA. This includes ensuring that ICT disruptions are addressed in resolvability and testing frameworks. b. Reporting Templates • Institutions must update their reporting templates to avoid unnecessary duplication and reduce ad hoc requests for OCIR data points.
5. Liquidity and Funding in Resolution	a. SRF Operational Procedures • Banks must develop and test procedures for using the SRF during resolution actions. This includes identifying and mobilising collateral and ensuring the feasibility of proposed liquidity strategies. b. Analytical Tools • The SRB will enhance its analytical tools to assess banks' liquidity needs in resolution and banks must be prepared to provide the necessary data for these assessments.
6. Public Interest Assessment (PIA)	a. Consistent Assessment: • Banks must support the SRB in conducting a horizontally consistent assessment of public interest during both the resolution planning and crisis phases. This includes providing quantitative support for PIA decisions. b. Legislative Changes: • Institutions must be prepared for potential changes to the PIA policy based on ongoing legislative negotiations and updates to the Implementing Technical Standards on resolution reporting.
7. Regular Assessment and Reporting	a. Financial Stability and Economic Analysis Dashboards: • Banks must contribute to the SRB's efforts to develop and maintain dashboards for assessing financial sector risks. This includes providing regular updates and data to support these assessments.
8. Governance and Internal Organisation	a. Streamlined Decision-Making: • In 2025, the SRB will focus on streamlining its governance and organisational structure to increase transparency and efficiency. This includes a comprehensive review of decision-making processes, enhancing NRA participation in technical and preparatory bodies and developing a more integrated approach to events and discussions. • The SRB will also update its organisational structure to align with the new strategic vision, ensuring that it can respond effectively to national specificities and leverage NRA expertise. This includes revising the Rules of Procedure of the Executive and Plenary Session and developing flashcards on decision-making processes. In certain instances, some banks must align their internal processes with the SRB's streamlined decision-making procedures to increase transparency and efficiency of resolvability.

[15] See also the EU RegCORE's analysis on the ECB-SSM's guide on OSIs- available here.

Strategic area	Specific actions
8. Governance and Internal Organisation	b. Digital Transformation: • Financial institutions are expected to participate in the SRB's digital transformation initiatives, including the development of a digital transformation strategy and the use of best-practice technologies. The SRB has created the Digital Transformation Group (**DTG**) to develop and implement a digital transformation strategy. This group will leverage the knowledge and experience of its participants from the SRB and NRAs and collaborate with other stakeholders such as the ECB and the European Commission. Furthermore, the DTG will identify and initiate proofs of concept to explore and validate new digital solutions. These initiatives will be supported by the newly established Innovation Laboratory (**iLab**), which aims to promote the development of digitalisation and automation projects. • The SRB will further develop and enrich its Data Management Framework to facilitate implementation and operability. This includes supporting the SRB Data Catalogue and working on master data policies and processes. A centralised data quality policy will be drafted and implemented, along with tools and mechanisms for applying the data quality framework. This aims to ensure high standards of data integrity and usability. The SRB will enhance its data ICT architecture to improve the collection, processing and sharing of data. This includes assessing additional opportunities to grant NRAs further access to SRB ICT solutions, fostering a collaborative digital working environment. • The SRB will carefully adopt AI technologies to transform its operational landscape. This involves using AI on-site for sensitive operations and leveraging Cloud Service Providers' solutions for less critical processes, guided by specific use cases and risk appetite. • The SRB will work closely with NRAs to exchange knowledge and best practices, ensuring a coordinated approach to digital transformation across the Banking Union.
9. Human Resources	a. Talent Management • Banks must support the SRB's efforts to develop a motivated and professional pool of talent. This includes participating in internal and external mobility programmes and career development initiatives. • The SRB will provide training initiatives dedicated to core business topics and collaborate with NRAs. A skills gap analysis will identify learning needs and a common SRM Training Curriculum will be established. b. Diversity and Inclusion • A working group on Diversity and Inclusion will focus on various dimensions of diversity, based on staff surveys and other tools. Communication actions and training will be launched to increase awareness and transparency. • Institutions must implement measures to promote diversity and inclusion within their organisations, in line with the SRB's gender action plan and other diversity initiatives

In summary, while the SRB's 2025 AWP is comprehensive and forward-looking there have been some changes between the focus, scrutiny and tone of what the SRB focused on in 2024 AWP compared to what it plans to do in furtherance of its 2025 AWP's objectives and the longer-term goals set out in the MAP and the SRM Vision 2028.

Key messages and differences between the SRB's 2024 AWP and 2025 AWP

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly, between the SRB's 2024 and 2025 AWPs:

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
Strategic objectives and focus areas	• The SRB's 2024 AWP was set against the backdrop of market turmoil in 2023 and strategic reviews carried out in 2023. The policy context for 2024 included the completion of the transitional period by the end of 2023 and the start of a new phase for the SRB in 2024. • The SRB set the following strategic objectives: (a) SRM as a reference in resolution field, (b) open external dialogue and close collaboration an (c) digital transformation and state-of-the-art technologies. • The SRB planned to conduct a verification exercise in early 2024 to determine the financial means in the SRF. • The SRB's Finance and Procurement team was to ensure the implementation of the 2024 budget and procurement plan. • The SRB's Legal Service was to provide guidance on legal matters from a policy and individual bank perspective in 2024. • The SRB's Internal Audit was to present the annual report and conduct audit engagements throughout 2024. • The SRB was to focus on strengthening cooperation with the SSM and enhancing data quality in 2024. • Focus on the number of LSIs and resolution plans, with historical data and future expectations. • Emphasis on the implementation phase of the EfB and liquidity and funding in resolution. • Detailed description of external collaboration and regulatory activities. • Focus on exploring crypto finance and decentralized finances as potential sources of contagion. • Emphasis on the role of the SRB Legal Service in future plans. • General key performance indicators related to the RPC cycle. • Focus on minimum requirements for MREL and dashboards. • Mention of collaboration with the International Institute for the Unification of Private Law. • Emphasis on ongoing international engagement and cooperation with EU institutions. • Focus on the recruitment of additional capacity for various functions.	• The SRB's 2025 AWP marks 10 years of work on resolvability and financial stability, with the implementation of the SRM Vision 2028 strategy. The policy context for 2025 includes the impact of Russia's invasion of Ukraine, the Middle East conflict and global economic uncertainties. • The 2025 AWP sets out the main priorities for the next year, including standard operations and new strategic initiatives. The SRB set the following strategic objectives: (a) motivated and professional pool of talent, (b) learning and development and (c) SRM as a reference in the resolution field. • The SRB will conduct a verification exercise in Q1 2025 to check the financial means in the SRF as of 31 December 2024. • The SRB's Finance and Procurement Unit will ensure the monitoring of the 2025 budget and procurement plan. • The SRB's Legal Service will provide guidance on crisis management, operationalisation of resolution tools and comprehensive testing in 2025. • The SRB's Internal Audit will present the annual report and conduct audit engagements throughout 2025. • The SRB will implement a centralised data quality policy and develop its data ICT architecture in 2025. • Focus on enhancing the consistent application of resolution standards among LSIs and cooperation with NRAs. • Detailed plans for 2025, including new guidance on resolvability self-assessment, a reviewed methodology and a comprehensive plan for testing and training. • Introduction of the Innovation Laboratory (**iLab**) and data management initiatives. • Emphasis on supporting IRTs with public interest assessments and using new datasets. • Highlighting the SRB Legal Service's demonstrated flexibility and adaptability. • Specific performance targets and metrics related to the usefulness of dry runs and simulations.

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
Strategic objectives and focus areas		• Introduction of new metrics for the number of crisis preparedness documents to be updated or drafted. • New section on Key Performance Indicators for the MAP, including user interactions with knowledge management tools. • Emphasis on digital transformation and the development of a digital transformation strategy with the support of the Digital Transformation Group (**DTG**). • Introduction of a new sub-objective to promote sustainability within the SRB's core business. • Detailed metrics and baseline information related to SRM Vision 2028, internal communications, awareness campaigns, staff satisfaction surveys and EMAS certification plans. • New strategic objective related to learning and development and its measurement areas.
SRB's Organisational structure and roles	• The SRB planned to revise the principles and assumptions underpinning its organisational structure in 2024 to assess the need for changes to implement a new strategy. • The Legal Service was organised into three specialised teams: Legal Advice Team, Litigation Team and Resolution Financing Team. • The Internal Controls Office was to be integrated into a new Risk Management, Control and Compliance unit in 2024, which would develop its work programme based on new responsibilities and the impact of the strategic review. • The document included detailed organisational charts and team listings, providing a comprehensive view of the SRB's structure and roles.	• The SRB plans to start revising its internal rules of procedure and reassess its internal procedures for the approval process of deliverables, including inter-service consultation, to free up resources. • The Legal Service is now centred around three core centres: Legal Advice, Litigation and Resolution Financing, emphasising a more integrated approach. • The Internal Control Office is now part of the Risk Management, Control and Compliance Unit, which will refine its risk appetite framework and work on growing the SRB's risk culture through awareness sessions. • Detailed descriptions of the roles and responsibilities of the Document Management Office and Business Continuity Office for 2025 were added. • A new section provides detailed information about the establishment, composition and functions of the Appeal Panel. • The organisational chart was updated to reflect the current structure, including key positions, names of board members and the structure of various directorates and their functions. • Personnel changes were updated, reflecting new appointments and corrections to names and institutions involved.

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
SRB's policy and regulatory compliance focus	• Required permission for use or reproduction of photos or other material not under the copyright of the Single Resolution Board. • Policy development based on achievements, lessons learned and potential changes linked to the strategic review and Crisis Management and Deposit Insurance (**CMDI**) package. • Review of the policy on operational continuity in resolution to ensure alignment with the new DORA framework and best practices. • Revaluation of MREL policy using past experiences, including crisis cases in 2023 and consultation with the industry. • Ensuring a better level-playing field across players, particularly on costs and other quantitative estimates, interdependencies and counterparties. • Main priorities include ensuring EUDPR compliance of SRB cloud solutions and establishing mechanisms for international data transfers. • The Data Protection Office was tasked with continuing the assessing issues concerning the SRB's processing of personal data and identifying suitable legal, organisational and technical solutions.	• Permission may need to be sought directly from respective rightholders for elements not owned by the Single Resolution Board, with specific information about copyrighted elements provided. • Policy development will focus on identifying new and emerging risks early in the resolution planning process and transitioning towards comprehensive testing. • Continuous monitoring and development of OCIR policies in line with international standards and emerging technologies and ICT risks, with a focus on 2025. • All banks within the SRB remit have reached the MREL target and the 2024 MREL policy was introduced following public consultation. • Detailed plans for implementing changes related to OCIR, including support for banks, new guidance and updates to reporting templates. • Observations on compliance and areas for improvement in the solvent wind-down of trading books policy, with future plans for updating operational guidance and standardising procedures. • Monitoring CMDI negotiations, supporting co-legislators and initiating discussions on PIA policy changes, with enhancements in financial stability assessments and data analytics. • Commitment to comply with Regulation 2023/2841 for a high common level of cybersecurity at EU entities. • Revised approach to MREL eligibility checks and policy stability, with a phased approach and reflection on public consultation responses. • Ensuring compliance of SRB cloud and AI solutions with the European Data Protection Regulation and updating references for international data transfers. • Monitoring developments regarding the Adequacy decision for EU-US data flows and explaining transfer impact assessments. • The Data Protection Office will continue assessing issues concerning the SRB's processing of personal data and identifying suitable legal, organisational and digital solutions.

Topic – running order as used in publications	SRB’s 2024 AWP	SRB’s 2025 AWP
SRB’s Human Resources and Talent Management functions	• “Strategic area number 3” was focused on Human Resources. • The SRB engaged closely with various European bodies on regulatory and policy issues. • The document mentioned the evolution of human resource management to ensure the mechanism can deliver on its core business objectives. • The SRB planned to implement activities in three strategic objectives: motivated, diverse and professional pool of talent; learning and development; and increased focus on diversity and inclusion. • The Establishment Plan was increased in 2024, with recruitment remaining a main goal. • The SRB aimed to establish internal policies and systems for employee development.	• “Strategic objective 3.3” now focuses on increased diversity and inclusion. • The SRB will develop talent management tools and frameworks, including launching an internal mobility program and promoting external mobility. • A working group on diversity and inclusion will broaden its focus based on a staff survey. • The SRB will invest in leadership training courses and encourage regular feedback through management meetings and town hall events. • Recruitment and staff retention remain main goals for 2025, with progress in updating internal policies and tools for employee development. • Strategic objectives for 2025 include developing a comprehensive internal and external mobility program, launching a pilot call for internal mobility and expanding cooperation with EU, national and international bodies. • New metrics and targets for staff engagement, training satisfaction and diversity and inclusion initiatives have been introduced. • A Career Guidance Cell will be launched to support staff career goals. • The SRB will conduct a skills gap analysis and revise the training strategy and policy accordingly. • Specific ratios of female to male staff across different grades and position types have been added. • The percentage of staff responding positively to diversity and belonging statements in surveys will be tracked. • Awareness-raising events on diversity and inclusion and the percentage of actions addressed from gender, diversity and inclusion initiatives are now included as metrics.

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
SRB's collaboration and stakeholder engagement	• Details on cooperation with other authorities in charge of resolution of cross-sectoral financial groups, with the national authorities of EU Member States and of third countries and engages actively outside the Banking Union with the industry. • Focus on governance and operational data management, including data strategy, internal and external communication on data-related topics and ICT improvements. • Cybersecurity initiatives, including the development of a new ICT Cybersecurity Framework and policy and the implementation of Multi-Factor Authentication. • Improvement of ICT applications and operational efficiency, including new releases for various systems and the deployment of a new ICT application for Resolution Planning. • Focus on resilience measures, including a Disaster Recovery Plan and infrastructure to support future innovation initiatives. • Organisation of formal and informal occasions for exchanges of information within the SRM and training to promote positive behaviour and practices. • Explore working modalities between SRB and NRA staff to foster a dynamic and collaborative working environment. • Focus on activities that promote team building and personal connections, such as the definition of common values for the SRM and team-building exercises. • Strengthen work in terms of sustainability, including a stocktake of existing practices and a gap analysis to integrate sustainability at the SRB core business. • Details on commencement of work on creating a comprehensive stakeholder engagement.	• Updated details on cooperation with other sectoral authorities in charge of resolution, with the national authorities of Banking Union Member States and of third countries, as well as outside the Banking Union with the industry. • Detailed section discussing the impact of the newly elected European Parliament and Commission, pending reforms, policy discussions and the SRB's engagement in various topics and strategies. • Strengthening cooperation with EU bodies and developing closer relations with third countries, replacing the focus on governance and operational data management. • Role in CCP resolution planning, participation in various committees and cooperation with the banking industry, replacing the focus on cybersecurity initiatives. • Developing common positions to support the legislative process and increasing strategic cooperation with third countries, replacing the focus on ICT improvements and operational efficiency. • Engaging actively within the Resolution Steering Group at the Financial Stability Board and maintaining cooperation with various EU institutions and agencies. • Engagement with NRAs and banks to enhance preparedness at a resolution planning stage, including deep dives as an important part of the planning. • Encouraging teamwork and cross-functional collaboration, promoting an atmosphere of information sharing and fostering open and transparent communication. • Collecting and disseminating good IRT practices and addressing identified shortcomings, replacing the exploration of working modalities between SRB and NRA staff. • Focus on activities to further the SRM culture, including common initiatives around the 10th anniversary of the SRM and common induction trainings. • Efforts towards sustainability, including collaboration with other EU agencies and aiming for EMAS certification by 2025. • Annual SRB Legal Conference to discuss topical legal matters relevant to the regulation of the financial system. • Continue work on creating a comprehensive stakeholder engagement. • Metric for the number of publications produced in working groups including NRAs.

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
SRB's operational efficiency and use of digital tools	• Emphasis on creating links to testing and learning opportunities and enhancing crisis communication. • Focus on cooperation with EU Institutions and agencies, particularly the European Systemic Risk Board. • Maintaining close cooperation with the banking industry through public events and dialogues. • Mention of the SRB being a non-voting member of the ESRB. • Strategic focus on enhancing legal work processes through automation and digitalisation. • Plans to leverage digital tools such as EDRMs or JIRA and internal case management systems like ULM or knowledge management databases. • Initiation and analysis of the potential acquisition of a budget, procurement and planning tool in 2024. • Comments on ongoing and potential new litigation cases from the SRM Legal service.	• Introduction of supporting tools like the bail-in calculator, PIA tool, moratorium tool and Ready for Crisis (**R4C**), with plans for enhancing functionality and training users. • Use of Service Providers solutions for less critical processes and maximisation of AI solutions, informed by specific use cases and risk appetite. • Focus on increasing efficiency in the deployment process and monitoring applications, including the use of logs and their analysis. • Detailed information on resilience measures, ICT security and the adoption of the National Institute of Standards and Technology Cybersecurity Framework. • Stronger commitment to using digital tools, with the SRB Legal Service moving its litigation management system into a fully digitalised database. • Clearer timeline and specific actions for using a new tool for budget and procurement forecasting starting in 2025, along with the implementation of new e-Procurement tools. • Inclusion of tenders above EUR 15,000 in the procurement plan and a new support function related to legal advice. • Specific target of 15 training sessions on new resolvability testing. • Detailed performance indicators, baselines and targets for 2025, including the average number of days for formal policy approval and the alignment index of SRB work. • New metric for the number of business process maps formally approved or updated since 2023. • Policies relevant to the data governance framework, including the data quality policy and annual assessment policy with an 80% figure. • Detailed information about support activities and indicators for the AWP 2025, including specific metrics for IT operations, budgetary management and communication.

Topic – running order as used in publications	SRB's 2024 AWP	SRB's 2025 AWP
Other priorities	• Discussed potential revisions to governance structures and mechanisms to align with the new SRM Vision 2028. • Included detailed information about the SRB's planned activities, focus areas and strategic initiatives for 2024. • Provided specific actions for making resolution tools operational. • Included a section discussing the new European institutional cycle in 2024, including elections, new decision-makers and the SRB's input to the Council. • Contained detailed metrics and performance indicators related to crisis readiness, crisis response and investment liquidity. • Included specific information about the SRB's approach to addressing lessons learned and liquidity management. • Provided detailed explanations about the EBA Guidelines on Resolvability, climate risk assessments and data-sharing initiatives for 2024. • Contained specific financial details regarding ICT consultancy costs. • Included detailed descriptions and financial information for the relaunch of Invoke and event organisation and management framework contracts. • Contained specific information about the SRB representative appointed by Estonia, including their affiliation.	• Introduced new terms and abbreviations such as 'TPLE' (Trilateral Principal Level Exercise 8) and 'SI' (Significant Institution). • Removed the focus on revising governance structures, indicating a shift towards maintaining current operations and enhancing diversity. • Streamlined the document by removing detailed procedural aspects of the new European institutional cycle and the SRB's technical input to the Council. • Added specific metrics and performance indicators, such as the number of dry runs and simulations, the number of crisis tools released and the percentage of banks improving their capabilities for resolution. • Provided a clearer and more detailed description of the SRM's mandate and composition. • Added comprehensive contact information and resources for finding information about the EU, access to EU publications, legal documents and open data. • Updated financial figures and added placeholders, impacting budgetary or financial planning information. • Introduced a new section header and additional comments about the SRB's assessment of using a European Commission framework contract and the potential for launching open procedures if the contract cannot be used. • Updated the representative for Bulgaria, indicating a new appointment or correction of the name. • Added detailed descriptions and financial information for various contracts and services, including risk tools, credit risk analysis, ICT tools and catering services.

In summary, the changes from the 2024 AWP to the 2025 AWP will mean that financial institutions subject to the SRB's and NRAs' mandate will:

a. have to comply with an enhanced resolvability self-assessment guidance and report their resolvability capabilities on a yearly basis, using a new risk-based methodology developed by the SRB;

b. be subject to a comprehensive resolvability testing framework, which will assess their capabilities in practice and identify areas for improvement. The SRB will also further revise multi-annual testing programmes for banks, outlining the testing priorities for a three-year period;

c. have to prepare for the operationalisation and simplification of resolution plans, which will make the plans more actionable in case of crisis. The SRB will also introduce a modular approach for updating resolution plan chapters and revamp the RPC-related templates;

d. have to adapt to the SRB's increased focus on crisis readiness and management, which implies enhanced crisis communication, monitoring of risks and horizon-scanning of emerging threats. The SRB will also revamp its centralised crisis management function and develop tools for the operationalisation of resolution strategies; and

e. have to follow the SRB's updated policies and best practices on various topics, such as separability, combination of tools, liquidity and funding in resolution and public interest assessment. The SRB will also review its policies on MREL and operational continuity in resolution to align with the latest regulatory developments.

Outlook

The 2025 AWP marks a significant milestone, celebrating ten years of the SRB's efforts towards enhancing resolvability and financial stability within the Banking Union. While building on a number of key deliverables that commenced in 2024, the SRB, in particular in its doubling down on digital transformation aims and expectations of banks, uses the 2025 AWP as a catalyst to deliver against the longer-reaching goals set out in the MAP and the SRM Vision 2028 strategy.

Financial institutions within the SRB's remit must adapt to these new requirements and actively participate in the SRB's but also other Banking Union-specific and EU-wide initiatives to ensure compliance and readiness in the evolving regulatory as well as supervisory landscape.

Part 2

ESAs' Supervisory Priorities for 2025

Part 2 – ESAs' Supervisory Priorities for 2025

Introduction

The three ESAs, namely the EBA, ESMA and EIOPA are all empowered, as gatekeepers of their respective mandates within the Single Rulebook and in fostering Single Market integration, to drive regulatory governance, supervisory convergence and, in certain instances, to carry out direct supervision/intervention tasks and powers in respect of specific types of firms and market participants in accordance with provisions set out in sectoral legislation.

The ESA's Work Programmes are usually published in the context of (i) their AWPs or (ii) their SPDs which for some ESAs are referred to "multi-annual programming" (**MAPs**). These AWPs and the SPDs should be read together as they serve to communicate the overriding strategic areas and deliverables that the ESAs plan to focus on and thus what they expect of NCAs, firms and market participants. The priorities set out in each of the ESA's AWPs and SPDs for 2025 should also be read in conjunction with the priorities of the he Joint Committee (**JC**) of the ESAs as set out in this joint AWP.

According to the 2025 AWP of the JC of the ESAs, the work of the JC of the ESAs will place particular emphasis on ongoing collaboration to (a) tackle cross-sectoral risks, (b) promoting sustainability in the EU financial system and (c) strengthening financial entities' digital resilience. The ESAs will work closely together to ensure regulatory consistency and supervisory convergence across sectors. Through the constellation of the JC, they regularly coordinate activities within their areas of responsibility to maintain consistent practices in addition to other forms of interinstitutional coordination. Additionally, they exchange information and best practices among themselves and with the ESRB as well as other members of the ESFS.

The following sections delve into how each ESA, guided by its individual AWP, concentrates on its specialised domain while collaborating synergistically to tackle cross-sectoral challenges. By aligning their efforts, including in the AWP of the JC of the ESAs (equally as explored below), the ESAs effectively mitigate systemic risks and foster a robust financial environment throughout the EU. This coordinated approach underscores the importance of maintaining a stable and resilient financial system in the face of evolving challenges, such as technological advancements and climate-related risks.

EBA's priorities for 2025 in its AWP

On 2 October 2024, EBA published its AWP outlining the key priorities and initiatives for 2025 and, as a SPD, the path through to 2027.[16] As in previous years, EBA's AWP is structured to address the evolving market context, legislative and regulatory changes as well as technological advancements impacting the financial services sector and those financial market participants within its mandate.

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

The EBA's AWP 2025 is structured around policy and convergence work, risk assessment and data activities, governance, coordination and support tasks. This comprehensive approach ensures that the EBA can adapt to new EU priorities and economic or geopolitical developments while operating with slightly increased resources. This includes specifically the EBA taking on new mandates (i) in the context of the EU's Regulation for a DORA[17], where it will be overseeing designated critical third-party service providers (**CTPPs**) jointly with its sister ESAs, the ESMA and the EIOPA; and (ii) overseeing significant crypto-asset providers; as well as (iii) transitioning anti-money laundering (**AML**) and countering the financing of terrorism (**CFT**) powers and mandates to the new EU AML authority (**AMLA**). Overall, the list of activities and deliverables for 2025, which are set out in Chapter 2 of the AWP are, when compared to priorities for 2024, more comprehensive.

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between EBA's 2024 and 2025 publications.

[16] Available here.

[17] DORA aims to enhance digital operational resilience across the financial sector. Supervised firms must focus on effective implementation, fostering cooperation among stakeholders and addressing emerging risks. ESMA will oversee CTPPs to promote convergence and strengthen digital operational resilience. Firms should prepare for new tasks and powers conferred on ESMA related to DORA, including implementing a cyber-incident report system and developing supervisory convergence tools. On 1 October 2024, ESMA and its sister ESAs announced the appointment of Marc Andries as DORA Joint Oversight Director. This role will be responsible for implementing and running the oversight framework for CTPPs at a pan-European scale. Mr. Andries has held senior responsibilities in the areas of ICT project management, oversight and supervision, including at France's NCAs.

Key takeaways from EBA's 2025 AWP

As in previous years the EBA uses its 2025 AWP to outline its strategic priorities and communicate a comprehensive roadmap and resourcing plan for EBA's activities and publications. Primarily these publications take the form of Guidelines, ITS and RTS that it is mandated to publish along with other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings) setting out EBA's supervisory expectations including as addressed to NCAs and market participants.

The 2025 AWP emphasises flexibility to adapt to new EU priorities and economic or geopolitical developments. However, for 2025 and certainly through to 2027 the AWP's over 50 pages of detail focuses on the following key areas summarised below as it relates to the market but also to EBA's own operational priorities:

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

Implementation of the Basel Framework	The AWP 2025 prioritises the timely and faithful implementation of the Basel III reforms in the EU. This includes introducing more risk-sensitive approaches for determining capital requirements and addressing shortcomings in credit, market and operational risk. The EBA expects that financial services firms will need to adjust their internal models and capital structures to comply with these new requirements. The introduction of an 'output floor' will serve as a backstop for the use of internal models, ensuring a more standardised approach across institutions. One of the core elements of the Basel III reforms is the introduction of more risk-sensitive approaches for calculating capital requirements. This involves refining the methodologies used to assess credit, market and operational risks, thereby ensuring that capital allocations more accurately reflect the underlying risk profiles of financial institutions. The 2025 AWP's focus on these reforms underscores the necessity for financial services firms to reassess and potentially adjust their internal models. These adjustments are crucial for aligning with the new regulatory standards, which aim to mitigate systemic risks and enhance financial stability across the EU banking sector. The AWP 2025 also highlights the need to address specific shortcomings in the current frameworks for credit, market and operational risks. For credit risk, this includes refining the standardised approach (**SA**) and internal ratings-based (**IRB**) approach to ensure they are more reflective of actual risk exposures. In terms of market risk, the reforms will incorporate more sophisticated measures to capture the complexities of trading activities and market fluctuations. Operational risk management will also see enhancements, particularly through the adoption of the Standardised Measurement Approach (**SMA**), which aims to provide a more consistent and transparent framework for assessing operational risks.
Enhancing the EU's Single Rulebook	The EBA aims to complete updates to the Single Rulebook in banking by developing regulatory standards, guidelines and reports. This will involve over 140 mandates, many of which are due by the end of 2025. The EBA expects that firms stay abreast of these developments and ensure compliance with new regulatory requirements as they are introduced.

Data infrastructure development	The EBA will enhance its data infrastructure to support regulatory reporting and risk assessment. The implementation of the EBA's Data Strategy will improve how regulatory data is acquired, compiled, used and disseminated. The strategy includes the development of advanced technical capabilities for data processing and analysis, leveraging the European Centralised Infrastructure of Data (**EUCLID**). EUCLID serves as a centralised platform for collecting and processing micro and aggregated data from all financial institutions, thereby enhancing the quality and accessibility of regulatory data. This platform will be instrumental in supporting the EBA's analytical capabilities and ensuring that high-quality data is available to both internal and external stakeholders. As part of this strategic enhancement, firms will be required to adapt to new reporting frameworks. The EBA's focus on integrated reporting aims to create a more consistent and streamlined system for collecting statistical, resolution and prudential data. This integration is expected to reduce reporting costs and improve efficiency for all stakeholders involved. The Joint Bank Reporting Committee (**JBRC**), established in collaboration with the ECB and the SRB and NCAs, will play a crucial role in harmonising reporting concepts and definitions. This harmonisation will facilitate a more seamless data reporting process across different regulatory domains. A critical aspect of the EBA's Data Strategy is the emphasis on data accuracy and timeliness. Firms will need to ensure that their data reporting processes are robust and capable of meeting the stringent requirements set forth by the EBA. This includes adhering to updated validation rules, maintaining high standards of data quality and ensuring timely submission of required data. The EBA will continue to maintain a high-quality supervisory reporting framework, including a data point model based on the DPM standard 2.0, which will support these objectives.
Oversight activities for DORA and MiCAR	As discussed above starting in 2025, the EBA will take up new responsibilities for overseeing ICT third-party service providers under DORA and supervising crypto-asset issuers under MiCAR. The regulation of crypto-assets is a critical component of the EBA's innovation agenda. MiCAR will see the EBA taking on new supervisory responsibilities. These include the oversight of significant asset-referenced tokens (**ARTs**) and e-money tokens (**EMTs**). The EBA will also monitor market developments in decentralised finance (**DeFi**) and crypto-asset staking and lending. The authority's role extends to providing non-binding opinions on the regulatory classification of crypto-assets and exercising intervention powers where necessary. The EBA's comprehensive regulatory approach aims to mitigate the risks associated with crypto-assets while fostering a secure and transparent market environment. The EBA expects that financial services firms involved in these areas will need to comply with new oversight frameworks, including reporting requirements and operational risk management standards.

Innovation and consumer protection	The EBA will focus on fostering innovation while ensuring consumer protection. This includes monitoring financial innovation, such as crypto-assets, artificial intelligence (**AI**) and machine learning applications as well as digital identities management. The EBA recognises that innovations such as crypto-assets, AI and machine learning have the potential to transform the financial sector. However, these advancements also pose significant risks that need to be managed to protect consumers and maintain financial stability. The EBA's strategy includes continuous engagement with industry stakeholders, competent authorities and international organisations to identify emerging risks and opportunities. This engagement is facilitated through platforms such as the EBA FinTech Knowledge Hub and the European Forum for Innovation Facilitators (**EFIF**), which promote knowledge sharing and regulatory convergence. AI and machine learning applications are increasingly being integrated into financial services, offering enhanced efficiency and new capabilities. However, these technologies also introduce complexities related to data privacy, algorithmic bias and systemic risks. The EBA's work programme indicates a commitment to monitoring these developments closely. The authority will assess the implications of use cases in the financial sector and provide guidance on regulatory expectations. This includes ensuring that applications are used responsibly and ethically, with adequate safeguards to protect consumers from potential harms. The management of digital identities is another area where the EBA is focusing its efforts. As financial services become more digitised, the need for secure and reliable digital identity solutions becomes paramount. The EBA will monitor developments in this space to ensure that digital identity management systems are robust and can effectively prevent fraud and identity theft. This involves setting standards for digital identity verification processes and ensuring that financial institutions implement these standards effectively.
Transition to a New AML/CFT Framework	With the establishment of the new EU AMLA in 2025, the EBA will prepare for the transfer of its AML/CFT-related powers. Throughout 2025, the EBA will focus on ensuring that this transfer is seamless and does not disrupt ongoing efforts to combat financial crime. This involves the meticulous preparation and transfer of data, knowledge and specific powers to AMLA. The EBA will also provide technical advice to the European Commission, particularly in response to calls for advice on key aspects of the new AML/CFT framework. Additionally, the EBA will support NCAs in their preparatory work, ensuring that they are well-equipped to operate under the new regulatory regime and the new operational arrangements necessary for effective cooperation between prudential and AML/CFT and other supervisors and regulators. This includes establishing gateways for information exchange and ensuring that financial crime risks are tackled comprehensively through prudential regulation and supervision. The 2025 AWP signals that financial institutions will need to align their AML/CFT practices with new regulatory expectations and ensure seamless cooperation with AMLA.

Payment services and depositor protection	The EBA will start delivering mandates under the revised Deposit Guarantee Schemes Directive (**DGSD**), Payment Services Regulation (**PSR**) and the related Directive (**PSD3**) and other related regulations such as the Regulation known as Financial Information Data Access Act (**FIDAR**).[18] The EBA expects that firms should prepare for changes in payment security, fraud prevention, depositor protection and consumer awareness requirements. Under the revised DGSD, the EBA will focus on delivering an estimated 11 mandates aimed at enhancing depositor protection. These mandates include the development of methodologies for the least cost test, the creation of information sheets for consumers and the facilitation of fund transfers between Deposit Guarantee Schemes (**DGSs**). The EBA will also publish annual data on covered deposits and the financial means available to DGSs. These measures are designed to bolster the resilience and transparency of DGSs, ensuring that depositors are adequately protected in the event of a bank failure. Firms should anticipate stricter compliance requirements and enhanced reporting obligations to align with these new standards. The PSR and the revised PSD3 introduces approximately 12 mandates that the EBA will start delivering, focusing on various aspects of payment services. These include authorisation processes, safeguarding measures, calculation of own funds, passporting procedures, governance and control mechanisms and the establishment of central registers. One of the critical areas under PSD3 is payment security and fraud prevention. The EBA will develop guidelines and standards to enhance the security of payment transactions and mitigate fraud risks. The EBA expects that firms implement robust security protocols and fraud detection systems to comply with these new requirements. Additionally, there will be an emphasis on consumer awareness, necessitating firms to provide clear and comprehensive information to consumers regarding their payment services. FIDAR is another significant regulation under which the EBA will deliver an estimated five mandates. These mandates focus on the use of consumer data, authorisation of financial information service providers, functioning of financial data sharing schemes, establishment of a central register and settlement of disagreements between NCAs. The EBA sets out that firms will need to ensure that their data handling practices are compliant with these new regulations, particularly concerning consumer data privacy and security. In addition to the specific mandates under DGSD and PSD3, the EBA will in delivery of its 2025 AWP continue to focus on consumer protection across the financial services sector. This includes monitoring financial innovation, identifying areas where further regulatory or supervisory response may be needed and fostering a consistent and high level of consumer protection. The EBA will publish its biennial Consumer Trends Report and follow up on identified issues. Firms should expect increased scrutiny on their consumer protection practices and may need to enhance their transparency and communication efforts to meet these heightened standards.

[18] See earlier Client Alert here.

Capital, loss absorbency and accounting framework	The EBA will continue monitoring Common Equity Tier 1 (**CET1**) issuances and maintaining a public list of CET1 instruments. Firms will need to ensure compliance with updated capital requirements and loss absorbency standards. The EBA's work programme underscores the importance of compliance with updated capital requirements as part of the broader implementation of the EU Banking Package, specifically CRR III and CRD VI. These reforms are designed to align EU regulations with the final Basel III standards, introducing more risk-sensitive approaches for determining capital requirements for credit, market and operational risks. he updated framework includes an 'output floor' to serve as a backstop for internal models used by banks, ensuring that capital requirements do not fall below a certain level. Certain financial institutions may need to adapt their internal processes and systems to comply with these enhanced requirements. This includes recalibrating their risk models, updating their reporting frameworks and ensuring that their capital planning processes are enough to meet the new standards. The EBA sets out that it will provide guidance and support through ITS, RTS and Guidelines to facilitate this transition.
Liquidity, leverage and interest rate risk	The EBA will monitor the implementation of regulatory provisions on liquidity, leverage risk and interest rate risk. Financial institutions should be prepared for ongoing scrutiny of their liquidity coverage ratios (**LCR**), net stable funding ratios (**NSFR**) and interest rate risk management practices. The EBA will continue to update the ITS on reporting requirements to reflect changes in Level 1 texts and provide necessary guidance to supervisors. This includes monitoring national practices on liquidity, national options and discretions, as well as the concrete implementation of LCR rules and definitions. The EBA expects that financial institutions should be prepared for detailed assessments of their liquidity management practices, including the monitoring of interdependent assets and liabilities under both LCR and NSFR frameworks. Interest rate risk in the banking book (**IRRBB**) remains a significant area of focus for the EBA. The authority will continue to monitor the implementation of existing regulatory products related to IRRBB and follow up on its scrutiny plans concerning the impact of the new interest rate environment on IRRBB management and modelling assumptions. This includes reflecting on lessons learned from recent market turmoil and international developments. The EBA's heatmap on IRRBB, published at the end of 2023, outlines short, medium and long-term actions that institutions need to implement. These actions aim to enhance the measurement and management of interest rate risk, ensuring that banks are better equipped to handle fluctuations in interest rates. Financial institutions should expect ongoing evaluations of their IRRBB frameworks, with potential updates to regulatory products and additional supervisory guidance as necessary. The leverage ratio is another critical metric under the EBA's purview, aimed at assessing the risk of excessive leverage within financial institutions. The EBA will continue to monitor the consistent implementation of leverage ratio requirements, including notifications and follow-up actions. This involves regular updates to technical standards on reporting and disclosure where necessary.

Credit risk management	The EBA's work on credit risk will focus on developing technical standards for calculating capital requirements under both SA and IRB approaches. The EBA will also monitor and promote the consistent application of credit risk standards, ensuring that institutions adhere to the revised guidelines under the SA. For the IRB approach, the EBA's focus will be on developing technical standards that specify methodologies for estimating probability of default (**PD**), loss given default (**LGD**) and exposure at default (**EAD**). This includes guidelines on proportionate diversification methods for retail exposures and methodologies for estimating IRB credit conversion factors (**CCFs**). The EBA will also monitor the implementation of the IRB roadmap, which aims to ensure that internal models used by banks are robust and reliable. Firms using the IRB approach will need to review and possibly recalibrate their internal models to meet these new standards, ensuring that their risk assessments are accurate and compliant with regulatory expectations. Firms may need to adjust their credit risk models and practices accordingly. The EBA has emphasised the importance of proportionality in its regulatory approach, particularly in relation to small and medium-sized banks. The Advisory Committee on Proportionality (**ACP**) has recommended that the EBA's regulatory products reflect proportionality by setting different scopes, aiming for less complex regulation and using straightforward language. This consideration is crucial for ensuring that smaller institutions are not unduly burdened by compliance requirements. The EBA plans to engage in industry consultations through roundtables and dialogues to gather feedback and ensure that the regulatory framework is practical and effective. In addition to the developing of technical standards, the EBA will continue its monitoring efforts through benchmarking exercises of internal models. This includes preparing annual benchmarking reports on IRB models and updating reporting frameworks to reflect changes in regulatory requirements. The EBA will also support supervisors in monitoring the implementation of these standards, providing guidance where necessary to ensure consistent application across the EU.

Market risk, operational risk and investment firms	The EBA will develop technical standards for market risk, credit valuation adjustment (**CVA**), counterparty credit risk (**CCR**) and operational risk. The EBA’s work on market risk will include: (i) regular updates to the list of diversified stock indices; (ii) monitoring and promoting consistent application of market risk requirements; (iii) supporting the implementation of the Basel III market risk framework in the EU; and (iv) delivering Basel III-related mandates concerning Fundamental Review of the Trading Book (**FRTB**), CVA, CCR and securities financing transactions (**SFTs**). The EBA’s work on CVA risk will focus on: (i) developing RTS on CVA for SFT; (ii) preparing RTS on data inputs and assessment methodologies for CVA; (iii) monitoring and promoting consistent application of CVA requirements. The EBA’s activities on CCR will include: (i) developing RTS on the calculation and aggregation of crypto exposure values (ii) preparing RTS on structural foreign exchange (**FX**) and other technical elements for regulatory CVA; (iii)) supporting Q&A on CCR to ensure clarity and consistency in application. The EBA will in respect of operational risk will focus on: (i) implement the new Standardised Measurement Approach for operational risk as part of the final Basel III framework; (ii) developing RTS on elements to calculate business indicator components (**BIC**) and adjustments to loss datasets preparing guidelines on governance arrangements to maintain loss data sets and RTS on exclusion of losses. Investment firms should also prepare for new regulatory requirements stemming from the review of the IFR/IFD regime. The EBA’s work on this will also include (i) monitoring and promoting consistent application of investment firms’ requirements; (ii) preparing supervision practices for investment firms and (iii) developing RTS on waivers for authorisation of investment firms.

2. EBA's deprioritisation of policy areas

	The EBA's 2025 AWP has outlined a comprehensive work programme for the years 2025 and beyond, detailing its strategic priorities and specific tasks. However, within this extensive plan, certain items have been marked for potential deprioritisation due to resource constraints and the need for flexibility in response to evolving circumstances. The EBA has indicated that tasks marked in the AWP 2025 with a "+" may be subject to review in light of resource redeployment and reprioritisation required to address high regulatory mandates. These tasks may be postponed, cancelled, or undertaken with less intensive resource input. This approach reflects the EBA's need to balance its extensive mandate with available resources while maintaining flexibility to adapt to new developments. These potential deprioritised tasks include with respect to:
a. Policy and convergence work:	Several tasks within the policy and convergence work are flagged for potential review and deprioritisation. For instance, in Activity 1 – Capital, loss absorbency and accounting, tasks such as the follow-up on the monitoring of the impact of the interest rate environment on own funds and eligible liabilities aspects and the possible update of the Guidelines on Expected Credit Losses (**ECL**), are marked with a "+" indicating they may be subject to review. Similarly, in Activity 2 – Liquidity, leverage and interest rate risk, additional reflections on liquidity metrics implementation and related accounting aspects, as well as updates to regulatory products following scrutiny plans, are also flagged.
b. Credit risk and market risk:	In Activity 3 – Credit risk (including large exposures, loan origination, non-performing loans (**NPLs**), securitisation), several deliverables such as monitoring reports on capital treatment of STS synthetics, collateralisation practices and the treatment of NPL under the securitisation framework are marked for potential deprioritisation. Likewise, in Activity 4 – Market, investment firms and services and operational risk, tasks related to market infrastructures (CSDR-related mandates) such as RTS for measurement and reporting of credit and liquidity risks and RTS on thresholds for provision of banking-type ancillary services are flagged.
c. Innovation and FinTech:	In Activity 8 – Innovation and FinTech, RegTech and SupTech, tasks like the report on white-labelling and the report on Distributed Ledger Technologies use cases in the banking and payment sector are marked with a "+", indicating they may be postponed or undertaken with less intensive resource input. Additionally, follow-up work on identified priorities in innovative applications such as crypto-assets and AI/ML use cases is also subject to review.
d. Data Infrastructure and Services:	For Activity 15 – Data infrastructure and services, statistical tools, tasks such as providing data-based support for statistical activities related to top-down stress tests and climate risk stress tests are flagged for potential deprioritisation. The same applies to training NCA and EBA users on data and analysis tools.
e. EBA's Legal and Compliance functions:	In Activity 17 – Legal and compliance, follow-up peer reviews on the treatment of mortgage borrowers in arrears are marked with a "+", indicating they may be subject to review. The establishment of a MiCAR enforcement function (independent investigation officer) is also flagged for potential deprioritisation.

Importantly, there have been some changes between the focus, scrutiny and tone of what ESMA focused on in its 2024 AWP compared to what it plans to do in furtherance of its 2025 AWP's objectives relating to its regulatory as well as direct supervision and convergence roles.

Key messages and differences between EBA's 2024 AWP and 2025 AWP

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly, between EBA's 2024 and 2025 AWPs:

Topic – running order as used in publications	EBA's 2024 AWP	EBA's 2025 AWP
EBA priorities and strategic focus	• The EBA's priorities were initially set for the period 2024–2026. • The 2024 AWP emphasised the implementation of the Basel III/IV framework, monitoring financial stability and sustainability in a context of increased interest rates and uncertainty. • The original work programme was built on a draft Single Programming Document for 2024–2026 published in January 2023. • The 2024 AWP highlighted the need for flexibility due to substantial uncertainty in the economic outlook, persistent inflation, market volatility and heightened geopolitical tensions. • The 2024 AWP mentioned the establishment of the AMLA in 2024 and the need to adjust the work programme accordingly.	• The EBA's priorities have been updated to cover the period 2025–2027. • The 2025 AWP focuses on implementing the EU Banking Package, enhancing risk-based and forward-looking financial stability for a sustainable economy and addressing the impact of high inflation and geopolitical risks. • The 2025 AWP was approved by the EBA's Board of Supervisors in January 2024 and takes into account the European Commission's Opinion on the SPD. • The 2025 AWP includes a new section on the need for further adjustments to reflect new priorities of the EU institutions following the European elections in June 2024. • The 2025 AWP emphasises the importance of DORA and MiCAR and the review of the European Market Infrastructure Regulation (**EMIR**), in the EBA's strategic focus. However, the AWP 2026 notes that, in particular, proposals in EMIR foreseeing the supervision by the EBA of ISDA SIMM (Standardised Initial Margin Model) will be challenging and would require additional resources. EBA will as part of its efforts on EMIR deliver a call for advice related to fees for the supervision of initial margin models. • The 2025 AWP mentions the establishment of the AMLA in 2024 and its assumption of functions from 2025, with necessary adjustments to the EBA's AWP.
Policy and convergence work	• The EBA's strategic priorities for 2024 focused on implementing the Basel framework and enhancing the Single Rulebook. • The 2024 AWP emphasised the need to address a wide range of mandates from a policy development and risk quantification perspective. • The original version included a focus on the implementation of the CRR III/CRD VI Banking Package and the quantification and assessment of evolving risks through regular analyses and stress-testing approaches. • The 2024 AWP mentioned the need for cooperation with EU and non-EU stakeholders to ensure an orderly transition to a sustainable and innovative financial sector.	• The EBA's strategic priorities for 2025 include implementing the EU Banking Package, enhancing risk-based and forward-looking financial stability and focusing on sustainability and innovation. • The 2025 AWP emphasises the need to address a large number of mandates covering various aspects of the financial sector, with a focus on enhancing the EU Single Rulebook and ensuring a risk-based and forward-looking financial stability. • The revised version highlights the importance of the CRR III/CRD VI Banking Package and the need to further enhance the EU Single Rulebook, with a focus on stress-testing methodology and the impact of economic, geopolitical and structural developments on the financial sector.

Topic – running order as used in publications	EBA's 2024 AWP	EBA's 2025 AWP
Policy and convergence work	• The original version included a detailed presentation of priorities for 2024–2026, with activities grouped into policy and convergence work, risk assessment and data and governance, coordination and support. • The 2024 AWP highlighted the importance of proportionality in regulatory products and guidance, in particular in the credit risk framework. • The original version included a focus on the implementation of the Basel III credit risk framework and the development of technical standards and guidelines for credit risk, large exposures, loan origination, NPL and securitisation. • The 2024 AWP emphasised the need to monitor and promote the consistent application of market risk and operational risk requirements, as well as the implementation of the new operational risk framework. • The original version included a focus on the implementation of the CRR III/CRD VI changes in the supervisory reporting and Pillar 3 frameworks. • The 2024 AWP mentioned the need to support the implementation of the macroprudential framework in the EU and to identify vulnerabilities and potential risks in the banking sector.	• The 2025 AWP includes a detailed presentation of priorities for 2025–2027, with activities grouped into policy and convergence work, risk assessment and data and governance, coordination and support. • The revised version emphasises the importance of proportionality in regulatory products and guidance, with specific recommendations from the ACP on proportionality in the credit risk framework and other areas. • The 2025 AWP includes a focus on the implementation of the CRR III/CRD VI changes in the supervisory reporting and Pillar 3 frameworks, with a two-step approach for the implementation. • The revised version highlights the need to support the implementation of the macroprudential framework in the EU and to identify vulnerabilities and potential risks in the banking sector, with a focus on climate risk and other emerging risks. • The 2025 AWP includes new mandates and guidelines related to DORA and MiCAR, with a focus on the oversight of critical third-party service providers and the supervision of significant asset-referenced and e-money tokens. • The 2025 AWP emphasises the need to enhance the EBA's data infrastructure and to implement the Banking Package and further harmonise supervisory and resolution data needs.
Risk assessment and data	• The 2024 AWP emphasised monitoring financial stability and sustainability in a context of increased interest rates and uncertainty. • The 2024 AWP included a focus on providing a service to stakeholders without specific mention of a data portal. • The original version mentioned the EBA's work on risk identification, data, third-party and crypto-asset service provision. • The 2024 AWP highlighted the need for liaison and cooperation with EU and non-EU stakeholders for an orderly transition to an innovative financial sector. • The 2024 AWP included a general approach to stress testing without specific mention of top-down elements or climate stress tests. • The 2024 AWP mentioned the ongoing work on the feasibility study for integrated reporting to improve efficiency and reduce reporting costs.	• The revised version focuses on enhancing risk-based and forward-looking financial stability for a sustainable economy. • The 2025 AWP introduces the launch of a data portal as part of enhancing data infrastructure. • The revised version includes a detailed approach to ESG risk monitoring, including transition and physical risks and market developments with regard to sustainable products. • The 2025 AWP emphasises the need for advanced technical capabilities in data processing and the launch of the Pillar 3 Data Hub. • The revised version specifies the development of a regular climate stress test and guidelines on institutions' climate stress tests. • The 2025 AWP outlines the implementation of the EBA's Data Strategy to improve regulatory data acquisition, compilation, use and dissemination.

Topic – running order as used in publications	EBA's 2024 AWP	EBA's 2025 AWP
Oversight and supervisory activities	• The EBA's work programme for 2024 included the development of capacity for DORA and MiCAR oversight and supervision, with a focus on preparing for these new responsibilities. • The 2024 AWP emphasised the need for liaison and cooperation with EU and non-EU stakeholders to manage the transition to a sustainable and innovative financial sector. • The original version mentioned the preparation for the oversight of critical third-party IT service providers and the supervision of significant crypto-asset providers, with specific timelines for these activities. • The 2024 AWP highlighted the EBA's role in supporting the transition to the new EU AML/CFT Authority (i.e. AMLA) and the preparation for the transfer of AML/CFT-related powers and mandates. • The original version included a focus on monitoring financial innovation and identifying areas for further regulatory or supervisory response, in particular in relation to crypto-assets, tokenisation and AI/machine learning applications in the financial sector.	• The 2025 AWP specifies that the EBA will start oversight and supervisory activities for DORA and MiCAR in 2025, marking the commencement of these new roles and responsibilities. • The revised version outlines the EBA's new roles under DORA, including the oversight of CTPPs and the supervision of significant crypto-asset providers, with detailed plans for the implementation of these tasks. • The 2025 AWP emphasises the transition to the new AML/CFT framework, including the operational arrangements necessary for effective cooperation with the new authority and the continuation of tackling financial crime risks. • The 2025 AWP includes a detailed plan for the EBA's oversight and supervisory activities under DORA and MiCAR, including the development of IT systems, recruitment of ICT experts and the establishment of oversight processes and methodologies. • The 2025 AWP highlights the EBA's focus on consumer protection and financial innovation, with specific mandates related to MiCAR and the Credit Servicers and Credit Purchasers Directive, as well as ongoing monitoring of financial innovation and emerging risks.
Consumer protection and AML/CFT transition	• The 2024 AWP initially focused on increasing innovation and consumer access to financial services while preparing for the transition to the new AML/CFT framework. • The 2024 AWP mentioned the preparation for the oversight of critical third-party IT service providers and significant crypto-asset providers but did not provide detailed plans. • The 2024 AWP emphasised the EBA's role in fostering the implementation of effective, proportionate and risk-sensitive approaches to tackling AML/CTF, sanctions and other financial crime risks across the EU. • The 2024 AWP included a general statement about the EBA's role in supporting the transition to the new EU AML/CFT Authority (i.e. AMLA) without detailed operational plans. • The 2024 AWP mentioned the EBA's ongoing work to support the implementation of the Directive on credit servicers and credit purchasers, focusing on complaints handling procedures and the maintenance of national registers.	• The 2025 AWP emphasises developing consumer-oriented mandates and ensuring a smooth transition to the new AML/CFT framework. • The 2025 AWP provides detailed plans for the EBA's new roles and responsibilities, including the oversight of critical third-party IT service providers under DORA and the supervision of significant crypto-asset providers under MiCAR. • The 2025 AWP outlines a comprehensive transition plan to the new AML/CFT framework, including the transfer of AML/CFT powers, methodologies and data to AMLA by 31 December 2025. • The 2025 AWP highlights the EBA's continued focus on consumer protection, including the publication of the biennial Consumer Trends Report, follow-up actions and the development of legal instruments on reporting fee data. • The 2025 AWP includes specific plans for delivering payment services and depositor protection mandates under the revised Deposit Guarantee Schemes Directive, the revised Payment Services Directive (**PSD3**), the new Payment Services Regulation and the new Open Finance Directive/Regulation (**FIDAR**). • The 2025 AWP mentions the EBA's role in supporting the EU Supervisory Digital Finance Academy (**SDFA**) and the extension of its mandate to 2028.

Topic – running order as used in publications	EBA's 2024 AWP	EBA's 2025 AWP
EBA's own resource allocation and budget	• The EBA will be operating with broadly unchanged human and financial resources in 2024, necessitating careful prioritisation and redeployment of staff and funds. • The work programme for 2024–2026 includes a detailed presentation of priorities for 2024, with activities grouped into policy and convergence work, risk assessment and data and governance, coordination and support. • The EBA's annual work programme was submitted to the EU institutions by 30 September 2023 and published as an independent report. • The EBA's work programme for 2024 includes a focus on achieving at least 95% execution of the annual budget and carried forward appropriations, ensuring the adoption of the 2025 annual budget before the end of 2024 and submitting the 2026 budget request to the Commission by 31 January 2024. • The finance activity aims to enhance budget acquisition, monitoring and execution through electronic work-flows and the implementation of the EBA collaboration platform. • The total cost has been increased by EUR 811,677 compared to the draft SPD due to delays in the establishment of AMLA, funded by the EU and NCA.	• The EBA will be operating with slightly increased human and financial resources in 2025 due to DORA, MiCAR and the review of EMIR, requiring careful prioritisation and allocation of staff and funds. • The work programme for 2025–2027 includes a detailed presentation of priorities for 2025, with activities grouped into policy and convergence work, risk assessment and data and governance, coordination and support. • The EBA will deliver on two calls for advice from the Commission in the first half of 2025, which may impact the work programme, in particular proposals in EMIR requiring additional resources. • The EBA's finance activity will continue to enhance budget acquisition, monitoring and execution through electronic workflows and the implementation of the EBA collaboration platform, with a focus on activity-based budgeting/costing systems. • The EBA will benefit from the Public Procurement Management Tool (**PPMT**) and will begin work on implementing SUMMA, the Commission's successor to the current ABAC budget and accounting system. • The EBA's resource allocation for 2025 includes 196 temporary agent establishment plan posts, 54 contract agents and 20 seconded national experts, with additional posts requested for specific tasks like EMIR 3.0 and AML-related work. • The entry into force of the cybersecurity regulation in 2025 will require reinforcement of IT security resources. • The EBA's assessment indicates that the resources envisaged by the MFF will make it challenging to deliver on its current and new activities, necessitating additional temporary posts and funding to address the high number of mandates introduced in the Banking Package.
EBA's own governance, coordination and support	• The 2024 AWP was initially built on a draft approved by the EBA's Board of Supervisor in January 2023 for the years 2023 to 2027. • The 2024 AWP emphasised making the organisation more flexible and ensuring it could use modern and efficient technology. • The 2024 AWP included a detailed presentation of priorities for 2024–2026. • The 2024 AWP mentioned the establishment of the Oversight Forum and the Joint Oversight Network, focusing on the development of an oversight framework and recruitment of ICT experts. • The 2024 AWP included a focus on the transition to the new legal and institutional AML/CFT framework, ensuring smooth transition of powers and mandates to AMLA.	• The 2025 AWP was approved by the EBA's Board of Supervisors in January 2024, covering the years 2025 to 2027 and adjusted based on the European Commission's Opinion on the SPD and guidance from the Advisory Committee on Proportionality in June 2024. • The 2025 AWP emphasises increasing agility, strengthening planning capabilities and adopting modern and efficient technology. • The 2025 AWP includes a detailed presentation of priorities for 2025–2027. • The 2025 AWP discusses the preparatory work for the effective start of oversight activities, including the development of a new IT system to support the EBA's oversight function, with some aspects carrying over into the first half of 2025.

Topic – running order as used in publications	EBA's 2024 AWP	EBA's 2025 AWP
EBA's own governance, coordination and support	• The 2024 AWP detailed the EBA's communication strategy, including the delivery of a new visual identity and revamping its website. • The 2024 AWP included the implementation of the EBA's IT Strategy for 2020–2025, including migrating the existing infrastructure to the cloud and transforming the current IT estate.	• The 2025 AWP highlights the EBA's role in finalising the transition to the EU's new legal and institutional AML/CFT framework, including providing technical advice to the European Commission and supporting national competent authorities. • The 2025 AWP includes the EBA's strategic priorities for 2025, linking day-to-day work to strategic areas and providing transparency and accountability to stakeholders. • The 2025 AWP includes the preparation and launch of a new cycle of the EBA's IT Strategy for 2026–2030, while completing the current IT Strategy.
EBA's Peer Review Work Plan	• The original Peer Review Work Plan covered the period 2024–2025. • The 2024 AWP included a peer review on the definition of default and follow-up on peer review of non-performing exposures (**NPEs**). • The 2024 AWP planned a peer review on proportionality in the application of the Supervisory Review and Evaluation Process (**SREP**). • The 2024 AWP included a peer review on dividend arbitrage trading schemes (cum-ex/cum-cum). • The 2024 AWP planned a peer review on the resilience of deposit guarantee schemes, as required by the Deposit Guarantee Scheme Directive. • The 2024 AWP listed potential peer reviews for 2025, including supervision of Pillar 3 disclosures, interest rate risk in the banking book and ESG in risk management.	• The revised Peer Review Work Plan (in Annex III) covers the period 2025–2026. • The 2025 AWP includes new activities such as the preparation of 2026 benchmarking portfolios and ITS on the joint decision process for internal models. • The 2025 AWP specifies peer reviews on topics like diversity in management bodies, treatment of mortgage borrowers in arrears and PSD2 authorisation. • The 2025 AWP includes follow-up peer reviews on ICT risk and CVA risk. • The 2025 AWP introduces new peer review topics for 2025, such as the supervision of Pillar 3 disclosures and consumer protection, including ESG and greenwashing considerations. • The 2025 AWP lists potential peer reviews for 2026, including MiCAR authorisation, loan origination and monitoring and resolution testing.

EBA's European Supervisory Examination Programme 2025

On 24th of July, the EBA published its European Supervisory Examination Programme for 2025:

- The EBA's European Supervisory Examination Programme identifies key topics for heightened supervisory attention to drive convergence in supervisory practices in the EU
- It is expected that competent authorities reflect these topics in their priorities and day-to-day supervisory activities such as the SREP assessment or on-site inspections

Background

Selection of key topics takes into account:

- The end of abudant liqudity in the banking system (e.g. phasing out of the TLTRO-3);
- The increased interest rate environment which influence the liquidity and funding sources of banks as well as depositors' behaviour;
- Recent bank failures in the US and the case of Credit Suisse (CS), which increased the generic importance of adequate asset-liability management and crisis preparedness.

Key topics

Testing and adjusting todrive-upic and financial uncertainties

- Imposition of financial restrictions, increased uncertainty and cross-border credit and investment outflows triggered by an escalation of tensions could increase banks' debt rollover risks and funding costs. It could also drive up interest rates on government bonds, reducing the values of banks' assets and adding to their funding costs.
- Institutions are expected to be prepared to withstand emerging risks and shocks from a financial perspective, including by setting aside the necessary funds to cover expected losses.

Digital Challenges and ICT Risk Management

- The EBA's June 2024 risk assessment report notes that cyber risks and data security rank the highest among operational risks.
- There is a strong need to continue working towards building defences across the EU financial sector, to strengthen ICT/cyber security and to ensure EU banks will be able to remain resilient through a severe operational disruption.

Transition to Basel III and the EU Banking Package implementation

- Transitioning towards Basel III and the EU banking package implementation by ensuring institutions' information systems and capital planning are able to support the revised prudential metrics and corresponding robustness.

Further considerations

Further topics considered:

- Monitoring and addressing financial stability and sustainability in a context of increased interest rates
- Increasing interest rates' impact on borrowers' repayment capacity, particularly in the CRE portfolios
- Developing an oversight and supervisory capacity for DORA and MiCAR as cyber risk and data security remain key drivers of operational risk
- Sustainable finance

Source: eba.europe.eu

Outlook

The EBA has laid out an ambitious and comprehensive work programme for 2025, which is poised to significantly impact the regulatory landscape of the EU financial sector. As the EBA embarks on the implementation of the EU Banking Package, it will be crucial for financial institutions to closely monitor and adapt to the evolving regulatory requirements.

As noted in the AWP 2025, the timely and faithful implementation of Basel III reforms, alongside the enhancement of the Single Rulebook, will necessitate substantial adjustments in internal models and capital structures. Firms must prepare for the introduction of more risk-sensitive approaches for determining capital requirements, which aim to address shortcomings in credit, market and operational risk frameworks.

In addition to these foundational regulatory changes, the EBA's focus on enhancing risk-based and forward-looking financial stability underscores the importance of robust risk assessment methodologies. The 2025 EU-wide stress test exercise will be a pivotal component in this regard, incorporating new methodologies and expanding top-down elements to provide a more detailed analysis of institutions' financial health. Financial services firms should anticipate rigorous scrutiny of their ability to withstand adverse economic conditions, including scenarios involving high inflation and market volatility. Moreover, the increased emphasis on ESG sustainability and climate-related risks will require institutions to comprehensively integrate ESG considerations into their risk management frameworks.

The EBA's new responsibilities under DORA and MiCAR represent a significant expansion of its oversight capabilities. Starting in 2025, the EBA will oversee CTPPs and significant crypto-asset providers, necessitating the development of robust oversight frameworks and IT systems. Financial institutions involved in these areas must ensure compliance with new oversight frameworks, including reporting requirements and operational risk management standards. The EBA's role in fostering innovation while ensuring consumer protection will also be critical, as it monitors developments in financial innovation such as crypto-assets, artificial intelligence and digital identities management.

As the EBA transitions its AML/CFT powers to the new EU AML authority AMLA, it will be essential to ensure a seamless transfer of responsibilities. Throughout 2025, the EBA will focus on preparing for this transition by meticulously transferring data, knowledge and specific powers to AMLA. Financial institutions must align their AML/CFT practices with new regulatory expectations and ensure seamless cooperation with AMLA. Additionally, the EBA's work on payment services and depositor protection mandates under revised directives will require firms to adapt to changes in payment security, fraud prevention, depositor protection and consumer awareness requirements. The EBA's comprehensive approach to these regulatory changes will be instrumental in shaping a resilient and innovative financial sector in the EU.

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

ESMA's 2025 priorities in its AWP

On 1 October 2024, ESMA published its AWP for 2025 setting out its focus on key strategic priorities and implementation of new mandates. Its SPD for 2024–2026 was previously published on 31 January 2024 and also builds upon the longer-term "ESMA Strategy 2023–2028", which was published October 2022. The 2025 AWP should also be read in conjunction with ESMA's 2026–2028 SPD set out in the next section below, along with amongst a number of other documents relevant to its supervisory strategy as well as its coordination with other authorities.

The 2025 AWP also points out in numerous instances that ESMA will, within the aspects in its control, advance points raised in its Position Paper "Building More Effective and Attractive Capital Markets in the EU" (the **ESMA CMU Position Paper**) concerning the completion of the EU's Capital Markets Union (**CMU**), albeit the current (less catchy but perhaps more (national) politically palatable) rebrand as an "European Savings and Investment Union (**E-SIU**)".

As in previous years, ESMA's AWP is structured to address the evolving market context, legislative and regulatory changes as well as technological advancements impacting the financial services sector and those financial market participants within its mandate. ESMA, in its role as regulator is the gatekeeper of certain parts of the Single Rulebook for financial services within its mandate and tasked with regulatory and supervisory convergence amongst NCAs and across markets. Accordingly, ESMA shapes how NCAs apply the legislative and regulatory requirements as well as ESMA's expectations in the supervision of financial market participants within ESMA's mandate. That being said, ESMA also directly supervises credit rating agencies, trade repositories (**TRs**), securitisation repositories (**SRs**), data reporting service providers (**DRSPs**), certain benchmark administrators EU and systemically important third-country central counterparties (**CCPs**). As of 2025, ESMA will begin with the selection of consolidated tape providers (**CTPs**), supervised as DRSPs and ESMA will, in the context of the EU's Regulation for a DORA, equally oversee designated CTPPs jointly with its sister ESAs, the EBA and the EIOPA.

The 2025 AWP's focus areas include effective markets and financial stability, effective supervision, retail investor protection, sustainable finance, technological innovation and the effective use of data and ICT, both by supervised firms and equally the use of supervisory technology (**SupTech**) by ESMA and NCAs. The 2025 AWP also sets out reforms that ESMA ("as an organisation") will carry out as well as those that it will advance together with NCAs to improve harmonisation of supervisory approaches of NCAs in the context of its (multi-) annual Peer Review Work Plan.

Overall, the 2025 AWP when compared to priorities for 2024 outlines a more comprehensive regulatory landscape that demands heightened vigilance, adaptability and proactive engagement from supervised firms to align with ESMA's strategic objectives (and as executed in supervision carried out by ESMA and/or the NCAs) for a more resilient and sustainable financial sector.

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between ESMA's 2024 and 2025 publications.

[19] Available here.
[20] Available here.
[21] Available here – see standalone coverage on that position paper in "Deciphering the Draghi Report plus Lessons from the Letta Report and Policymakers Responses in the context of the Single Market for Financial Services" from our EU RegCORE (available here).
[22] DORA aims to enhance digital operational resilience across the financial sector. Supervised firms must focus on effective implementation, fostering cooperation among stakeholders and addressing emerging risks. ESMA will oversee CTPPs to promote convergence and strengthen digital operational resilience. Firms should prepare for new tasks and powers conferred on ESMA related to DORA, including implementing a cyber-incident report system and developing supervisory convergence tools. On 1 October 2024, ESMA and its sister ESAs announced the appointment of Marc Andries as DORA Joint Oversight Director. This role will be responsible for implementing and running the oversight framework for CTPPs at a pan-European scale. Mr. Andries has held senior responsibilities in the areas of ICT project management, oversight and supervision, including at France's NCAs.

Key takeaways from ESMA's 2025 AWP

As in previous years ESMA uses its 2025 AWP to outline its strategic priorities and communicate a comprehensive roadmap and resourcing plan for ESMA's activities and publications. Primarily, these publications take the form of Guidelines, ITS and RTS that are mandated to be published along with other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings) setting out ESMA's supervisory expectations as addressed to NCAs and market participants. A list of ESMA outputs by output type is set out in Annex IV to the AWP 2025. ESMA expects that firms stay abreast of these communications and expectations to ensure compliance and avoid potential enforcement actions.

The 2025 AWP's close to 60 pages of detail focuses on the following key areas summarised below as it relates to the market but also to ESMA's own operational priorities:

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

Strategic priorities and thematic drivers	ESMA's strategic priorities include contributing to the development of a meaningful, proportionate and effective Single Rulebook across its remit. This involves promoting global standards and enhancing cooperation with international regulatory counterparts. Financial stability objectives are centred on identifying and analysing key risks and vulnerabilities to inform the public and guide regulatory and supervisory activities. ESMA aims to enhance preparedness to deal with potential shocks to financial markets and ensure close crisis management cooperation with NCAs.
Effective supervision	ESMA will step up its efforts to promote a common, effective, risk-based, data-driven and outcome-focused supervisory and enforcement culture across EU supervisors. This includes ESMA's direct supervision of CRAs, TRs, SRs, DRSPs, certain benchmark administrators and systemically important third-country CCPs. As of 2025, ESMA will begin with the selection of CTPs and ESMA will, together with the sister ESAs, oversee CTPPs in the context of DORA (more on this below).
Enhancing the establishment of the EU Retail Investor Strategy (RIS)[23] and a more robust retail investor protection in general	ESMA aims to help deliver on the EU's RIS as a catalyst for the CMU (and perhaps more so for the E-SIU). Investor protection more generally remains a cornerstone of ESMA's mandate as does the focus on greater convergence and consistency in NCAs' supervisory approaches and practices concerning investor protection. The AWP 2025 includes the following priorities:

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

1. ESMA's expectations towards NCAs and financial market participants	
Enhancing the establishment of the EU Retail Investor Strategy (**RIS**) and a more robust retail investor protection in general	a. Convergence and consistency in supervisory practices: ESMA aims to harmonise the supervisory practices of NCAs to ensure a consistent level of investor protection across the EU. This includes developing common supervisory principles and methodologies, facilitating case discussions, workshops and conducting peer reviews. ESMA expects that financial services firms anticipate increased scrutiny and uniformity in supervisory practices, which may require adjustments in compliance strategies to align with the harmonised standards. b. Cross-border supervision: Effective supervision of cross-border activities is a priority. ESMA will coordinate Common Supervisory Actions (**CSAs**) as well as mystery shopping exercises (see standalone coverage on this supervisory tool) to assess the quality of services provided to retail clients across different jurisdictions. This serves to identify discrepancies in supervisory practices and promote a uniform approach. ESMA cautions that firms should prepare for more integrated and coordinated supervisory efforts, which may involve more comprehensive reporting requirements and closer monitoring of cross-border operations. c. Regulatory framework for retail investor protection: ESMA will contribute to the development of a regulatory framework that provides robust protection for retail investors. This includes drafting technical standards, Guidelines and other convergence tools. The focus will be on simplifying disclosures and ensuring, that they are clear, reliable and comparable. ESMA is aware that firms must ensure that their products and services comply with the evolving standards aimed at protecting retail investors. This may involve revising disclosure practices, enhancing transparency and ensuring that marketing materials are clear and not misleading. d. Monitoring financial activities, Retail Investor Trends (**RITs**) and Development of Retail Risk Indicators (**RRIs**): ESMA will continuously monitor financial activities and RITs to identify potential causes of consumer and investor harm including product-related consumer trends and the cost and performance of retail investment products. ESMA expects that firms are proactive in monitoring these trends themselves and are prepared to respond to any identified risks or regulatory changes that may arise from ESMA's findings. To better protect retail investors, ESMA will develop RRIs that help identify potential causes of consumer and investor harm. These indicators will be used to monitor financial activities and trends, providing early warnings of emerging risks. ESMA is clear that financial services firms should consider integrating similar risk indicators into their own risk management frameworks to pre-emptively address potential issues and align with ESMA's supervisory expectations. e. Engagement and Education: ESMA will engage with retail investors through coordinated communication with NCAs. This includes targeted campaigns to raise awareness about investment risks, particularly those associated with social media and AI tools. Financial education initiatives will be promoted in collaboration with the EBA and EIOPA.
Sustainable finance	In 2025, ESMA will intensify its focus on implementing the sustainable finance legal and supervisory framework. This includes combating greenwashing and promoting transparency in sustainable investments. ESMA will develop technical standards on several aspects relating to the registration and supervisory regime for external reviewers under the European Green Bonds Regulation (EU-GBR). Additionally, ESMA will support the deepening of supervisors' ESG expertise through targeted training.

Technological innovation	ESMA commits to driving digitalisation in financial markets by developing and strengthening the Single Rulebook and promoting supervisory convergence in this area. The implementation of DORA in 2025 necessitates a robust supervisory approach to ensure the resilience of critical financial services against digital threats. ESMA will also focus on financial innovation, particularly in artificial intelligence (**AI**), to ensure investor protection and market integrity. The potential responsibilities under the EU's AI Act could further influence how firms integrate AI into their operations and thus present new challenges for ESMA and NCAs.[24]
Key regulated sectors and entities	The AWP 2025 details ESMA's focus on various regulated sectors including investment management, investment services, issuer disclosure, benchmark providers, CRAs, CCPs, DRSPs, TRs, trading, market integrity, central securities depositories (**CSDs**) and securitisation. Each sector has specific objectives aimed at promoting effective markets, financial stability, supervision convergence, retail investor protection, sustainable finance, technological innovation and effective use of data. This can be summarised as follows: a. Investment services: For investment services, ESMA aims to ensure effective protection of retail investors and promote supervisory convergence. This includes a CSA on the integration of sustainability preferences in firms' suitability assessments. ESMA will also contribute to the development of the prudential regime for investment firms (MiFIR/MiFID II as supplemented by IFR/IFD) and support the implementation of the third-country regime for investment services. ESMA notes that firms should anticipate increased regulatory guidance and potential adjustments to their compliance frameworks. b. Trading: In the trading sector, ESMA will finalise follow-up work to the MiFIR Review, including revisions to trade transparency requirements and technical standards on transaction reporting. ESMA will also monitor the integrity of the European carbon market. ESMA expects that trading firms stay abreast of these developments to ensure compliance with evolving transparency and reporting requirements. ESMA's points to the evolution of settlement cycles internationally and the observed trend of shortening settlement cycles from T+2 to T+1, which is impacting the way in which stakeholders operate. ESMA has announced in the AWP that it will publish, before the end of 2024, its report on the shortening of the settlement cycle in the EU. Following this, in 2025 ESMA will likely continue working on this file through an active involvement in preparatory work and coordination with the relevant public and private sector stakeholders towards shortening of the settlement cycle according to the roadmap that will be proposed in ESMA's report. c. Investment management: ESMA's focus in the investment management sector includes the development of the Single Rulebook applicable to the Alternative Investment Fund Managers Directive (**AIFMD**), Undertakings for Collective Investment in Transferable Securities (**UCITS**) Directive, Money Market Funds Regulation (**MMF**) and other related regulations. Key outputs include guidelines on liquidity management tools (**LMTs**) for UCITS and open-ended AIFs, technical standards on open-ended loan-originating AIFs and a report on costs charged by UCITS and AIFMs. ESMA notes that firms should prepare for enhanced scrutiny on sustainability disclosures and integration of sustainability risks.

[24] The EU's AI Act will require supervised firms to address discriminatory practices emerging from AI usage in pricing and underwriting. ESMA will support NCAs in supervising the AI Act and integrating their role as market surveillance authorities. Firms must monitor, identify and address benefits and risks arising from AI usage in insurance, ensuring fair treatment of consumers. ESMA's supervisory guidance and other publications on AI Act implementation will promote convergence and provide clarity to the market about supervisory expectations.

Key regulated sectors and entities

d. Issuer disclosure(s):
In the area of issuer disclosure(s), ESMA will continue to develop the Single Rulebook for financial and sustainability reporting, the EU's Prospectus Regulation and corporate governance. Key outputs indicated by ESMA during 2025 include technical advice on prospectus liability, guidelines on product supplements and amendments to the European Single Electronic Format (**ESEF**) to include sustainability disclosures. ESMA expects that market participants ensure their reporting practices align with these evolving standards to maintain compliance and investor confidence.

e. Market integrity:
ESMA will promote supervisory convergence under the Market Abuse Regulation (**MAR**) and Short Selling Regulation (**SSR**), focusing on social media's (and in particular "Finfluencers'") impact on market surveillance as well as expansion of market integrity to MiCAR (see below). ESMA will equally issue opinions on accepted market practices (**AMPs**) and produce an annual report on Suspicious Transaction and Order Reports (**STORs**). As in previous years, ESMA remains committed to strengthening its surveillance or algorithmic trading activities to detect and prevent market abuse. ESMA expects that all financial market participants strive to enhance their market surveillance systems to detect and prevent market abuse effectively.

f. Benchmark providers:
ESMA's supervision of benchmark providers under the EU Benchmarks Regulation will focus on ensuring the robustness and resilience of critical benchmarks like EURIBOR. ESMA will also monitor compliance with Guidelines on internal controls and periodic reporting. ESMA expects that market participants involved in benchmark administration should be prepared for ongoing supervisory engagement and potential adjustments to their methodologies.

g. Credit Rating Agencies (**CRAs**):
ESMA cautions that it will intensify its supervision of CRAs, focusing on methodological design, analytical approach and the independence of the rating process. ESMA will issue updated Guidelines on disclosure for credit ratings and supervisory guidance on material changes to rating methodologies. ESMA is clear that CRAs should expect rigorous oversight and ensure their processes are transparent and robust.

h. Central Counterparties (**CCPs**):
For both EU and third-country CCPs, ESMA will enhance its supervisory framework, including stress tests, risk model validations and annual reviews. The authority will also implement new ITS/RTS under EMIR 3 including with respect to the Active Account Requirement, supervisory procedures, margin requirements (including transparency) and interoperability. Firms operating CCPs should prepare for detailed supervisory scrutiny and ensure their risk management frameworks are resilient. This also includes EU CCPs stepping up efforts to meet the CCP's Recovery and Resolution Regime, ensuring that recovery plans are robust and meet ESMA's expectations, which are very much in focus in ESMA's 2025 peer review. CCPs must also ensure that they comply with data reporting and accuracy requirements, utilising the central database for submissions and information sharing as well as participating in fire drills so as to enhance crisis preparedness and operational continuity in times of stress.

i. Central Securities Depositories (**CSDs**):
ESMA will increase its activity when it participates in CSD Colleges of Supervisors and develop technical standards under CSDR Refit. ESMA will also publish a report on shortening the settlement cycle in the EU. CSDs should prepare for potential changes in settlement practices and ensure compliance with new regulatory standards.

Key regulated sectors and entities	j. Data Reporting Services Providers (**DRSPs**): ESMA's supervision of DRSPs (including those beyond Approved Reporting Mechanisms (ARMs) and Approved Publication Arrangements (APAs), will focus on ensuring high data quality standards and operational resilience. ESMA expects that it will launch the selection and authorisation procedure for CTPs for bonds and equities. DRSPs should ensure their systems are robust and compliant with ESMA's data quality expectations. k. Trade Repositories (**TRs**): ESMA will continue to step-up how it supervises TRs with an emphasis on data quality and operational resilience. ESMA will monitor the implementation of EMIR REFIT requirements and publish a report on the efficiency of reporting under the EU's Securities Financing Transaction Regulation (**SFTR**). ESMA's statements translate into an expectation that TRs should step-up their focus on maintaining high standards of data accuracy and integrity. l. Securitisation and Securitisation Repositories (**SRs**): ESMA's supervision of SRs will focus on data quality and operational resilience. ESMA will also issue guidance on investor due diligence and follow up on the STS Peer Review outcomes. Firms involved in securitisation should ensure their practices align with ESMA's transparency and due diligence requirements.

2. ESMA's own internal operational priorities

ESMA's effective use of data and ICT	ESMA aims to enhance access to and quality of data for stakeholders, reinforcing its role as a data hub. This includes increasing the usability of information available to the public by ensuring machine-readability of disclosed data. ESMA will continue developing its 'Data Hub' to provide a shared platform for stakeholders and finalise preparations for launching the first phase of the European Single Access Point (**ESAP**) in 2026. ESAP aims to create a centralised platform that enables easy access to public data and information on securities markets.
Organisational aspects	ESMA's organisational aspects cover its Governance, Legal and Compliance, Human Resources, Finance and Procurement as well as its Corporate Services function, all of which have various pressures imposed on them in respect of what the AWP sets out to be achieved vis-à-vis the market as well as with NCAs and inside ESMA itself. The AWP includes a Peer Review Work Plan for 2024–2025 and annexes on human resources, budget, key performance indicators (**KPIs**) plus an overview of ESMA's outputs (see Annex IV).

Legislative files impacting ESMA and its resourcing	Key legislative files impacting ESMA's priorities and its resourcing in 2025 include chiefly DORA and the EU's MiCAR as well as an expansion of ESAP (with a longer-term readiness goal). ESMA will also focus on enhancing cross-border cooperation among EU supervisors, improving data quality and leveraging technology to streamline supervision. Specifically: a. with respect to DORA-readiness, the AWP 2025 notes that 1. ESMA will develop common principles regarding third-party risks and ensuring that financial entities under its supervision comply with DORA requirements. ESMA will conduct risk assessments, supervisory work plans and annual reviews of the firms directly supervised by it and those directly supervised by NCAs to ensure compliance with DORA. ESMA will also provide guidance to national supervisors and market participants to ensure a uniform application of DORA across the EU. Firms must ensure that their cybersecurity frameworks are robust and that they can demonstrate compliance with DORA's requirements during ESMA's inspections and reviews. Firms should equally anticipate increased scrutiny on their internal controls, governance and IT systems. 2. ESMA's data strategy under DORA emphasises the importance of high-quality data and the effective use of ICT technologies. Some firms will need to enhance their data management practices to meet ESMA's standards. This includes ensuring the accuracy, consistency and timeliness of data reported to supervisory authorities. Firms should also be prepared for ESMA's initiatives to develop a common data dictionary and integrated reporting systems, which aim to reduce compliance costs and improve data usability. 3. ESMA, along with other ESAs, will start by identifying ICT third party service providers market-wide and then designating the critical ones (i.e., CTPPs). Financial services firms that rely on third-party ICT providers must ensure that these providers comply with DORA's standards. This may involve conducting thorough due diligence and ongoing monitoring of third-party providers' operational resilience. 4. ESMA will continue to monitor technological innovations, including AI and distributed ledger technology (**DLT**), to assess their impact on financial markets. ESMA expects that financial services firms stay informed about ESMA's findings and adapt their practices accordingly to mitigate any identified risks. The implementation of DORA will also require firms to integrate new technologies in a manner that ensures operational resilience and compliance with regulatory standards. b. with respect to MiCAR-readiness, the AWP 2025 notes that: 1. One of the critical areas of focus during the initial years of MiCAR's application will be the transitional measures and authorisation procedures for crypto-asset service providers (**CASPs**). ESMA will be particularly vigilant in monitoring these processes to ensure that firms comply with the new regulatory requirements. Firms should anticipate detailed scrutiny during authorisation and be prepared to demonstrate robust compliance frameworks to meet ESMA's standards. 2. ESMA's role will be pivotal in fostering a convergent application of the new MiCAR framework across NCAs. Firms should prepare for a rigorous supervisory environment as ESMA will publish Level 3 guidance and facilitate the sharing of information among NCAs, including specific supervisory cases. This will help to prevent regulatory arbitrage and ensure consistent practices across the EU

Legislative files impacting ESMA and its resourcing	3. Another significant aspect under MiCAR is the monitoring of potential market abuse cases as it applies to crypto-assets. ESMA and NCAs will need to develop common solutions to address these issues effectively. All market participants are expected to enhance their market surveillance capabilities to detect and report any suspicious activities promptly. This will be crucial in maintaining market integrity and avoiding regulatory penalties. 4. In 2025, ESMA, in collaboration with the EBA, will deliver an interim review report on the application of MiCAR to the European Commission. This report may include proposals for legislative changes based on the initial implementation experiences. Firms should stay informed about these developments as they could lead to further regulatory adjustments that may impact their operations. 5. ESMA will continue to engage with international organisations and standard setters such as the International Organisation of Securities Commissions (**IOSCO**) and the Financial Stability Board (**FSB**). This engagement aims to promote the development and adherence to common principles and rules related to crypto-assets, decentralised finance (**DeFi**) and related technologies.
Translating the above into ESMA's supervision and convergence work	As discussed above, ESMA employs a multifaceted approach to supervisory engagement, focusing on both direct supervision and supervisory convergence. This means that firms engaged in cross-border activities should anticipate more consistent regulatory oversight and supervisory engagement and be prepared for potential adjustments in their compliance frameworks, in particular in light of more intrusive scrutiny. ESMA's direct supervisory activities include the use of risk assessments, thematic reports, on-site inspections and enforcement actions where breaches are identified. For financial services firms, this means a heightened level of scrutiny and the need for robust internal controls and compliance mechanisms. To promote consistency across the EU, ESMA engages in supervisory convergence activities. These include CSAs, peer reviews, case discussions and supervisory colleges. For instance, in 2025, ESMA plans to coordinate CSAs on topics such as the integration of sustainability in firms' suitability assessments and pre-trade controls. Financial services firms should be prepared for these coordinated actions, which aim to harmonise supervisory practices and ensure that firms across the EU adhere to the same standards. A significant aspect of ESMA's supervisory (convergence) approach is its emphasis on data-driven supervision. ESMA leverages advanced data analytics to monitor market developments, assess risks and ensure compliance with reporting obligations. Financial services firms are required to maintain high data quality standards and ensure the accuracy of their reporting systems. ESMA's focus on data quality is evident in its annual assessments and reports on transaction data quality, which highlight the effectiveness of supervisory efforts.

Importantly, there have been some changes between the focus, scrutiny and tone of what ESMA focused on in is 2024 AWP compared to what it plans to do in furtherance of its 2025 AWP's objectives relating to its regulatory as well as direct supervision and convergence roles.

Key messages and differences between ESMA's 2024 AWP and 2025 AWP

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly, between ESMA's 2024 and 2025 AWPs:

Topic – running order as used in publications	ESMA's 2024 AWP	ESMA's 2025 AWP
Market context and strategic priorities	• The 2024 AWP focused on the economic context marked by high inflation, geopolitical tensions and rapid technological changes, particularly emphasising the energy crisis due to Russia's war against Ukraine. • The 2024 AWP highlighted the urgency of the green transition and the implementation of the sustainable finance legal framework, including the fight against greenwashing. • The 2024 AWP mentioned the collapse of the crypto-currency exchange FTX, underlining the urgency of the new legal framework for crypto-assets established by MiCAR. • It emphasised the importance of the Single Rulebook and the need for ESMA to continuously review and assess it to ensure that it is up-to-date. • The 2024 AWP outlined ESMA's role in promoting global standards and cooperation with international regulatory bodies. • It mentioned the need for ESMA to propose changes to the legislative framework and technical standards. • The 2024 AWP discusses ESMA's direct supervision of EU CRAs, TRs, SRs and certain DRSPs and the importance of maintaining a central register of sanctions and administrative measures. • The 2024 AWP highlighted the need for ESMA to develop supervisory guidance and technical advice to the Commission and co-legislators and to participate in international workstreams related to technological innovation.	• The 2025 AWP signals a shift of focus to regulatory transitions and the evolving impact of technology, with an improving inflationary outlook and anticipated interest rate levels. • The 2025 AWP builds upon a number of items announced in the ESMA CMU Position Paper focusing on citizens, companies and the EU regulatory and supervisory framework. • The 2025 AWP (perhaps rather welcomingly) emphasises the need to streamline existing rules and cut red tape to make the regulatory framework more agile and reduce the compliance burden for businesses thus aiming to make EU capital markets more effective and more efficient. • It highlights specific work on the green and digital transitions, including the implementation of the sustainable finance legal and supervisory framework, combating greenwashing and promoting transparency in sustainable investments. It specifically emphasises the need for ESMA to develop tools and methodologies to detect and address potential greenwashing practices and enhance the quality of ESG disclosures. • The 2025 AWP addresses DORA and MiCAR as significant legislative and regulatory changes requiring robust supervisory approaches. • It mentions the evolution of settlement cycles internationally and the trend from T+2 to T+1 settlement cycles, with ESMA expected to publish a report on this by the end of 2024. • The 2025 AWP highlights the importance of ESMA's role in the implementation of the EU's 'Supervisory Data Strategy', including the development of a common data dictionary and the use of innovative technologies for data analysis.
Key legislative focus	• ESMA's focus in 2024 included the implementation of the sustainable finance legal framework and combating green-washing, with a final report on green-washing and technical standards for the EU-GBR. • ESMA was to deliver several new technical standards and guidelines under MiCAR and DORA, including preparatory work for oversight responsibilities related to DORA. • ESMA's work in 2024 was equally shaped by legislative projects such as changes to MiFIR, MiFID II, the AIFMD and the UCITS Directive, CSDR and the introduction of the EU's new RIS.	• ESMA's focus in 2025 includes enhancing cross-border cooperation among EU supervisors, improving data quality and leveraging technology to streamline supervision. • ESMA will intensify its focus on implementing the sustainable finance legal and supervisory framework, combating greenwashing and promoting transparency in sustainable investments. • ESMA's 2025 work will be shaped by legislative projects such as MiCAR, DORA, ESAP, the EU Listing Act, the EU-GBR and ESG Ratings Regulations.

Topic – running order as used in publications	ESMA's 2024 AWP	ESMA's 2025 AWP
Key legislative focus	• ESMA was to select and authorise CTPs under MiFID and MiFIR – work which will ramp up in 2025. • ESMA's 2024 work included a focus on the implementation of the market integrity regime under MiCAR and the development of a public register for crypto-assets. • ESMA was to deliver the first Annual Report on the DLT Pilot Regime and work on guidelines for DLT market infrastructures. • ESMA's 2024 activities included the finalisation of the preparations for DORA oversight responsibilities and the establishment of a single EU Hub for ICT-related incident reporting. • ESMA was to provide technical advice on the revision of the UCITS Eligible Assets Directive and work on a CSA in the area of sustainability in investment management. • ESMA's 2024 work included the development of technical standards and Guidelines for investment firms and the implementation of the third-country regime for investment services. • ESMA was to publish guidelines on NCAs' enforcement of sustainability reporting and follow-up reports on financial reporting enforcement. • ESMA's 2024 activities included the supervision of administrators of EU critical and third-country recognised benchmarks and the negotiation of MoUs with third-country authorities. • ESMA was to issue a report on the publication of administrative penalties and other measures by Member States under the CCP Recovery and Resolution Regime. • ESMA's 2024 work included the finalisation of the implementation of the new EMIR Refit requirements by TRs and the monitoring of data quality and operational resilience. • ESMA was to draft new technical standards and review existing ones on equity and non-equity transparency, market data, data reporting and CTPs following the MiFIR review. • ESMA's 2024 activities included the monitoring of the implementation of the clearing obligation and risk mitigation techniques for OTC derivatives under EMIR. • ESMA was to provide technical advice and reports following the review of MAR and guidance on the impact of social media on market surveillance and market integrity.	• ESMA will develop its 'Data Hub' to provide a shared platform for stakeholders and finalise preparations to launch the first phase of ESAP in 2026. • ESMA will carry out missions entrusted to it following the outcome of legislative negotiations, including the selection, authorisation and supervision of CTPs. • ESMA will focus on ensuring compliance with DORA requirements and the effective implementation of MiCAR, including the development of a register for CASPs and crypto-asset white papers. • ESMA will deliver an interim review report on the application of the MiCAR framework and engage with international standard setters on crypto-assets and related technologies. • ESMA will develop RTS on the characteristics of and Guidelines on the use of LMTs by UCITS and open-ended AIFs and a report on costs charged by UCITS and AIFMs. • ESMA will produce its third report on marketing requirements and communications under the Regulation on cross-border distribution of funds. • ESMA will update the RTS on ESEF to reflect sustainability reporting requirements and monitor the application of the new CSRD requirements. • ESMA will assess applications for recognition by third-country benchmark administrators and work on Level 2 or Level 3 measures as needed following the European Commission's proposal to amend the EU's Benchmarks Regulation. • ESMA will co-chair CCP supervisory colleges, set annual supervisory priorities and implement the Central Database for CCP data submission and information sharing. • ESMA will conduct regular fire-drills to enhance the crisis preparedness of the CCP Supervisory Committee and coordinate participation in global fire-drills. • ESMA will finalise the follow-up work to the MiFIR Review, including the revision of trade transparency requirements and the development of new RTSs on transaction reporting and order book data. • ESMA will monitor the implementation of the clearing obligation and risk mitigation techniques for OTC derivatives and develop new technical standards following the EMIR 3 Review.

Topic – running order as used in publications	ESMA's 2024 AWP	ESMA's 2025 AWP
Key legislative focus	• ESMA's 2024 work included the development of guidance and other supervisory convergence measures related to CSDR requirements and the analysis of the impact of the shorter settlement cycle. • ESMA was to continue its work on a peer review on the implementation of the STS requirements and the adequacy of disclosure templates under the Securitisation Regulation.	• ESMA will continue working on regulatory and supervisory convergence measures following the Listing Act amendments to MAR and monitor the deployment of AMPs. • ESMA will participate in CSD colleges of supervisors and develop technical standards for the shortening of the settlement cycle and other CSDR Refit requirements. • ESMA will intensify its convergence work and issue guidance on STS securitisation, investor due diligence and transparency under the Securitisation Regulation.
Strategic priorities and thematic drivers	• The AWP 2024 placed emphasis on the successful development of ESMA over its first decade and the implementation of significant legislative changes, in particular of the green transition of the European economy and the fight against greenwashing. • Central to the AWP 2024 were the plans to expand the Single Rulebook for sustainable finance as part of the new EU-GBR. • Further focus in the AWP 2024 related to preparatory work on the necessary IT infrastructure to support ESAP. • Key areas also focused on efforts to improve the quality and independence of the rating process for CRAs, including the effective surveillance of ratings and adequacy of resources. • The AWP 2024 also concentrated on the need for guidance, capacity building and other convergence initiatives to ensure consistent and effective application of MiCAR across the EU. • The AWP 2024 also mentioned the need for further guidance in the areas of outsourcing and governance for all entities under ESMA's remit.	• ESMA will continue to contribute to the aims of the CMU Position Paper yet the AWP 2025 places particular emphasis on streamlining existing rules and cutting red tape to make the regulatory framework more agile and reduce compliance burdens. • The AWP 2025 details plans for the implementation of DORA and MiCAR, including the establishment of a robust supervisory approach and ensuring compliance with new requirements. • Enhanced focus on cross-border cooperation among EU supervisors, improving data quality and leveraging technology to streamline supervision. • Development of a data hub to provide a shared platform for stakeholders and finalising preparations for the launch of ESAP in 2026. • Introduction of new supervisory mandates such as CTPs and adapting to technological and financial innovation. • Plans to intensify efforts to foster convergent application of the new MiCAR framework at the national level and monitor potential market abuse cases. • Emphasis on the development of common principles regarding third-party risks and the application of risk-based supervision at both ESMA and national levels. • Plans to enhance the usability of the sustainability finance regulatory framework and support the development of supervisory tools and methodologies to detect and address potential greenwashing practices. • Introduction of new KPIs to measure the extent to which the priorities and drivers set out in ESMA's 2023–2028 Strategy are being achieved.

Topic – running order as used in publications	ESMA's 2024 AWP	ESMA's 2025 AWP
Key regulated sectors and entities	• The AWP 2024's focus (in addition to the above) particularly as it concerns the quality and independence of the rating process for CRAs, included the review and approval process of models and methodologies, effectiveness of review functions and monitoring of business strategies, including new product offerings. • As to EMIR Refit, the AWP 2024 placed emphasis on the implementation of the EMIR Refit technical standards on reporting and data quality and the deployment of ISO 20022 XML standards through the full life cycle of derivatives reporting. • The AWP 2024 also concentrated on ensuring an effective governance and internal control framework within TRs, including monitoring IT and information security incidents and assessing cybersecurity frameworks. • ESMA's supervisory approach, as set out in the AWP 2024, involved implementing action plans to tackle industry risks and ensuring firms' regulatory change implementations comply with expectations, in particular in the context of EMIR Refit.	• Introduction of DORA and MiCAR, necessitating a robust supervisory approach to ensure resilience against digital threats and effective supervision of the new regulatory regime. • Evolution of settlement cycles from T+2 to T+1, with ESMA publishing a report on the shortening of the settlement cycle and continuing work on this file through coordination with stakeholders. • Enhanced supervisory responsibilities under new legislative files, including MiCAR, DORA, the ESAP, the Listing Act, the EU-GBR and ESG Ratings Regulations. • Focus on ensuring compliance with DORA requirements for entities under ESMA's direct supervision, including the use of AI for risk identification and forensics. • Development of a common supervisory approach for supervised entities, with guidance on governance, internal controls and periodic reporting. • Coordination of supervisory case discussions and follow-up actions based on the outcome of the CSA on sustainability in the investment fund sector. • Monitoring of risks in the investment management sector, including the use of leverage by funds, liquidity of real estate funds and interconnectedness with the financial system. • Launch of the selection and authorisation procedure for the first CTP for bonds, with the bonds CTP expected to be operational by the end of 2025.
ESMA as an Organisation (i.e. its internal focussed priorities)	• ESMA's strategy as set out in the AWP 2024, builds on its first decade of development, significant legislative changes, supervisory convergence and new supervisory mandates following the 2020 review of the ESAs. • In 2024, ESMA committed to expanding the Single Rulebook for sustainable finance as part of the new EU-GBR and deliver its final report on greenwashing. • ESMA will deliver technical standards for the European Single Access Point (**ESAP**) and continue preparatory work on the necessary IT infrastructure to support ESAP. • ESMA's guidance is delivered as Q&As, validations, opinions, supervisory briefings, or discretionary guidelines and recommendations. • ESMA's outputs related to supervision include risk assessments, supervisory strategies, remediation plans for supervised entities, investigations and on-site inspections, thematic reports and decisions on registration, recognition, certification and enforcement.	• ESMA's strategy establishes three strategic priorities and two thematic drivers, focusing on enhancing cross-border cooperation among EU supervisors, improving data quality and leveraging technology to streamline supervision. • ESMA will continue developing its Data Hub to provide a shared platform for stakeholders and will finalise preparations to launch the first phase of ESAP in 2026. • ESMA's guidance is delivered as Q&As, validations, opinions, supervisory briefings or discretionary guidelines/recommendations. • ESMA's outputs related to supervision include risk assessments, supervisory work plans, annual reviews, remediation plans for supervised entities, investigations and on-site inspections, thematic reports and decisions on registration, recognition, certification and enforcement. • ESMA will continue developing its common supervisory approach for supervised entities, focusing on governance, internal controls and periodic reporting.

Topic – running order as used in publications	ESMA's 2024 AWP	ESMA's 2025 AWP
ESMA as an Organisation (i.e. its internal focussed priorities)	• ESMA promoted the convergence of supervisory activities across the EU using a wide range of tools, including guidance, supervisory briefings and supervisory colleges. • ESMA's multi-annual IT Work Programme is steered by the then new ESMA Strategy 2023–2028 and aims to enhance ESMA's data management capacity. • ESMA's Corporate Services will contribute to ESMA as an organisation by improving its environmental performance through the Eco-Management and Audit Scheme (**EMAS**).	• ESMA's multi-annual IT Work Programme aims to enhance the access to and quality of data and information to stakeholders, reinforcing ESMA's role as a data hub. • ESMA's Corporate Services will support the organisation's environmental agenda by improving its environmental performance through EMAS.
Peer Review Work Plan – i.e. ESMA reviewing NCAs and their supervision of firms	• Peer reviews planned for 2024 included the implementation of the requirements for STS securitisation, depositary obligations under the UCITS directive and AIFMD and CCPs' outsourcing and intragroup governance arrangements. • Follow-up actions planned for 2024 included supervisory actions aiming at enhancing the quality of data reported under EMIR, supervision of cross-border activities of investment firms and the application of guidelines on the enforcement of financial information by the German NCA (**BaFin**) and accounting supervisor (**FREP**) in the context of Wirecard. • Specific mention of follow-ups to the EMIR data quality peer review and the Wirecard Fast Track Peer Review.	• Peer reviews planned for 2025 include a key focus on CCPs' recovery plans. • Follow-up peer reviews to be launched in 2025, if resources are available, include supervision of cross-border activities of investment firms, relocation of firms in the context of Brexit and prospectus scrutiny and approval. • Emphasis is expressed by ESMA on the need to adjust the Peer Review Work Plan in response to resource constraints or external developments. • Specific mention of the follow-up on the supervision of cross-border activities of investment firms and other peer reviews if resource feasible.

While, unlike the EBA's or EIOPA's 2025 AWP (see separate coverage on each) there is no standalone chapter or other indication on the deprioritisation of action items, the 2025 AWP of ESMA does state that for work on CSDs, SRs, DSRPs, MAR and SSR the focus remains on maintaining existing standards/processes and ensuring compliance as opposed to introducing proactive expansion of requirements.

Outlook

In light of ESMA's 2025 AWP, financial services firms and market participants must prepare for a more rigorous and harmonised regulatory environment. The stronger emphasis on supervisory convergence and the implementation of new legislative frameworks such as DORA and MiCAR will necessitate significant adjustments in compliance strategies.

Firms should anticipate increased scrutiny for existing but also new mandates from both ESMA and NCAs, in particular in areas such as digital operational resilience, sustainable finance and retail investor protection. It is imperative that all firms (not just those subject to direct ESMA supervision) proactively engage with these legislative, regulatory and supervisory developments, ensuring that their internal controls, governance structures and IT systems are robust and compliant with the evolving standards and expectations. Firms should anticipate more rigorous and coordinated supervisory actions, including joint on-site inspections and collaborative efforts within Colleges of Supervisors.

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

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

ESMA's priorities in its 2026–2028 SPD

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

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

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

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

Key takeaways from ESMA's 2026–2028 SPD

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

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

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

1. Effective markets and financial stability:
   ESMA aims to contribute to the development of a meaningful, proportionate and effective Single Rulebook (certainly for the Chapters) within its remit. This includes ESMA assisting in:
   - **Development of the CMU to a Savings and Investments Union (E-SIU)**: ESMA will support (i) the creation of an integrated Single Market in financial services by promoting global standards and (ii) the E-SIU's efforts on re-focusing priorities from previous ESMA AWPs and CMU and action plans.
   - **Future-proofing the Single Market for financial services**: ESMA will lead on the selection, authorisation and supervision of consolidated tape providers, the establishment of a one-stop shop for financial disclosures in the European Single Access Point (**ESAP**) and the transition to a shorter settlement cycle (T+1), which ESMA has recommend is achieved by what it considers to be the "optimal date" of Monday 11 October 2027.[28] The compression of the settlement cycle to T+1 aims to reduce risk in the system, which should translate into lower margin requirements, reduced costs and improve the competitiveness of EU markets.
   - Risk monitoring and financial stability: ESMA will continuously monitor market developments and new financial activities to assess risks to investors, markets and financial stability. This includes bi-annual Trends, Risks and Vulnerabilities (**TRV**) reports and the ESMA Market Report series. ESMA also plans in line with the EMIR 3 reforms to focus on enhancing CCP resilience by updating the CCP rulebook, conducting CCP stress tests, promoting supervisory convergence, including by conducting peer reviews of CCP supervision by NCAs as well as establishing and chairing a Joint Monitoring Mechanism (**JMM**) to monitor clearing developments and interconnectedness risks.

2. Effective supervision:
   One of ESMA's core objectives includes promoting a common, effective, risk-based, data-driven and outcome-focused supervisory and enforcement culture across EU supervisors and more efficiency in the regulatory framework (including reflecting and delivering upon recommendations from the Draghi and Letta Reports).[29] Key activities during the 2026–2028 period (and indeed in further SPDs and AWPs) include a focus on:
   - **New mandates**: ESMA will experience a significant evolution in the coming years as new entities will fall under its remit including Consolidated Tape Providers (**CTPs**), external verifiers of EU Green Bonds and ESG rating providers. ESMA will in addition have an enhanced role as regards EU CCPs. Together with the other European Supervisory Authorities, ESMA is also establishing a joint team to oversee critical ICT third-party providers and contribute to strengthen the resilience of the financial system to information security risk in line with DORA. Under CSDR Refit changes, ESMA will also participate in supervisory colleges of certain central securities depositories (**CSDs**). More crucially ESMA has a number of tasks on its to do list as part of the full operationalisation of the EU's legislative, regulatory and supervisory framework, since 30 December 2024 under

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

the Markets in Crypto-Assets Regulation (**MiCAR**) and since 17 January 2025 on DORA – details of which are discussed in dedicated coverage in a series of Client Alerts.

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

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

4. Sustainable finance:
   ESMA remains committed to facilitating the EU's transition towards a more sustainable economy, promoting high-quality sustainability disclosures and addressing greenwashing risks. This includes specifically:
   - **Addressing greenwashing risks**: ESMA will monitor and mitigate greenwashing risks in the funds industry and promote high-quality sustainability disclosures.
   - **Enhancing ESG expertise**: ESMA will support the development of supervisors' ESG expertise through targeted training and capacity-building initiatives.

5. ESMA's effective use of data and technological innovation:
   During 2026 to 2028, ESMA aims to deliver on its Data Strategy and enhance its role as a data hub plus data driven regulator, improve data access and quality and leverage technological innovations such as artificial intelligence (**AI**) and blockchain for supervisory purposes. Key initiatives include:
   - **ESMA's delivery of its "Data Strategy" and role as a data hub**: is set to grow through the implementation of the subsequent phases of the ESAP for financial market information. ESAP aims to help enhance market transparency and promote investor protection. ESMA will, as part of its wider Data Strategy progress with implementing integrated reporting envisaged under the AIFMD and UCITS Directives. This serves to reduce compliance costs for market participants and enhance the quality of data for relevant authorities notably for UCITS where a new EU-wide reporting regime is to be established. Moreover, the creation of a CCP supervisory database under EMIR 3 and the expansion of ICT systems resulting from reforms from the MiFIR review will trigger compliance action points by financial services firms as well as ESMA's own organisational set-up

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

- **Development of the ESMA Data Platform**: This platform will integrate data from various sources to improve risk monitoring and supervisory convergence. Equally, as a result of RIS, ESMA may need to develop benchmarks and tools allowing the comparison of information on the cost and performance of investment funds, to facilitate retail investors' access to information on whether investment products offer good value for money
- **AI-powered tools for supervision**: ESMA will explore the use of AI for anomaly detection and market abuse prevention.

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

A. Investment management:

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

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

B. Investment services:

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

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

C. Issuer disclosure standards:

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

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

D. Market integrity:

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

Outlook

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

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

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

EIOPA's priorities in its 2025 AWP

On 30 September 2024, EIOPA published its AWP for 2025 and its SPD for 2025–2027. As in previous years, EIOPA remains committed to enhancing the resilience and sustainability of the insurance and pensions sectors amidst evolving challenges such as climate change, digital transformation and geopolitical tensions as well as the growing "pensions gap". Supervised firms should note the emphasis on integrating ESG considerations into their risk management frameworks, particularly in light of new guidelines and reporting requirements under the Solvency II Directive (**Solvency II Review**) plus the interplay with the EU's Insurance Distribution Directive (**IDD**) and the Sustainable Finance Disclosure Regulation (**SFDR**). Additionally, firms must prepare for increased scrutiny on digital operational resilience, with DORA having come into effect on 17 January 2025 mandating robust IT systems and oversight of critical third-party providers.

The 2025 publications also highlight the importance of addressing protection gaps, particularly in natural catastrophe insurance and pensions, urging firms to enhance their product offerings and consumer engagement strategies. Equally, EIOPA's continued focus on supervisory convergence and the harmonisation of practices across Member States means that firms engaged in cross-border activities should anticipate more consistent regulatory oversight and be prepared for potential adjustments in their compliance frameworks. Lastly, the 2025 publications signal a proactive stance on emerging risks such as cyber threats and the ethical use of AI, indicating that firms should bolster their cybersecurity measures and ensure fair and non-discriminatory AI practices. Overall, the 2025 publications when compared to priorities for 2024 outline a more comprehensive regulatory landscape that demands heightened vigilance, adaptability and proactive engagement from supervised firms to align with EIOPA's strategic objectives (and as executed in supervision carried out by the NCAs) for a more resilient and sustainable financial sector.

The section below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between EIOPA's 2024 and 2025 publications. This Background Briefing should be read together with other thematic deep dives on reforms and developments as well as our standalone analysis of all relevant 2025 work programmes from the European Commission and EIOPA's sister ESAs as well as those of the Banking Union authorities (ECB-SSM and SRB).

Key takeaways from EIOPA's 2025 AWP and 2025–2027 SPD

As in previous years EIOPA uses its 2025 AWP and 2025–2027 SPD to outline its strategic priorities and communicate a comprehensive roadmap and resourcing plan for EIOPA's activities and publications (through Guidelines, ITS and RTS that it is mandated to publish along with other rulemaking instruments and statements on supervisory expectations (a list thereof is set out in Annex XIII to the AWP 2025 and 2025–2027 SPD.

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

In terms of more "practical supervision" EIOPA's role in Colleges of Supervisors is supporting group supervisors and addressing and following up on relevant risks. When needed, joint on-site inspections will be proactively sought. From 2025, supervisory priorities from the EU's Union-Wide Supervisory Priorities for oversight tasks will be followed. Starting in 2025, EIOPA will include oversight for DORA's purposes on CTPP, selected in the first year. EIOPA will assist NCAs in overseeing digital operational resilience and implementing new regulations like threat-led penetration tests and cyber incident reporting for firms.

In addition to the overarching themes introduced above, EIOPA specifically communicates the following key messages on priorities and deprioritisation:

1. EIOPA's expectations towards NCAs and supervised firms

Macroeconomic and political developments	Supervised firms must navigate a challenging global and EU-specific macroeconomic environment characterised by market volatility, high inflation and uncertain economic growth. These factors increase vulnerabilities in the insurance and pension sectors and negatively impact consumer confidence. Firms should focus on forward-looking risk identification, particularly in the context of geopolitical tensions such as Russia's invasion of Ukraine. Enhanced consumer protection measures are essential, especially concerning high inflationary trends, digitalisation, AI usage and ESG risks as well as the pension gap. In respect of the latter EIOPA is committed to addressing the growing pension gap exacerbated by demographic changes and economic pressures. Firms should expect EU-led initiatives aimed at enhancing financial inclusion options and encouraging the development of supplementary pensions. Equally, EIOPA reminds firms that they must also be aware of the implications of the European Parliament elections in 2024 and the new European Commission's impact on EIOPA's activities.

1. EIOPA's expectations towards NCAs and supervised firms

Solvency II Review	The Solvency II Review introduces several critical areas for supervised firms. EIOPA will draft and review technical standards and guidelines focusing on Solvency Capital Requirement, collaboration with NCAs proportionality and macroprudential tools. Firms must prepare for the implementation of the IRRD (see below) and the reassessment of the standard formula capital charge for natural catastrophe underwriting risk. Additionally, regulatory initiatives on sustainability risks and factors will impact Solvency II Own Risk and Solvency Assessment (**ORSA**).
Insurance Recovery and Resolution Directive (IRRD)	The IRRD will significantly impact supervised firms by introducing new roles and responsibilities such as setting up resolution committees and participating in resolution colleges. EIOPA's focus on crisis prevention and preparedness will require firms to enhance their internal processes and procedures. Consistency in implementing the IRRD will be promoted through relevant fora hosted by EIOPA. Firms must be prepared for potential data requests needed for developing IRRD-related instruments and ensure alignment with EIOPA's guidelines.
EU's Retail Investment Strategy (RIS)	EIOPA's contribution to the RIS will involve technical advice, standards, guidelines and development of tools such as databases relating to the PRIIPs Regulation and the IDD. The development of a (more) digital Single Market and support for innovation will be crucial for transparency and a consumer-friendly environment. Supervised firms are expected to focus on ensuring strong conduct of business compliance and consistent protection of consumer interests across the EU. EIOPA has noted that with respect to conduct supervision, the authority's workload trends are affected by the increased focus on how firms address consumer needs and provide simpler products to improve consumer understanding and uptake. As a supervisory tool, EIOPA will make greater use of Mystery Shopping (see our standalone coverage) for it to address distribution difficulties and affect its workload trends. EIOPA will follow-up with past activities to assess impact and risk mitigation. Firms are also expected to address emerging risks such as dark patterns in digital distribution and AI usage for underwriting purposes.
AI Act	The AI Act will require supervised firms to address discriminatory practices emerging from AI usage in pricing and underwriting. EIOPA will support NCAs in supervising the AI Act and integrating their role as market surveillance authorities. Firms must monitor, identify and address benefits and risks arising from AI usage in insurance, ensuring fair treatment of consumers. EIOPA's guidance on AI Act implementation will promote convergence and provide clarity to the market about supervisory expectations.
Digital Strategy	EIOPA's Digital Strategy emphasises using digitalisation to benefit consumers while mitigating associated risks. Supervised firms should support innovation in digital finance while ensuring transparency and consumer protection in particular in respect of distributed ledger technology (**DLT**), blockchain and crypto-assets. The implementation of the Digital Regulatory Reporting Tool under a joint project with the European Banking Authority aims to enhance data collection accuracy.

DORA	DORA aims to enhance digital operational resilience across the financial sector. Supervised firms must focus on effective implementation, fostering cooperation among stakeholders and addressing emerging risks. EIOPA will oversee CTPPs to promote convergence and strengthen digital operational resilience. Firms should prepare for new tasks and powers conferred on EIOPA related to DORA, including implementing a cyber-incident report system and developing supervisory convergence tools. On 1 October 2024, EIOPA and its sister ESAs announced[31] the appointment of Marc Andries as DORA Joint Oversight Director. This role will be responsible for implementing and running the oversight framework for CTPPs at a pan-European scale. Mr. Andries has held senior responsibilities in the areas of ICT project management, oversight and supervision, including at France's NCAs.
European Single Access Point (ESAP)	ESAP aims to improve public access to entities' financial and non-financial information in a centralised manner. Supervised firms must prepare for new roles and responsibilities related to data collection within the insurance and pension sectors. EIOPA's focus on policy work and implementation of ESAP will require firms to enhance their data analysis, publication and sharing capabilities particularly in respect of initiatives to collect and disseminate uniform (in particular catastrophe) risk and loss data.
Sustainable finance	Supervised firms must integrate ESG risks into their prudential framework and support sustainability reporting and disclosure efforts. EIOPA's commitment to providing high-quality climate data and tools will aid decision-makers and insurers in measuring protection gaps and developing solutions for natural catastrophes. Firms should also focus on identifying, monitoring and addressing greenwashing cases. EIOPA invites firms to leverage EIOPA's educational materials and best practices for catastrophe risk modelling. Firms are more broadly expected to participate in discussions on policy solutions to improve ESG risk awareness and incentivise adaptation and mitigation efforts. Firms are also expected to prepare for potential new EIOPA Guidelines on disclosing natural catastrophe coverage and exclusions to consumers.
Internal control framework	As in previous years, supervised firms are reminded that they must maintain robust internal control frameworks aligned with EIOPA's principles-based model. Regular reviews by internal control functions, quality control committees and audits will ensure effective internal control measures and will be under closer scrutiny by EIOPA and NCAs.
Human resources	Supervised firms must focus on attracting and retaining skilled personnel while promoting an inclusive work environment. EIOPA's emphasis on continuous professional development through initiatives like the Supervisory Digital Finance Academy aim to support capacity building for staff and supervisors from NCAs. Firms should also embrace technological advancements by incorporating new supervisory tools.

[29] Aavailable here.

1. EIOPA's expectations towards NCAs and supervised firms

Strategic objectives and key performance indicators (KPIs)	EIOPA's strategic objectives for 2025–2027 include contributing to sustainable insurance and pensions, enhancing financial stability, supporting digital transformation, promoting consistent supervision, delivering high-quality advice and setting high standards of corporate governance. Supervised firms are expected to align their operations with these objectives while focusing on specific annual operational goals such as managing sustainability risks and addressing protection gaps. These KPIs also build the bridge between expectations of the market and those that EIOPA sets itself with respect to its own internal operational priorities.

2. EIOPA's own internal operational priorities:

Anti-fraud strategy	EIOPA's efforts on its anti-fraud strategy focuses on preventing fraud through robust processes, detecting irregularities, recovering losses, mitigating risks, imposing sanctions and learning from incidents. Supervised firms should strengthen their anti-fraud culture and utilise whistleblowing channels effectively.
Budget and financial resources	EIOPA's budgetary constraints may impact supervised firms through potential scaling down or postponement of certain activities. Firms should be aware of EIOPA's prioritisation efforts to manage conflicting priorities effectively. DORA will introduce fees revenue for new tasks related to CTPPs oversight starting in 2025 but equally shift more to continue developing and using supervisory technology (**SupTech**) tools and promoting data-driven supervision.
Digital transformation	EIOPA, as the data hub for the EU insurance and pensions sector and a centre of excellence for businesses and EU citizens, sees an increase in supervisory community products and services related to data analysis, publication and sharing as well as data-driven supervision. EIOPA has also set out that it will increase its use of SupTech innovation by developing new tools employing innovative technology and exchanging experiences. Important projects like DPM Studio and DPM standard 2.0, Business Intelligence 2.0, ESAP, access and use of EMIR data via ESMA TRACE and EC Strategy on Supervisory Data implementation are also affecting EIOPA's data resources for 2025. Additional initiatives using innovative AI supervisory techniques are envisaged to counterbalance resource pressures to smooth operational efficiency. In addition to the above, EIOPA has communicated its commitment to meeting the requirements of the new EU Cybersecurity Regulation, which establishes governance, risk management and control for cybersecurity across EU bodies, with an inter-institutional 'Cybersecurity Board' to oversee implementation. Meanwhile, the European Commission's proposed Information Security Regulation will set basic information security requirements for all EU bodies and entities.
International engagement	EIOPA's international engagement includes cooperation with supervisory colleagues in the Western Balkans, Ukraine, Georgia and other global bodies like the International Association of Insurance Supervisors (**IAIS**). Supervised firms are also invited to monitor developments regarding the opening of the EU Single Market in financial services to the Microstates.

2. EIOPA's own internal operational priorities:

Equivalence monitoring	EIOPA's enhanced responsibility for monitoring regimes with equivalence decisions requires supervised firms to stay updated on legal, regulatory and supervisory developments in third countries. Annual reports on equivalence decisions will provide insights into regulatory practices impacting equivalence. Unsurprisingly in 2025 (much like 2024) supervised firms must navigate a complex regulatory landscape characterised by evolving macroeconomic conditions, stringent regulatory requirements, technological advancements and sustainability imperatives. By aligning their operations with EIOPA's strategic objectives and regulatory frameworks, firms can ensure compliance while fostering innovation and consumer protection. Importantly, there have been some changes between the focus, scrutiny and tone of what EIOPA focused on in 2024 compared to what it plans to do in 2025.

3. Deprioritisations for 2025

As EIOPA notes, the authority continuously aims at improving its prioritisation system to increase efficiency and dynamically allocate resources based on needs. Solvency II and IRRD's amended publishing timeframe and DORA's extra resources have helped manage competing agendas. In 2025, EIOPA expects that the following negative priorities may be postponed or scaled down (but not cancelled) if unexpected occurrences demand major resource reallocation from EIOPA.

Policy initiatives	Some initially envisaged activities, such as own-initiative consumer testing exercises, may need to be postponed or scaled down. Additionally, EIOPA may also postpone the maintenance of the Solvency II Rulebook on the website and depending on resources available may opt to sequence the updates of Q&As on Solvency II.
Diligent prioritisation on oversight activity	EIOPA has a strong focus on cross border insurance activity oversight using a risk-based approach in deciding on its activities. If need be, EIOPA may prioritise further its participation in colleges, along with bilateral visits, lessons learnt exercises, sharing of best practice trainings and other projects stemming from specific supervisory requests, on a risk based and proportionate approach and with a focus on critical topics.
DG Reform projects	NCA programs run under DG REFORM generally align with EIOPA oversight. Synergies can be achieved by combining these initiatives. With careful workload management, this efficient strategy will continue. Due to resource restrictions, EIOPA may need to decline new projects.
Digital Finance and European Data Strategy	EIOPA prioritises data-driven supervision technology but will reassess Sup-Tech project prioritisation to balance foundational work and high-impact projects. Adjusting the scheduling of new tools, like DPM Studio, might free up resources for other objectives.
Sustainability	The depth of EIOPA's analysis and extent of recommendations concerning EIOPA's work on alignment of supervisory approaches (prudential and conduct) may also be negatively affected.
Engagement with third party jurisdictions and international organisations	In response to the continued globalisation of insurance, EIOPA will maintain engagement with third-party countries and relevant international groups. However, EIOPA may need to recalibrate its participation to EU and international and prioritise the topics pertaining to IAIS discussions as well as the timing of supervisory dialogues with third country supervisors.

3. Deprioritisations for 2025

Financial stability initiatives	Rather interestingly (or perhaps worryingly given all that is on EIOPA's agenda – including for IRRD) EIOPA may need to scale down the scope or postpone activities such as methodological improvements for assessing financial stability risks, work on econometric modelling and early warning indicators. Additionally, if needed, EIOPA will postpone the update of the insurers' 'failures and near misses' database.
Horizontal support	EIOPA acknowledges that widened/enhanced mandates and tasks stemming from the new legislative instruments will bring an increased demand in the areas of Legal, Communication, Finance, HR, IT and Corporate Services. Consequently, EIOPA may need to deprioritise internal projects that may lead to medium-term efficiency gains.

Key messages and differences between EIOPA's 2024 and 2025 publications

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly between EIOPA's 2024 and 2025 publications:

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
Macroeconomic and Political Developments	• Emphasis on the challenging European macroeconomic environment, including market volatility, high inflation and uncertain economic growth, which increase vulnerabilities in the insurance and pension sectors and negatively impact consumer confidence. • Focus on the supervision of cross-border business, supporting consumer protection and addressing gaps in powers and responsibilities at the European level. • Highlighting the importance of enhanced coordination between home and host authorities for cross-border business, including robust enforcement mechanisms and consistent supervision. • Addressing protection gaps as a key area of action, with methodologies like stress tests and consumer research to capture insurance and pension gaps, health, natural catastrophe and cyber protection gaps. • Mention of the European Parliament elections in 2024 and the new European Commission's impact on EIOPA's activities, particularly regarding the Capital Markets Union (**CMU**) and EU competitiveness. • Call for EU strategic autonomy to lessen dependence on external actors and become more self-reliant in critical areas. • Ensuring comprehensive communication to combat misinformation and foster transparency.	• Continued focus on the challenging European macroeconomic environment, with added emphasis on the impact of geopolitical tensions, particularly Russia's invasion of Ukraine and the need for forward-looking risk identification. • Enhanced focus on consumer protection, particularly in the context of high inflationary trends, digitalisation, AI usage and ESG risks. • Monitoring the opening of the EU Single Market in financial services to the Microstates, aiming for adequate supervision and enforcement. • Continued emphasis on addressing protection gaps, with a new focus on improving consumer risk awareness and understanding of risk-based prevention measures and alignment across public and private initiatives. • Introduction of activities to establish EIOPA as a Centre of Excellence in catastrophe models and data and focus on identifying, monitoring and addressing greenwashing cases. • Mention of the need for data to develop appropriate tools for supervision and operate according to powers and responsibilities. • Continued monitoring of political developments, including the European Parliament elections in 2024 and the new European Commission and their impact on EIOPA's activities. • Increased cooperation with different EU authorities due to the horizontal nature of regulation.
Solvency II Review	• EIOPA will draft and review technical standards and guidelines as part of the Solvency II Review, focusing on areas such as Solvency Capital Requirement, collaboration with NCAs, proportionality and macroprudential tools. • EIOPA will prepare for the implementation of the IIRRD, which includes developing technical standards and guidelines and setting up a resolution committee. • The Solvency II Review will include new permanent tasks for EIOPA, such as monitoring implementation and collaborating with NCAs. • EIOPA will continue to calculate and publish key information necessary for the effective application of the Solvency II Directive, maintaining and improving production processes.	• EIOPA will map where changes are needed to draft and review technical standards and guidelines once there is more clarity on the negotiations of the Solvency II Review. • Regulatory initiatives on sustainability risks and factors, including the Taxonomy Regulation, SFDR and CSRD, will start to take effect, impacting Solvency II ORSA. • EIOPA will respond to requests for reports on sustainability issues as part of Solvency II, after more clarity on the outcome of negotiations between EU institutions. • EIOPA will develop a major new version of the data collection infrastructure based on significant updates to the XBRL taxonomies and the data warehouse for insurance and IORPs returns.

<table>
<tr><th>Topic – running order as used in publications</th><th>EIOPA’s 2024 publications</th><th>EIOPA’s 2025 publications</th></tr>
<tr><td>Solvency II Review</td><td>• EIOPA will focus on the reassessment of the standard formula capital charge for natural catastrophe underwriting risk as part of the Solvency II Review.
• EIOPA will update technical standards and guidelines according to amendments to Solvency II, including the translation and publication of new material in all EU languages.
• EIOPA will continue to play an active role in the IAIS, particularly regarding the Insurance Capital Standard (ICS).</td><td>• EIOPA will progress in areas of activity referenced in the EU Strategy for financing the transition to a sustainable economy and the EU Strategy on Adaptation to Climate Change, as well as in Commission’s proposals for additional mandates as part of the Solvency II Review.
• EIOPA will promote access to open-source modelling of climate change risks and improve the collection of uniform and comprehensive insured loss data.
• EIOPA will continue updating its EU-wide dashboard on natural catastrophe insurance protection gaps and engage with Member States, industry and consumers on policy solutions to address demand-side barriers.</td></tr>
<tr><td>Insurance Recovery and Resolution Directive (IRRD)</td><td colspan="2">• EIOPA will continue to deliver high-quality advice and other policy work, including the implementation of the IRRD, which will include new roles and responsibilities such as setting up a resolution committee or participating in resolution colleges.
• EIOPA is preparing for the implementation of the IRRD, which will include new responsibilities such as the development of technical standards and guidelines and other permanent tasks like setting up a resolution committee or participating in resolution colleges.
• The IRRD and the Solvency II Review will have a significant impact on EIOPA, requiring the preparation and review of a significant number of instruments (guidelines, ITS, RTS, reports) and new permanent tasks, necessitating changes in EIOPA’s governance structure.
• EIOPA has continuously strengthened its methodological approach to prioritisation to boost efficiency and dynamically (re)deploy resources based on needs. The revised publication timeline for Solvency II and IRRD, along with additional resources for DORA, has helped to manage conflicting priorities.
• The main priority will be the work related to the IRRD, which is dependent on the political process.
• EIOPA will continue enhancing its crisis prevention and preparedness, focusing on internal processes and procedures and promoting sound recovery and resolution policies related to the IRRD.
• EIOPA will promote consistency in the implementation of the IRRD by hosting relevant fora.
• Placeholder for potential data requests needed for the development of IRRD-related instruments (Guidelines/ITS/RTS).</td></tr>
<tr><td>RIS</td><td colspan="2">• EIOPA will actively contribute to the legislative proposals on the RIS published on 24 May 2023, including possible work on technical advice, technical standards, guidelines and development of other tools such as databases relating to the PRIIPs Regulation and the IDD.
• EIOPA will assess its ongoing ‘Value for Money’ work to draw on lessons learned and inform any new mandates under the RIS.
• EIOPA is expected to deliver policy work for a number of legislative initiatives, including the RIS, with a focus on ensuring strong and consistent protection of consumer interests across the EU.
• EIOPA will focus on developing the digital single market and supporting innovation to ensure transparency and a consumer-friendly environment.
• EIOPA will continue to support the further development of a single rulebook in the insurance and pensions sectors, particularly with regard to the implementation of the RIS.
• EIOPA will use its experience and lessons learned from supervisory convergence work to feed the regulatory cycle, focusing on further analysing the application of the IDD and preparing for its future revision.
• EIOPA expects to receive new mandates deriving from the RIS, such as RTS, technical advice, guidelines and development of new IT tools, with work possibly commencing as early as Q2 2025.</td></tr>
</table>

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
RIS	**New priorities from the previous publication include**: • EIOPA will carry out its first coordinated mystery shopping exercise to ensure its supervisory approach is more outcome-focused. • EIOPA will focus on promoting products that ensure value for money, are simpler and easy to understand and correspond to consumers' needs to promote more financial inclusion. • EIOPA will address both existing and emerging risks such as dark patterns in digital distribution and the usage of AI for underwriting purposes. • EIOPA will establish strategic conduct priorities and develop a conduct risk dashboard. • EIOPA will coordinate supervisory activities in relation to PEPP, focusing on supervisory approaches, coordination of supervisory plans and monitoring the market.	
DORA	• EIOPA is focused on the effective implementation of cross-sectoral legislation such as DORA, fostering cooperation among stakeholders and addressing emerging risks. • EIOPA will continue to deliver high-quality advice and other policy work, including DORA, Solvency II Review, IRRD, ESAP, AI Act, Cyber Security and Information Security Regulations. • EIOPA has already shifted resources towards the preparatory work of DORA, lowering activity in other areas, including oversight work. • EIOPA will, together with the other ESAs, initiate the oversight of CTPPs to promote convergence and strengthen digital operational resilience. • EIOPA will support the implementation of the ESRB Recommendation on a pan-European systemic cyber incident coordination framework for relevant authorities. • EIOPA will receive fees revenue required to assume its new tasks and powers in relation to the oversight mandate of CTPPs included in DORA. • EIOPA will implement actions in line with the revised EIOPA Digital Strategy, focusing on areas where it can add value within a general strategic concentration on consumer outcomes. • EIOPA will enhance the incorporation of cyber risk assessment into the current insurance risk dashboard framework and will continue to monitor the development of the cyber insurance market. • EIOPA will support NCAs in supervising the digital transformation of entities as well as on the implementation of DORA. • EIOPA will deliver the necessary policy work to support DORA implementation together with other ESAs. • EIOPA will implement the DORA, assess the prudential and conduct framework of the sector and ensure financial soundness and supervisory convergence. • EIOPA will deliver the RTS and ITS from DORA and assess and develop supervisory convergence tools on DORA supervision. • EIOPA will implement a cyber-incidents report system and develop a feasibility study on further centralisation of the cyber-incident reporting. • EIOPA will manage the cyber-incidents report system and prepare an Annual Report on major ICT-related incidents. • EIOPA will gradually implement the pan-European systemic cyber incident coordination framework for relevant authorities (**EU-SCICF**).	

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
AI Act	• EIOPA will focus on the effective implementation of cross-sectoral legislation, including the AI Act, fostering cooperation among stakeholders and addressing emerging risks. • EIOPA will continue to deliver high-quality advice and other policy work, taking into account the effects of new horizontal regulation, including the AI Act. • EIOPA will support preparations from a policy and supervisory perspective in view of the expected finalisation of negotiations between the co-legislators on the AI Act. • EIOPA will enhance conduct of business supervision, addressing discriminatory practices emerging from the usage of AI in pricing and underwriting. • EIOPA will focus on supporting NCAs on the supervision of the AI Act and integrating their role as market surveillance authorities in the context of insurance and pensions sectoral legislation. • EIOPA will assess remaining AI supervisory and regulatory aspects, including measures relevant for addressing risks for consumers. • EIOPA will support and monitor the implementation of the AI Act and possible EIOPA Guidelines on AI, aiming for cross-sectorial consistency while reflecting on sectorial specifities. • EIOPA will deliver guidance on AI Act, including any policy work that might emerge from the final agreement on the AI Act. • EIOPA will deliver guidance on areas not covered by the AI Act to promote convergence and provide clarity to the market about supervisory expectations. • EIOPA will monitor, identify and address the benefits and risks arising from the use of AI in insurance, including potential unfair treatment of consumers or discriminatory practices.	• EIOPA will focus on the effective implementation of cross-sectoral legislation, including the AI Act, fostering cooperation among stakeholders and addressing emerging risks. • EIOPA will continue to deliver high-quality advice and other policy work, taking into account the effects of new horizontal regulation, including the AI Act. • EIOPA will support preparations from a policy and supervisory perspective in view of the expected finalisation of negotiations between the co-legislators on the AI Act. • EIOPA will enhance conduct of business supervision, addressing discriminatory practices emerging from the usage of AI in pricing and underwriting. • EIOPA will focus on supporting NCAs on the supervision of the AI Act and integrating their role as market surveillance authorities in the context of insurance and pensions sectoral legislation. • EIOPA will assess remaining AI supervisory and regulatory aspects, including measures relevant for addressing risks for consumers. • EIOPA will support and monitor the implementation of the AI Act and possible EIOPA Guidelines on AI, aiming for cross-sectorial consistency while reflecting on sectorial specifities. • EIOPA will deliver guidance on AI Act, including any policy work that might emerge from the final agreement on the AI Act. • EIOPA will deliver guidance on areas not covered by the AI Act to promote convergence and provide clarity to the market about supervisory expectations. • EIOPA will monitor, identify and address the benefits and risks arising from the use of AI in insurance, including potential unfair treatment of consumers or discriminatory practices.

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
AI Act		• EIOPA will enhance digital finance monitoring, including in areas such as AI and DeFi, by assessing the results of the 2023 survey and taking lessons for future activities. • EIOPA will develop and implement new supervisory tools leveraging data and new technologies, including using NLP to analyse qualitative non-structured information. • EIOPA will assess how to leverage ESAP to improve the tool on machine learning and use of data to assess conduct of business risks. • EIOPA will further improve methodological tools for the assessment and reporting of risks in the insurance and pensions sectors based on different econometric techniques, including the development of AI and machine learning techniques.
ESAP	• EIOPA is focused on the effective implementation of cross-sectoral legislation, including ESAP, fostering cooperation among stakeholders and addressing emerging risks. • EIOPA will continue to deliver policy work for legislative initiatives, including ESAP, which will include new roles and responsibilities for EIOPA. • EIOPA is expected to deliver policy work for a number of new legislative initiatives, including ESAP and has shifted resources towards preparatory work for DORA. • EIOPA will contribute to the implementation of ESAP to improve public access to entities' financial and non-financial information, acting as a data collector within the insurance and pension sectors. • EIOPA's products and services related to data analysis, data publication and data sharing are increasing, including contributions to ESAP. • EIOPA will focus on the policy work and implementation of ESAP together with other ESAs. • EIOPA is expected to deliver policy work and implementation for ESAP, among other legislative initiatives, during the term of this document.	• EIOPA will contribute to the implementation of ESAP to improve public access to entities' financial and non-financial information, pending final decision by the co-legislators and will act as a data collector within the insurance and pension sectors. • EIOPA will prepare for the implementation of ESAP in cooperation with ESMA and EBA, including the development of technical standards. • EIOPA's role as a data hub for the EU insurance and pensions sector is emphasised, with increasing tasks related to data analysis, publication and sharing, including ESAP. • EIOPA will focus on the policy work and implementation of ESAP, DORA and AI Act and support the Proposal for a Regulation on a Framework for Financial Data Access (**FIDAR**). • EIOPA will contribute to the implementation of ESAP, focusing on areas where it can add value within a general strategic concentration on consumer outcomes. • EIOPA will implement actions in line with the revised EIOPA Digital Strategy, including the implementation of ESAP. • EIOPA will deliver policy work and implementation for ESAP, among other legislative initiatives, with overlapping timing increasing staff resource constraints.

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
Human Resources	• EIOPA's success hinges on balancing its core mission with a thriving, equitable and inclusive work environment, supporting continuous professional development and capacity of staff and supervisors from national competent authorities. • Emphasis on fostering a culture of innovation and incorporating new supervisory tools to stay ahead of technological advancements. • Focus on attracting and retaining skilled personnel, promoting an attractive work environment and fostering talent development with a focus on diversity and inclusion. • The recruitment process lasts on average from six to nine weeks from the deadline of application to the decision of the appointing authority. • EIOPA's recruitment and selection policy ensures no job applicant is discriminated against on various grounds, promoting diversity and inclusion. • EIOPA has a strong secondment program (**SNEs**) in place, permitting an exchange of knowledge between people and institutions. • EIOPA's digital transformation aims at becoming a digitally transformed, user-focused and data-driven organisation, with a flexible approach to the workplace to facilitate a combination of office and remote work.	• EIOPA will continue to support the continuous professional development and capacity of staff and supervisors with initiatives such as the Supervisory Digital Finance Academy, staff exchanges and a Female Talent Development Programme. • The organisation must embrace the breakneck pace of technological advancements, necessitating the incorporation of new supervisory tools and fostering a culture of innovation. • The growing emphasis on sustainable practices necessitates extending EIOPA's commitment to sustainability, part of the EMAS accreditation. • The recruitment process is streamlined to three months from the deadline of application to the decision taken by the appointing authority. • EIOPA's recruitment and selection policy reflects a commitment to engaging staff of the highest standards from a broad geographical basis, ensuring no discrimination on various grounds. • EIOPA promotes a collaborative culture, nurturing and developing talent through programs aligned with the organisational mission, vision and strategic planning, fostering internal mobility. • EIOPA's digital transformation includes the implementation of an Integrated Talent Management System, enhancing diverse and inclusive corporate culture and preserving institutional knowledge and expertise.
Strategic Objectives and KPIs	• Emphasis on fostering a rewarding and inclusive work environment, supporting continuous professional development and capacity building for EIOPA staff and supervisors from national competent authorities. • Strategic objectives included contributing to sustainable insurance and pensions, enhancing financial stability, supporting digital transformation, promoting consistent supervision, delivering high-quality advice and setting high standards of corporate governance.	• Introduction of a more robust monitoring mechanism for KPIs, starting from 2024, to allow for better calculation and assessment. • Strategic objectives remain largely the same but with a more detailed focus on specific annual operational objectives, such as managing sustainability risks, addressing protection gaps, fostering sustainable behaviour and sharing expertise and data. • Enhanced focus on digital transformation, including the development of relevant training and workshops to promote the exchange of views and experiences among supervisors and between the market and supervisors. • New emphasis on integrated talent management to counter recruitment difficulties, including the implementation of a hybrid working model and targeted recruitment for technical profiles. • Introduction of a more structured process for setting conduct strategic supervisory priorities and providing proactive monitoring of NCAs' compliance with EU law.

Topic – running order as used in publications	EIOPA’s 2024 publications	EIOPA’s 2025 publications
Sustainable Finance	• Emphasis on integrating ESG risks in the prudential framework and supporting the analysis of sustainability risks. • Focus on promoting sustainability reporting and disclosure and fighting greenwashing. • Commitment to providing high-quality, open-access climate data and tools to support decision-makers and insurers. • Efforts to measure protection gaps and develop solutions, particularly for natural catastrophes. • Support for the supervisory community and industry to mitigate risks and seize opportunities of digital transformation. • Engagement in the Commission’s Climate Resilience Dialogue and contribution to the EU Fit-for-55 goals. • Participation in global bodies such as the International Association of Insurance Supervisors, the Sustainable Insurance Forum and the Network for Greening the Financial System. • Focus on addressing protection gaps, especially for natural catastrophes and improving consumer risk awareness and understanding of risk-based prevention measures. • Development of methodologies and tools for sharing open-source data and models to support climate risk assessment and adaptation initiatives.	• Shift towards the implementation and supervision of the comprehensive regulatory framework developed over the last years, including Solvency II, SFDR, CSRD and CSDDD. • Increased focus on the integration of other sustainability risks, including biodiversity and social risks. • Emphasis on the availability of data and adequate tools to model climate change and other sustainability risks, with a focus on catastrophe-related losses. • Establishment of EIOPA as a Centre of Excellence in catastrophe models and data. • Enhanced efforts to identify, monitor and address greenwashing cases. • Implementation of activities to support the transition to a sustainable economy, including a one-off coordinated stress test exercise on transition risks. • Expansion of EIOPA’s sustainable management and working methods as part of the EMAS accreditation. • Continued engagement on the strategic priorities set by the Commission’s Green Deal and contribution to the EU Fit-for-55 goals. • Broadened scope of action on sustainable finance to assess implications of social, governance, or environmental risks. • Focus on consumer outcomes, promoting consumer-centricity in the digital transformation of insurance and pensions and the ethical use of data to combat financial exclusion and safeguard privacy.
Digital Strategy	• Emphasis on ensuring digitalisation is used to help consumers and lead to good outcomes, including good usage of AI. • Focus on supporting the supervisory community and industry to mitigate the risks and seize the opportunities of the digital transformation. • Mention of the Supervisory Digital Finance Academy to support continuous professional development. • Highlighting the role of digitalisation in influencing business models, products, services and distribution channels and the associated challenges. • Reference to the European Commission’s digital finance package and the implementation of EIOPA’s Digital Strategy to support the market and supervisory community. • Mention of the Supervisory Data Strategy to ensure accurate, consistent and timely data collection by supervisory authorities.	• Detailed initiatives under EIOPA’s Digital Strategy, including the development of a major new version of the data collection infrastructure and enhancements to data analytics capabilities. • Specific projects under the SupTech program, such as the DPM Studio, Business Intelligence 2.0 and the use of AI techniques for supervisory purposes. • Emphasis on financial inclusion as a key element of financial health, addressing issues like differential pricing, data bias and inclusion. • Implementation of the Digital Regulatory Reporting Tool under a joint project with EBA and the focus on a sound European data ecosystem. • Enhanced focus on the ethical use of data, combating financial exclusion and safeguarding privacy. • Mention of the European Supervisory Strategy and the development of a single cross-sectorial data dictionary.

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
Digital Strategy	• General reference to the need for a robust data framework for the EU's future, including regulatory initiatives for data use, privacy and security. • Mention of the need to adapt supervisory processes to ensure prudent supervision and monitoring of digitalisation impacts on consumers and conduct risks.	• Implementation of the DORA, AI Act and ESAP and support for the FIDAR proposal. • Introduction of new supervisory tools leveraging data and new technologies, including Natural Language Processing (**NLP**) for analysing qualitative non-structured information. • Continued development of the Digital Finance Academy program to increase the understanding of new technologies and business models by supervisors. • Enhanced focus on consumer outcomes, including promoting consumer-centricity in digital transformation and addressing dark patterns in digital distribution and AI usage for underwriting.
Internal Control Framework	• The internal control framework adopted in November 2018 is in line with the principle-based model of the European Commission and COSO, fully harmonised between the three ESAs and implemented through a dedicated internal control strategy, continuous and periodical assessments, corrective actions and internal and external reporting. • Regular reviews by EIOPA's Internal Control Function, the Quality Control Committee and audits by the Internal Audit Service, the European Court of Auditors and audit firms provide impartial and thorough reviews of internal control measures. • EIOPA is confident there are no significant weaknesses that would create reservations or affect the validity of the Declaration of Assurance found in EIOPA's Consolidated Annual Activity Reports.	• EIOPA will further develop its capability to detect cases of fraud by widening the monitoring of anomalies or "red flags" across more of its at-risk processes. Should a case of fraud be detected, EIOPA will implement measures to mitigate the risks, reclaim losses and take actions against the perpetrators. • EIOPA will continue to address ethics and conflicts of interest and encourage staff to use existing channels to report any concerns (i.e., whistleblowing). • The internal control framework is rooted in the implementation of the internal control framework and continued strong management oversight of both operational and horizontal activities and adherence to principles such as sound financial management. • Regular reviews by EIOPA's Internal Control Function, the Quality Control Committee and audits by the Internal Audit Service, the European Court of Auditors and audit firms providing impartial and thorough reviews of these measures are a further element of management assurance.
Anti-Fraud Strategy	• EIOPA conducted a review of its previous anti-fraud strategies and assessed future fraud threats, which informed the Anti-Fraud Strategy 2022–2024 and its supporting action plan. • The focus was on preventing fraud by denying opportunities through processes and systems and strengthening EIOPA's anti-fraud culture. • Emphasis on managing external and internal whistleblowing channels.	• Introduction of a renewed anti-fraud strategy for 2025–2027, defined according to the revised EU's Anti-Fraud Office's (**OLAF**) methodology, with objectives and priorities based on a rigorous risk assessment. • Detailed breakdown of the anti-fraud strategy into four phases: Prevent, Detect and Investigate, Recover, Mitigate and Impose Sanctions and Exploit.

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
Anti-Fraud Strategy		– Prevent: Focus on denying opportunities for fraud through robust processes and systems and strengthening the anti-fraud culture. – Detect and Investigate: Enhancing the capability to detect irregularities and supporting investigations by appropriate authorities. – Recover, Mitigate and Impose Sanctions: Measures to recoup losses, manage fraud-related risks and respond appropriately to perpetrators. – Exploit: Learning from incidents to improve processes and ensuring staff awareness of fraud consequences. • Continued emphasis on maintaining measures to address ethics and conflicts of interest and encouraging staff to use whistleblowing channels.
International Engagement	• EIOPA will continue its open dialogue and cooperation with members and stakeholders both inside and outside the EU, including supervisory colleagues in the Western Balkans, Ukraine and Georgia. • EIOPA will monitor developments regarding the opening of the EU Single Market in financial services to the Microstates. • EIOPA will seek further cooperation with other EU agencies and bodies, including chairing the EU Agencies' Network (**EUAN**) in 2023–2024. • Enhanced activity related to equivalence decisions and enlargement negotiations is expected. • Continued policy engagement with the IAIS on the Insurance Capital Standard (**ICS**) and other areas such as AI, digitalisation and protection gaps. • EIOPA will engage on the strategic priorities set by the Commission's Green Deal and participate in global bodies like the IAIS, the Sustainable Insurance Forum and the Network for Greening the Financial System. • EIOPA will continue to play an active role in the IAIS, particularly with reference to the ICS and the comparability assessment with the Aggregation Method. • EIOPA will maintain its participation in global bodies such as the Sustainable Insurance Forum (**SIF**) and the Network for Greening the Financial System (**NGFS**).	• EIOPA will need to recalibrate its participation in EU and international fora, particularly in the sustainable finance area, due to resource constraints. • EIOPA will prioritise topics pertaining to IAIS discussions and the timing of supervisory dialogues with third-country supervisors. • EIOPA will continue to contribute to global standard-setting, reflecting the broadening scope of activity towards nature-related and social risks. • EIOPA will need to limit or postpone certain outputs to make resources available for new legislative proposals. • EIOPA will continue to engage bilaterally with third countries on ESG issues and contribute to the UNEP Forum for Insurance Transition (UNEP FIT). • EIOPA will lead some of the IAIS work on FinTech and innovation and enhance engagement with developing markets in Asia and Latin America. • EIOPA will continue to monitor the developments regarding the opening of the EU Single Market in financial services to the Microstates and collaborate with NCAs on initiatives to increase the Authority's added value. • EIOPA will continue to provide policy advice to the European Commission and engage in bilateral relations based on a strict prioritisation exercise.
Equivalence Monitoring	• Descale the sharing of legal, regulatory and supervisory developments and practices with third countries within the topic of the application of equivalence decisions. • Annual report on the application of equivalence decisions and plan for next year's regulatory and supervisory practices equivalence monitoring.	• Ensure effective monitoring of the application of equivalence decisions by third countries and of market or regulatory developments impacting equivalence. • Follow-up assessment on application in countries where there is already an equivalence decision in place.

Topic – running order as used in publications	EIOPA's 2024 publications	EIOPA's 2025 publications
Equivalence Monitoring	• Monitoring and new assessments of professional secrecy equivalence. • Assessment of relevant countries with provisional equivalence ending Q4 2025. • Specific priorities will be based on planning prioritised in the 3-year cycle for equivalence monitoring of jurisdictions with full equivalence and a 10-year cycle on provisional equivalence monitoring. • Actions: The Authority will continue its work within its enhanced responsibility to monitor regimes where there is an equivalence decision in place. • Annual report on the application of equivalence decisions. • Follow-up assessment on application in countries where there is already an equivalence decision in place. • Monitoring third country regimes where there is an equivalence decision.	• Individual third country reports for countries with full equivalence. • Annual report on the application of equivalence decisions and plan for next year's regulatory and supervisory practices equivalence monitoring. • Monitoring and new assessments of professional secrecy equivalence. • Assessment of relevant countries with provisional equivalence ending Q4 2025. • Ensure effective monitoring of the application of equivalence decisions by third countries and of market or regulatory developments impacting equivalence. • Specific priorities will be based on planning prioritised in the 3-year cycle for equivalence monitoring of jurisdictions with full equivalence and a 10-year cycle on provisional equivalence monitoring. • Actions: The Authority will continue its work within its enhanced responsibility to monitor regimes where there is an equivalence decision in place. • Annual report on the application of equivalence decisions. • Development/annual update of RFR according to the agreed methodological policy – in respect of representative portfolios, deep/liquid transparent criteria and ultimate forward rate. • Updates to the RFR and Equity Dampener production tool. • Follow-up assessment on application in countries where there is already an equivalence decision in place. • Internal regular reports and indicators for EIOPA's business areas. • Use and analysis of data collected via ESMA TRACE System. • Equivalence and professional secrecy assessments of Ukraine and other third countries as required. • Monitoring third country regimes where there is an equivalence decision. • Changes to EIOPA's regulation which took effect in 2020 enhanced the Authority's responsibility and specify its mandate in terms of monitoring regimes where there is an equivalence decision in place. EIOPA will continue undertaking on-site visits and delivering individual third country reports and broader annual assessments. This will be in addition to the ongoing mandate for providing input into the European Commission's equivalence decisions.

Outlook

With its 2025 publications of strategic aims, objectives and supervisory expectations, EIOPA and NCAs are posted to step-up supervisory convergence and harmonisation efforts across Member States. EIOPA's strategic objectives for 2025–2027 underscore the importance of consistent regulatory oversight, particularly for firms engaged in cross-border activities. This will necessitate a more uniform application of supervisory practices, reducing discrepancies and fostering a level playing field within the EU insurance and pensions sectors. Firms should anticipate more rigorous and coordinated supervisory actions, including joint on-site inspections and collaborative efforts within Colleges of Supervisors.

A pivotal aspect of EIOPA's future supervisory landscape will be the integration of ESG considerations into risk management frameworks. The emphasis on sustainability is expected to intensify, with new guidelines and reporting requirements under the Solvency II Directive and the SFDR. Firms will need to align their operations with these evolving standards, ensuring that ESG risks are adequately identified, monitored and mitigated. This shift towards sustainable finance will also involve addressing greenwashing practices and enhancing transparency in sustainability reporting.

More pressingly, the implementation of DORA from 17 January 2025 onwards marks a transformative phase in EIOPA's supervisory mandate and approach. Supervised firms must prepare for increased scrutiny in this domain, with EIOPA assisting NCAs in overseeing compliance with new regulations such as threat-led penetration tests and cyber incident reporting. EIOPA's focus on digital resilience will also extend to the ethical use of AI and the management of cyber threats.

EIOPA's future supervisory agenda places a strong emphasis on addressing protection gaps, particularly in (natural catastrophe) insurance and pensions and in light of the evolving macroeconomic environment, characterised by market volatility, high inflation and geopolitical tensions, will continue to shape EIOPA's supervisory priorities. Firms are urged to enhance their product offerings and consumer engagement strategies to bridge these gaps. This initiative aligns with EIOPA's broader objective of improving consumer risk awareness and promoting risk-based prevention measures. The establishment of EIOPA as a Centre of Excellence in catastrophe models and data aims (and hopefully will) provide valuable resources for firms to develop innovative solutions for natural catastrophe risks.

The establishment of EIOPA as a Centre of Excellence in catastrophe models and data aims (and hopefully will) provide valuable resources for firms to develop innovative solutions for natural catastrophe risks. EIOPA's commitment to supporting digital transformation within the financial sector will drive future supervisory efforts. EIOPA's Digital Strategy emphasises leveraging digitalisation to benefit consumers while mitigating associated risks. Supervised firms are expected to embrace innovation in digital finance, including DLT, blockchain and crypto-assets. The development of new supervisory tools, such as the Digital Regulatory Reporting Tool in collaboration with the EBA, aims to enhance data collection accuracy and support data-driven supervision.

In conclusion, the future of EIOPA and NCA supervision will be characterised by a more integrated, resilient and sustainable regulatory framework. Supervised firms must proactively engage with these developments, ensuring compliance while fostering innovation and consumer protection. By aligning their operations with EIOPA's strategic objectives, firms can navigate the complex regulatory landscape effectively and contribute to a more resilient financial sector.

JC of the ESAs' priorities for 2025

On 7 October 2024, the JC of the ESAs published its joint AWP for 2025 setting out its joint focus on key strategic priorities and implementation of new mandates.[32] The joint AWP 2025 places particular emphasis on ongoing collaboration to tackle cross-sectoral risks, promoting sustainability in the EU financial system and strengthening financial entities' digital resilience. More specifically, in addition to fostering regulatory consistency, adequate risk assessment, financial stability as well as the protection of consumers and investors, the ESAs will undertake joint work in 2025 to:

- provide further guidance on sustainability disclosures;
- make progress on financial entities' digital operational resilience by, among others, launching the oversight of critical information and communication technology (**ICT**) third-party service providers and implementing the major ICT-related incident coordination framework in accordance with the EU's Regulation for a Digital Operational Resilience Act (**DORA**),[33] of designated critical third-party service providers (**CTPPs**);
- monitor financial conglomerates;
- promote coordination and cooperation among national innovation facilitators with a view to facilitating the scaling up of innovative solutions in the financial sector; and
- address other cross-sectoral matters such as retail financial services, investment products and securitisation.

The sections below discusses the relevant issues and key legal and regulatory considerations for relevant market participants as well as the key differences between the JC ESAs' AWPs for 2024 and 2025.

[32] Available here.
[33] DORA aims to enhance digital operational resilience across the financial sector. Supervised firms must focus on effective implementation, fostering cooperation among stakeholders and addressing emerging risks. ESMA will oversee CTPPs to promote convergence and strengthen digital operational resilience. Firms should prepare for new tasks and powers conferred on ESMA related to DORA, including implementing a cyber-incident report system and developing supervisory convergence tools. On 1 October 2024, ESMA and its sister ESAs announced the appointment of Marc Andries as DORA Joint Oversight Director. This role will be responsible for implementing and running the oversight framework for CTPPs at a pan-European scale. Mr. Andries has held senior responsibilities in the areas of ICT project management, oversight and supervision, including at France's NCAs.

Key takeaways from JC of the ESAs' 2025 AWP

As in previous years the JC of the ESAs' 2025 AWP has outlined an ambitious and comprehensive work programme for 2025, aimed at enhancing regulatory consistency, supervisory convergence and consumer protection across the European financial sector.

The ESAs are committed to fostering cross-sectoral regulatory consistency and supervisory convergence. This involves regular coordination of activities within their respective responsibilities to ensure uniformity in practices. The JC of the ESAs will continue to monitor and assess emerging cross-sectoral risks and vulnerabilities, in particular in light of challenging macro-financial conditions, persistent inflation and geopolitical tensions. The ESAs will provide regular updates on their risk assessments to the Financial Stability Table of the Economic and Financial Committee (**EFC-FST**) in 2025.

Each of the ESAs individually or jointly as the JC of the ESAs make use of various Guidelines, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**RTS**) that they are mandated to publish along with other rulemaking instruments and statements (Q&As, Opinions and Supervisory Briefings) setting out respective supervisory expectations including as addressed to NCAs and market participants.

The JC of the ESAs' 2025 AWP is succinct, providing 10 pages of detail focusing on the following priorities:

1. European Green Deal and sustainable finance:
   The JC of the ESAs will play a significant role in developing RTS under the Sustainable Finance Disclosure Regulation (**SFDR**). This includes providing guidance on sustainability disclosures and reporting on principal adverse impacts (**PAIs**). The ESAs may also begin to work on new technical standards related to ESG rating disclosures.

2. Digital Finance Package and digital operational resilience:
   The ESAs will focus on the operationalisation of the EU-wide oversight framework for ICT CTPPs under DORA. This includes finalising policy mandates, developing cooperation mechanisms and implementing the EU systemic cyber incident coordination framework (**EU-SCICF**).

3. Consumer protection and financial innovation:
   Enhancing consumer protection remains a priority. The ESAs will work on drafting RTS based on proposed amendments to the PRIIPs Regulation and continue their financial education initiatives. This includes developing resources to educate consumers on topics such as cybersecurity, fraud and sustainable finance.

4. Sustainable finance disclosures:
   The ESAs will deliver their fourth annual report on PAI disclosures under SFDR. They will monitor the practical application of SFDR and may start to work on technical standards related to ESG rating disclosures.

5. Risk assessment:
   The JC of the ESAs will continue to assess key trends and vulnerabilities to financial stability, producing targeted cross-sectoral risk analysis.

6. Securitisation:
   The Joint Committee Securitisation Committee (**JCSC**) will follow up on its 2024 report on the securitisation regulatory framework, providing technical advice or opinion as needed.

7. Financial conglomerates:
   The ESAs will ensure cross-sectoral consistency in the supervision of financial conglomerates, contributing to the European Commission's review of the Financial Conglomerates Directive (**FICOD**) and updating the list of identified financial conglomerates.

8. Innovation facilitators:
   Through the European Forum for Innovation Facilitators (**EFIF**), the ESAs will promote coordination among national innovation facilitators to foster innovative business models in the financial sector.

9. External Credit Assessment Institutions (**ECAIs**):
   The ESAs will continue regulatory work on ECAIs, ensuring consistent usage of credit assessments under banking and insurance regulatory frameworks.

10. Other joint work:
    The ESAs will also organise the 12th Joint Consumer Protection Day, support ESMA's implementation of the European Single Access Point (**ESAP**), finalise an IT solution for information exchange on fit and proper assessments and potentially provide further guidance on EMIR bilateral margining as well as the preparation of a joint assessment exercise on the independence of NCAs as based on the joint criteria approved in 2023.

The JC of the ESAs' 2025 AWP is comprehensive and forward-looking but there have been some changes between the focus, scrutiny and tone of what JC of the ESAs focused on in 2024 AWP compared to what it plans to do in furtherance of its 2025 AWP's objectives.

Key messages and differences between JC of the ESAs' 2024 AWP and 2025 AWP

In addition to the above, it is important to review how the focus, tone and expected level of scrutiny differs, even if ever so slightly, between JC of the ESAs' 2024 and 2025 AWPs:

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Cooperation and monitoring	• The JC of the ESAs will monitor and assess emerging cross-sectoral risks and vulnerabilities for financial stability, with a focus on recent banking turmoil and geopolitical uncertainty. • The JC of the ESAs will increase efforts in the European Commission's Digital Finance Package, focusing on delivering legal mandates, promoting supervisory convergence and preparing for DORA-related oversight activities. • The ESAs will monitor the application of the adopted RTS on PRIIPs and consider the need for amendments. • The ESAs will organise workshops on financial education to exchange lessons learned and facilitate information exchange among NCAs. • The ESAs will monitor the practical application of the SFDR and consider the need for Q&As or other tools to promote supervisory convergence. • The JC of the ESAs is due to report to the European Commission on the implementation and functioning of the Securitisation Regulation, including recommendations on addressing inconsistencies and challenges.	• The JC of the ESAs will continue to monitor and assess emerging cross-sectoral risks and vulnerabilities for financial stability, with a focus on increased geopolitical tensions and uncertainty. • The JC of the ESAs will step up efforts in the European Commission's Digital Finance Package, focusing on the set-up and operationalisation of the EU-wide Oversight Framework for ICT CTPPs and launching new oversight activities in accordance with the DORA Regulation. • The ESAs will finalise remaining policy mandates, engage in supervisory convergence work, develop cooperation mechanisms and implement the EU systemic cyber incident coordination framework (i.e. the EU-SCICF). • The ESAs will report on administrative sanctions or measures imposed under the PRIIPs Regulation during 2024 based on information submitted by national competent authorities. • In 2025, the ESAs will build on financial education work by identifying areas where consumer detriment can be reduced through education and addressing information asymmetries. • The ESAs will monitor the practical application of the SFDR Delegated Regulation and may start to work on technical standards related to ESG rating disclosures on websites. • The JCSC will follow up on the delivery of the JC report under Article 44 of Securitisation Regulation, providing recommendations and ensuring cooperation for the revitalisation of the securitisation market. • The ESAs will start preparing the joint assessment exercise on the independence of competent authorities based on joint criteria approved in 2023.
European Green Deal and sustainable finance	• In 2024, the JC of the ESAs may be required to contribute more guidance, including through Q&As, for sustainability disclosures under the SFDR and the Taxonomy Regulation. • The ESAs may also take up their optional empowerment to develop draft ITS on marketing information under Article 13 SFDR. • The ESAs will carry out activities on climate risk stress testing, including running a one-off system-wide climate risk stress test and developing Guidelines for supervisors on ESG stress testing.	• In 2025, the JC of the ESAs will be required to contribute more guidance, including through Q&As, on sustainability disclosures under the SFDR Delegated Regulation. • The ESAs will start work on new technical standards relating to ESG rating disclosures introduced into Article 13 SFDR by the recently agreed Regulation on ESG Ratings.

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
European Green Deal and sustainable finance	• By May 2024, the ESAs will deliver their final reports on greenwashing to the European Commission, responding to the European Commission's request for input on greenwashing. • The ESAs will deliver their third annual report under Article 18 SFDR regarding the extent and quality of the voluntary reporting of PAIs of investment decisions on sustainability factors. • SFDR Article 13 concerns marketing communications and gives an optional mandate to the ESAs to work on ITS on the standardised presentation of marketing communications by SFDR financial products. • The ESAs will monitor the application of the SFDR and use of marketing communications and will assess the need for drafting an ITS or using other supervisory convergence tools to strengthen the prevention of greenwashing in marketing communications. • The ESAs may contribute to the European Commission's ongoing comprehensive assessment of SFDR, taking into account any requests received. • Expected output includes an annual report under Article 18 SFDR covering the PAI indicators, Q&As and other Level 3 tools and an assessment of the need for ITS under Article 13 and other supervisory convergence tools to prevent greenwashing in marketing communications.	• The ESAs will deliver their fourth annual report under Article 18 SFDR regarding the extent and quality of PAIs disclosures under the SFDR. The 2025 report will be the second time that the PAI indicators and template in the Delegated Regulation will have been available, allowing for analysis and comparison to the first year in 2024. • The ESAs may start work on technical standards related to ESG rating disclosures on websites in line with a new empowerment introduced by the ESG rating regulation. This includes regulatory technical standards specifying disclosures where financial market participants or financial advisers disclose an ESG rating to third parties as part of its marketing communications, subject to formal approval and entry into force of that new regulation. • The ESAs may be asked by the Commission to contribute advice to their review of SFDR, possibly as a follow-up of the ESAs' joint Opinion on the SFDR Level 1 framework published in 2024. • Expected output includes an annual report under Article 18 SFDR covering the PAI indicators, Q&As and other Level 3 tools, a consultation paper on the draft RTS on ESG rating disclosures and contribution to the Commission's review of SFDR. • Expected output also includes guidelines on high-level principles to carry out climate stress testing.
Digital Finance Package	• The JC of the ESAs will strive to deliver DORA-related policy mandates in January and July 2024. • The ESAs will work together on various provisions of DORA to be ready for the implementation of the new framework by 2025, including the EU-wide oversight framework of ICT CTPPs and potential cooperation mechanisms. • The ESAs will develop the necessary IT systems, particularly to support the direct DORA oversight tasks.	• The ESAs will launch their new oversight activities in accordance with DORA Regulation in 2025. • The ESAs will finalise remaining policy mandates, engage in supervisory convergence work, develop cooperation mechanisms and implement the EU systemic cyber incident coordination framework (i.e. the EU-SCICF). • The ESAs will develop the necessary IT infrastructure to support the direct DORA oversight tasks and incident reporting.

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Financial conglomerates	• The JC of the ESAs will focus on digital operational resilience, financial conglomerates, as well as accounting and auditing. • In the area of Financial Conglomerates, the JC of the ESAs will publish the annual list of financial conglomerates and work on specific conglomerates' reporting templates. • The ESAs will continue to ensure cross-sectoral consistency of work and to reach joint positions in the area of supervision of financial conglomerates, under the Financial Conglomerates Directive (FICOD, 2002/87/EC). • The ESAs will contribute to the European Commission's fundamental review of FICOD and to the annual update and publication of the list of identified financial conglomerates. • Further tasks include the operational deployment of reporting templates for intra-group transactions (**IGT**) and risk concentration (**RC**). • The ESAs will continue to review and update their list of identified financial conglomerates. • Expected outputs: 2024 list of identified financial conglomerates. • The ESAs will pursue work on the issues related to the calculation of capital adequacy for conglomerates.	• In the area of Financial Conglomerates, the JC of the ESAs will publish the annual list of financial conglomerates and work on specific conglomerates' reporting templates. • The ESAs will continue to ensure cross-sectoral consistency of work and to reach joint positions in the area of supervision of financial conglomerates, under the FICOD. • The ESAs will contribute to the European Commission's fundamental review of FICOD and to the annual update and publication of the list of identified financial conglomerates. • Further tasks include the operational deployment of reporting templates for intra-group transactions (**IGT**) and risk concentration (**RC**). • The ESAs will continue to review and update their list of identified financial conglomerates. • Expected output: 2025 list of identified financial conglomerates. • The ESAs will work on developing reporting templates for the calculation of capital adequacy of conglomerates.
Innovation facilitators	• The ESAs will consider assessing the use of behavioural finance insights by national competent authorities in their daily work and supervisory practices to strengthen financial consumer protection. • The work aims to promote coordination and cooperation among national innovation facilitators to foster the scaling up of innovation in the EU financial sector and to promote a common response to new technologies. • Expected outputs include a follow-up to the outcome of the updated EFIF report on Innovation hubs and sandboxes and the 2023 survey on the evolution of mixed activity groups (**MAGs**). Detailed expected outputs will be listed and specified in the EFIF Work Programme 2024, to be finalised at the end of 2023.	• The JC of the ESAs will promote coordination and cooperation among national innovation facilitators to foster innovative business models and scale up technological solutions across the EU financial sector in line with the European Commission's Digital Finance Strategy. • The ESAs will select suitable means and channels to achieve coordination and cooperation, including workshops for national authorities and innovative means to reach consumers directly. Potential areas of focus could be artificial intelligence and the measurement of the impact of financial education initiatives. • EFIF aims to promote coordination and cooperation among national innovation facilitators (regulatory hubs and sandboxes) to foster innovative business models and scale up technological solutions across the EU financial sector. EFIF also serves as a forum to promote a common supervisory response to new technologies. • More details on the expected outputs for 2025 will be specified in the EFIF Annual Work Programme to be finalised and adopted by the Joint Committee.

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Digital operational resilience	• The JC of the ESAs focused on delivering DORA-related policy mandates in January and July 2024. • The ESAs will work together on various provisions of DORA to be ready for the implementation of the new framework by 2025, including the EU-wide Oversight Framework of ICT CTPPs. • The JC of the ESAs will continue developing the policy mandates envisaged by DORA and coordinate the monitoring of digital operational resilience practices and threats. • The ESAs will finalise the work on the DORA technical standards, reports and guidelines to be delivered in 2024. • The ESAs will focus on promoting supervisory convergence to complement the joint regulatory approach to DORA implementation. • The ESAs will finalise the implementation of the joint guidelines and other policy work facilitating the use of the IT solution and the delivery and roll-out of the IT solution for the information exchange, consisting of a cross-sectoral common searchable database and competent authorities' contact list.	• The JC of the ESAs will step up its efforts regarding the European Commission's Digital Finance Package, focusing on the set-up and operationalisation of the EU-wide Oversight Framework for ICT CTPPs. • The ESAs will launch their new oversight activities in accordance with DORA. • The ESAs will finalise remaining policy mandates, engage in supervisory convergence work, develop cooperation mechanisms and implement the EU systemic cyber incident coordination framework (i.e. EU-SCICF). • The JC of the ESAs will have a strong focus on the DORA work and coordinate the implementation of the DORA which will apply as of mid-January 2025, including the new oversight framework. • By mid-January 2025, the JC of the ESAs will have delivered all DORA policy mandates envisaged in Level 1, focusing on supervisory convergence work on the application of the DORA framework. • The ESAs will take over new oversight responsibilities on designated critical third-party ICT service providers and deliver two reports related to the ESRB recommendations on an EU systemic cyber incident coordination framework. • The JC substructures dedicated to DORA will evolve, setting up the new Oversight Forum for oversight purposes and adapting the governance structure for DORA non-oversight related tasks. • The JC of the ESAs will deliver a feasibility study on a potential centralisation of major ICT-related incidents by mid-January 2025. • The ESAs will work on supervisory convergence to facilitate harmonised implementation of the DORA framework, with further cooperation needed for incident reporting or TLPT. • The ESAs will start overseeing designated critical CTPPs in 2025, finalising necessary oversight procedures and methodologies, establishing the Oversight Forum and the Joint Oversight Network and collecting relevant information to assess the criticality of the ICT TPPs.

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Consumer protection and financial innovation	• The JC of the ESAs will organise workshops on various topics (e.g., digitalisation, sustainable finance, risks of crypto-assets) to exchange lessons learned and facilitate information exchange among NCAs. These workshops aim to identify relevant initiatives at the national level that could be translated and re-employed by the ESAs and other NCAs. • The ESAs will consider assessing the use of behavioural finance insights by NCAs in their daily work and supervisory practices to strengthen financial consumer protection.	• The JC of the ESAs enhances confidence and strengthens the protection of European consumers in relation to banking, insurance, pensions and securities products, with a continued priority in 2025. • The ESAs have developed a repository of national education initiatives on digitalisation with a focus on cybersecurity, fraud and scams and produced interactive factsheets on inflation, interest rates and sustainable finance. They have also conducted financial education workshops for national authorities on sustainable finance and digital financial literacy. • In 2025, the ESAs will build on previous work by identifying areas where consumer detriment can be reduced through education and addressing information asymmetries, considering the Council of the EU's conclusions on financial literacy. • The ESAs will select suitable means and channels, including workshops and innovative methods, to reach consumers directly. Potential areas of focus include artificial intelligence and measuring the impact of financial education initiatives.
Sustainable finance	• In 2024, the JC of the ESAs may be required to contribute more guidance, including through Q&As, for sustainability disclosures under the SFDR and the Taxonomy Regulation. • The ESAs may also take up their optional empowerment to develop draft ITS on marketing information under Article 13 SFDR. • The ESAs will carry out activities on climate risk stress testing, including running a one-off system-wide climate risk stress test and developing Guidelines for supervisors on ESG stress testing. • By May 2024, the ESAs will deliver their final reports on greenwashing to the European Commission, responding to the European Commission's request for input on greenwashing. • The ESAs will deliver their third annual report under Article 18 SFDR regarding the extent and quality of the voluntary reporting of PAIs of investment decisions on sustainability factors. • The ESAs will monitor the practical application of the SFDR, especially the Delegated Regulation, to determine if Q&As or other level 3 tools are needed to give competent authorities and market participants further guidance on the practical application of the SFDR rules.	• In 2025, the JC of the ESAs will be required to contribute more guidance, including through Q&As, on sustainability disclosures under the SFDR Delegated Regulation and a report by the three ESAs on the reporting of PAIs under Article 18 of SFDR. • The ESAs may start to work on new technical standards relating to ESG rating disclosures introduced into Article 13 SFDR by the recently agreed Regulation on ESG Ratings. • The ESAs have carried out extensive financial education work, including two interactive factsheets to educate consumers on sustainable finance and two financial education workshops for national authorities on sustainable finance. • In 2025, the ESAs will continue and build on this work, identifying topical areas where the risk of consumer detriment can be credibly reduced by educating consumers and addressing information asymmetries. • The ESAs will deliver their fourth annual report under Article 18 SFDR regarding the extent and quality of PAIs disclosures under the SFDR. The 2025 report will be the second time that the PAI indicators and templates in the Delegated Regulation will have been available, allowing for analysis and comparison to the first year in 2024.

Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Sustainable finance	• The ESAs will assess the need for drafting an ITS or using other supervisory convergence tools to strengthen the prevention of greenwashing in marketing communications. • The ESAs may contribute to the European Commission's ongoing comprehensive assessment of SFDR, taking into account any requests received.	• The ESAs will monitor the practical application of the SFDR, especially the SFDR Delegated Regulation, to determine if Q&As or other Level 3 tools are needed to give competent authorities and market participants further guidance on the practical application of the SFDR rules. • The ESAs may start to work on technical standards related to ESG rating disclosures on websites in line with a new empowerment introduced by the ESG rating regulation for regulatory technical standards specifying disclosures where financial market participants or financial advisers disclose to third parties an ESG rating as part of its marketing communications, subject to formal approval and entry into force of that new regulation. • The ESAs might organise a seminar for NCAs on the implementation and supervision of SFDR. • The ESAs may be asked by the Commission to contribute advice to their review of SFDR, possibly as a follow-up of the ESAs' joint Opinion on the SFDR Level 1 framework published in 2024. • The ESAs will develop guidelines to ensure consistency, long-term considerations and common standards for assessment methodologies are integrated into the stress testing of ESG risks by January 2026, fostering consistency in climate stress testing approaches throughout the European financial sector.
Risk assessment	• The AWP 2024 mentioned "slowdown of economic eloping guidelines for supervisors on ESG stress testing. • The ESAs were to deliver final reports on greenwashing to the European Commission by May 2024. • Cross-sectoral risk analysis was a priority area for the JC of the ESAs in 2024, with the Risk Sub-Committee being an important forum for discussion.	• The AWP 2025 now mentions "persistent inflation pressure and stagnating EU economic activities" as key macro-financial conditions. • Increased geopolitical tensions and uncertainty are now highlighted as additional risks. • The JC of the ESAs will continue to develop cross-sectoral risk presentations and reports, providing regular updates to the EFC-FST in spring and autumn 2025. • The ESAs are mandated through CRD6 and Solvency II to develop guidelines for ESG stress testing by January 2026, aiming for consistency in climate stress testing approaches. • The ESAs will continue to build on financial education work, identifying areas where consumer detriment can be reduced by educating consumers and addressing information asymmetries. • Cross-sectoral risk analysis remains a priority for 2025, with the ESAs jointly assessing key trends and vulnerabilities and producing targeted cross-sectoral risk analyses.

<table>
<tr><th>Topic – running order as used in publications</th><th>JC of the ESAs’ 2024 AWP</th><th>JC of the ESAs’ 2025 AWP</th></tr>
<tr><td>Securitisation</td><td>• In 2024, the JCSC continued its efforts to provide a consistent approach to cross-sectoral questions stemming from the Securitisation Regulation and will assess concrete cases in relation to the supervision and enforcement of the Securitisation Regulation.
• The JCSC will stand ready to contribute to possible legislative proposals on the revision of the Securitisation Regulation.
• Under the Securitisation Regulation, the JC is due to report to the EC on the implementation and functioning of the Securitisation Regulation, including recommendations on addressing initial inconsistencies and challenges affecting the overall efficiency of the current securitisation regime. The report will include an analysis of the geographical location of the Special Securitisation Purpose Vehicle (SSPE) to provide guidance to the European Commission in the context of a possible revision of the Securitisation Regulation.</td><td>• The JCSC will publish its second report on the functioning of the securitisation regulatory framework under Article 44 of the Securitisation Regulation in Q4 2024. In 2025, the JCSC will launch follow-up work on that report, including any required technical advice or opinion.
• Furthermore, the JCSC will continue its efforts to provide a consistent approach to cross-sectoral questions stemming from the Securitisation Regulation and will assess concrete cases in relation to the supervision and enforcement of the Securitisation Regulation.
• The JCSC will stand ready to contribute to possible legislative proposals on the revision of the Securitisation Regulation.
• The JCSC will follow up on the delivery in Q4 2024 of the JC report under Article 44 of the Securitisation Regulation containing recommendations on the revision of the Level 1 Regulation. Where necessary, the JCSC will provide the European Commission with all relevant information and analysis and ensure the cooperation required for the implementation of the actions under CMU, in particular those necessary for the revitalisation of the securitisation market on a sound basis.
• The JCSC will continue working on further developing a common understanding of the rules, best practices and common supervisory tools (supervisory case discussions, common manual, or supervisory briefing) to ensure a common supervisory approach at the EU level. Additionally, the JCSC will monitor the market, notably regarding developments in private and public transactions, STS and non-STS transactions, CLOs and CMBS transactions.</td></tr>
<tr><td>External Credit Assessment Institutions (ECAIs)</td><td colspan="2">No major changes but a continued focus on:
• The ESAs will continue to pursue regulatory work on ECAIs, following the mandate to the JC of the ESAs under article 136 of Capital Requirements Regulation (CRR) to specify and monitor the correspondence between the relevant credit assessments issued by an ECAI to the Credit Quality Steps set out in the CRR “mapping”.
• The mappings under article 109a(1) of Solvency II will be amended accordingly to ensure a consistent usage of ECAIs’ credit assessments under the banking and insurance regulatory framework.</td></tr>
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Topic – running order as used in publications	JC of the ESAs' 2024 AWP	JC of the ESAs' 2025 AWP
Other joint work	• The JC of the ESAs will address cross-sectoral matters such as the mandates and questions related to PRIIPs and the Securitisation Regulation. • Through the newly established ESAs coordination group on ESAP, the ESAs will work on the development of the ESAP system and its functionalities. • The JC of the ESAs enhances confidence and strengthens the protection of European consumers in relation to banking, insurance, pensions and securities products. This will continue to be an area of priority in 2024. • Subject to the outcome of negotiations between co-legislators, the ESAs stand ready to work on drafts of RTS resulting from proposed amendments to the PRIIPs Regulation in the Commission's Retail Investment Strategy. • The ESAs will prepare an Annual Report based on the information submitted by NCAs on administrative sanctions or measures imposed under the PRIIPs Regulation. • Expected output includes the organisation of workshops to exchange lessons learned on financial education initiatives. • The JCSC will continue its efforts to provide a consistent approach to cross-sectoral questions stemming from the Securitisation Regulation and will assess concrete cases in relation to the supervision and enforcement of the Securitisation Regulation. • The JCSC will stand ready to contribute to possible legislative proposals on the revision of the Securitisation Regulation. • Expected outputs include the follow-up to the outcome of the updated EFIF report on Innovation Hubs and sandboxes and the 2023 survey on the evolution of mixed activity groups (**MAGs**).	• The JC of the ESAs will have delivered all DORA policy mandates envisaged in Level 1, focusing on supervisory convergence work on the application of the DORA framework. This includes new joint governance processes to be defined in 2025, oversight responsibilities on designated critical third-party ICT service providers and reports related to the ESRB recommendations on an EU systemic cyber incident coordination framework. • The JC substructures dedicated to DORA will evolve, setting up the new Oversight Forum for oversight purposes and adapting the governance structure for non-oversight related tasks. • The JC of the ESAs, after finalising most DORA technical standards, reports and guidelines, will deliver a feasibility study on the potential centralisation of major ICT-related incidents by mid-January 2025. • During 2025, the ESAs expect to work on drafting RTS based on the empowerments in the proposed amendments to the PRIIPs Regulation in the European Commission's Retail Investment Strategy, subject to the outcome of negotiations between co-legislators. • The ESAs will report on administrative sanctions or measures imposed under the PRIIPs Regulation during 2024 based on information submitted by NCAs. • Expected outputs include reports, workshops, leaflets and other suitable means and channels for the use of behavioural finance findings for supervisory purposes. • The JCSC will continue its efforts to provide a consistent approach to cross-sectoral questions stemming from the Securitisation Regulation and will assess concrete cases in relation to the supervision and enforcement of the Securitisation Regulation. Follow-up work on the JC report under Art. 44 of Securitisation Regulation will include any required technical advice or opinion, development of common and consistent supervisory approaches and Q&As. • More details on the expected outputs for 2025 will be specified in the EFIF Annual Work Programme to be finalised and adopted by the JC of the ESAs.

Outlook

The JC of the ESAs' AWP for 2025 builds upon a number of key deliverables well underway in 2024. As explored in the individual AWPs of the ESAs, there are quite a number of items that will warrant the collaborative efforts of the ESAs, the European Commission and the ESRB to achieve instrumental change over the course of 2025.

The work of the JC also in 2025 will see an extension of its remit to new topics and firms (including ICT firms) in respect of digital operational resilience while at the same time a step up in aims to foster greater innovation across financial services. All of this aligns with the European Commission's Digital Finance Strategy and aims to create a common supervisory response to new technologies. Further detailed outputs for 2025 will be specified in the EFIF AWP, which will outline key initiatives such as monitoring BigTechs and large non-financial groups providing financial services in the EU – which thereby extends the reach and importance of the JC of the ESAs even further.

Possible changes to the ESRB during 2025?

The ESRB is responsible for macroprudential oversight within the ESFS in particular to mitigate systemic risk in the entire EU and not just the Eurozone by identifying vulnerabilities that might justify the adjustment of macroprudential policy. To achieve this goal, the ESRB collects, analyses data and issues warnings and makes supervisory recommendations. Implementation of the recommendations are monitored and constant coordination with other EU and international supervisory bodies is maintained.

According to a Report by the High-Level Group on the ESRB Review, published in December 2024, (the **ESRB Report**),[34] the goal of the ESRB is to develop a unified framework in which the indicators into the ESRB's Risk Dashboard[35] serve to support the ESRB's risk assessments, which in turn may trigger the ESRB publishing warnings, recommendations or opinions communicating its assessment or expectations on items of systemic risk and/or action and remediation. While the publication of these instruments are "soft powers" to mitigate systemic risks to the financial stability of the EU, the ESRB monitors and follows up on its warnings or recommendations and analyses if, and to what extent, such systemic risk has been mitigated. The ESRB may at its own initiative or following consultation (including where required by law) by respective other EU policymakers and/or members of the ESFS publish various reports on (potential) systemic risks.[36]

The ESRB Report makes certain recommendations to improve how the ESRB monitors and acts upon systemic risk. These include:

- To further enhance its risk assessment, the ESRB should develop and implement a framework that provides a holistic assessment of systemic risk in the EU;
- To capture emerging risks and the growing role of non-bank financial intermediaries (**NBFIs**) in the EU financial system, the ESRB should apply and hone its system-wide approach to macroprudential policy; and
- The ESRB's views on a Member State's macroprudential policy stance could feed into the analysis under the EU's macroeconomic imbalance procedure.

Another topic that is further explored in the ESRB Report is how the ESRB can strengthen communication of macroprudential policy. Having reviewed the current process and various means (such as warnings and recommendations) of the ESRB's communication of the main risks to the EU's financial stability, the High-Level Group proposes that the ESRB:

- Strengthen the accessibility and coherence of its communications on financial stability. In particular it publish release a concise systemic risk monitor twice a year, assessing financial stability risks in the EU, highlighting current analyses of systemic risks and discussing developments in macroprudential policy. Additionally, the ESRB Secretariat should publish background documents detailing the methodology used in the risk assessments to improve transparency.

The High-Level Group also sets out a need to improve data access, quality and granularity. The ESRB Report specifically proposes that:

- The ESRB Regulation should be amended to introduce the immediate and automatic sharing of granular data between the ESAs and the ESRB; and
- The ESRB should establish a dedicated forum for knowledge sharing among its member institutions.

Moreover, the ESRB Report also addresses other areas where the High-Level Group sees potential for further enhancements and offers corresponding suggestions for improving how the ESRB operates, such as:

- The ESRB Secretariat should be led by the (re-titled) "Secretary General" appointed by the General Board for a fixed term of five years, renewable once; and
- The ESRB Secretariat should undertake a comprehensive screening of resource needs against our recommendations, with a view to shifting resources to tasks associated with risk assessment.

[34] Available here.
[35] Available here.
[36] Available here.

Outlook

As for next steps, the ESRB Steering Committee is tasked with preparing a detailed master plan to be submitted for approval by the General Board in the first half of the year. Concurrently, the ESRB Secretariat will undertake a comprehensive review of all instances where EU legislation mandates ESRB involvement, such as providing opinions, offering consultations, or participating in its reciprocation framework. This aims to evaluate the significance of current process of the ESRB and identify opportunities for recommending legislative changes to the European Commission and co-legislators. The goal is to streamline procedures and alleviate the administrative burden on the ESRB, thereby enhancing its efficiency and effectiveness in monitoring and addressing systemic risks within the EU financial system.

Part 3

EU policymakers' priorities for 2025

Part 3 – EU policymakers' priorities for 2025

Improving competitiveness, including by way of simplification plus regulatory burden reduction, and the strategic autonomy of the EU's Single Market more generally as well as for financial services more specifically has been placed in the spotlight in 2024 and continues to remain so in 2025. These considerations are part of the European Commission's longer-term priorities for the current 2024–2029 legislative cycle. The following sections below explore what the European Commission plans to put forward in legislative and non-legislative proposals and what respective EU policymakers equally have scheduled for action.

European Commission's Competitiveness Compass and its Annual Work Plan for 2025

On 29 January 2025 the European Commission presented a Communication on a "Competitiveness Compass for the EU"[37] and on 11 February the European Commission's long-awaited annual work programme (**AWP**) for 2025[38] along with respective Annexes[39] (indicating which work is prioritised and which was to be deprioritised) was released.

As explored in this section, the European Commission's AWP outlines a series of legislative and non-legislative initiatives (such as the published Competitiveness Compass) aimed at enhancing the EU's competitiveness and strategic autonomy, sustainability, security and social fairness. The AWP also sets out a number of areas that will be reviewed and amended during 2025. Importantly the non-legislative initiatives published in 2025 may yield to respective legislative initiatives that are published in the path through to the end of 2029.

[37] Available here.
[38] See microsite here.
[39] Available here.

Key takeaways from the Competitiveness Compass

The European Commission's "Competitiveness Compass for the EU" is a detailed and 27-page document. It presents a comprehensive strategy aimed at tackling the priority sectors referred to in the Draghi Report[40] as well as more broadly. These all aim to advance innovation, simplification of legislation and reducing foreign dependencies.

This overarching non-legislative initiative, along with the respective legislative instruments that are to be advanced in furtherance of the aims of the Competitiveness Compass, are likely to offer significant benefits for but equally present a number of compliance implications for regulated firms across various sectors, including specifically for financial services. In the course of various key themes, the Competitiveness Compass sets out a number of priorities scheduled for action. These can be summarised as follows:

Key theme	Actions	Key implications for firms
1. Innovation-led productivity	**Closing the "Innovation Gap"**: The Competitiveness Compass emphasises the need to close the innovation gap between the EU and other global powers. This involves: • **Start-up and Scale-up strategy (Q2 2025)**: A dedicated strategy to address obstacles preventing new companies from emerging and scaling up. This includes improving access to venture capital and reducing regulatory barriers. • **European Innovation Act**: Promoting access to European research and technology infrastructures and regulatory sandboxes for testing new ideas by way of a 28th Regime for corporate, insolvency, labour and tax laws. The European Innovation Act will promote access to European research and technology infrastructures and regulatory sandboxes for innovators. • **European Digital Networks Act (Q4 2025)**: The Commission will propose a Digital Networks Act to improve market incentives for building digital networks and reduce compliance costs. • **EU Cloud and AI Development Act**: Establishing AI Gigafactories and setting minimum criteria for cloud services. • **AI Continent Action Plan (Q1 2025)**: A non-legislative initiative to boost competitive AI ecosystems in Europe. • **Quantum Strategy of EU (Q2 2025)**: A non-legislative initiative to maintain a leading global position in quantum technologies.	This is likely to have the following implications for firms: • **Increased access to funding**: Regulated firms, especially in the tech sector, will benefit from improved access to venture capital and other forms of risk capital. • **Regulatory Sandboxes**: Firms will have the opportunity to test innovative products and services in a controlled environment, potentially accelerating time-to-market. • **Compliance with new standards**: Firms will need to comply with new standards and criteria set by the EU Cloud and AI Development Act, which may require adjustments in their operations and technology infrastructure.

[40] See Client Alert available here.

Key theme	Actions	Key implications for firms
2. Decarbonisation and competitiveness	**Joint Roadmap for Decarbonisation**: The EU aims to integrate decarbonisation policies with industrial, competition, economic and trade policies. Key initiatives include: • **Clean Industrial Deal (Q1 2025)**: Securing the EU as an attractive location for manufacturing and promoting clean tech and circular business models – as an evolution of the Green Deal. • **Affordable Energy Action Plan (Q1 2025)**: Addressing high and volatile energy prices and investing in energy transmission and distribution infrastructure.	This is likely to have the following implications for firms: • **Energy Costs**: Firms will benefit from measures aimed at reducing energy costs and volatility, which can improve their overall cost structure. • **State Aid Framework**: Simplified and targeted state aid can encourage investment in decarbonisation, but firms will need to navigate the new framework to access these benefits. • **Compliance with environmental standards**: Firms will need to align their operations with new environmental standards and participate in initiatives like the Clean Industrial Deal.
3. Reducing dependencies and increasing security	**Economic Security Strategy**: The EU will continue to expand its network of trade agreements and pursue policies to reduce dependencies on single or highly concentrated suppliers. Moreover, it will adopt measures to reduce dependencies on single or highly concentrated suppliers and enhance supply chain resilience. This involves: • **Joint Purchasing Platform for Critical Raw Materials**: Coordinating joint purchases to ensure a reliable supply of raw materials. • **Critical Medicines Act**: Strengthening the supply of critical medicines and their ingredients.	This is likely to have the following implications on non-financial corporates but equally financial services firms engaging with them: • **Supply chain resilience**: Firms will need to assess and potentially diversify their supply chains to reduce dependencies on single suppliers. • **Participation in joint purchasing**: Firms may benefit from participating in joint purchasing initiatives, which can provide more stable and cost-effective access to critical raw materials. • **Compliance with new regulations**: Firms in the pharmaceutical sector will need to comply with the Critical Medicines Act, which may involve changes in sourcing and production practices.
4. Simplification and regulatory burden reduction	**Simplification Omnibus Packages**: The Commission aims to reduce the regulatory burden by at least 25% for all companies and 35% for SMEs. This includes: • **A new definition of small mid-caps**: will be proposed to extend tailored regulatory simplification to more companies. • **Simplification of reporting requirements**: Aligning reporting requirements with the needs of investors and ensuring proportionate obligations. The first of a series of Simplification Omnibus packages will be introduced, covering areas such as sustainable finance reporting and sustainability due diligence. • **Digitalisation of reporting**: Moving towards digital formats for reporting and enhancing interoperability among public sector bodies.	This is likely to have the following implications on non-financial corporates but equally financial services firms engaging with them: • **Reduced Compliance Costs**: Firms will benefit from reduced administrative and reporting burdens, which can lower compliance costs. The introduction of a new category for small mid-caps could mean that more financial services firms will benefit from simplified regulatory requirements, potentially easing the operational load and fostering growth. • **Digital Reporting**: Firms will need to adapt to new digital reporting requirements, which may involve investments in technology and training. The focus on digitalisation and the use of AI to power simplification efforts will likely lead to more streamlined processes and improved efficiency in regulatory compliance. • **Proportionate Regulation**: SMEs and small mid-caps will benefit from tailored regulatory simplification, making it easier for them to comply with EU regulations.

Key theme	Actions	Key implications for firms
5. Coordinating investment and financing competitiveness	**Coordination and investment**: including by: • **Proposing a new Competitiveness Coordination Tool**: to align industrial and research policies and investments at the EU and national levels. This tool will align reforms and investments at national and EU levels, ensuring that financial services firms can better deliver on policy priorities and enhance their competitiveness. The toll will complement the "European Semester". • **Establishing a new European Competitiveness Fund**: to support strategic technologies and manufacturing, leveraging private investments. **Delivery of the E-SIU**: including by: • **Moving CMU to E-SIU**: The EU faces massive financing needs, estimated at EUR 750–800 billion per year by 2030, to achieve its goals on innovation, climate neutrality and defence. The Commission will present a Strategy and Communication on the E-SIU to mobilise private capital and promote low-cost saving and investment products at the EU level. On 3 February the European Commission launched a call for evidence on E-SIU.[41] • P**romoting low-cost saving and investment products**: Encouraging retail investors to invest in EU projects. • **Securitisation market**: Measures will be introduced to promote the EU's securitisation market, create additional financing capacities for banks, and harmonise insolvency frameworks across the EU. • U**nified supervision**: Promoting market-driven consolidation of financial markets infrastructure.	This is likely to have the following implications for firms: • **Financial services firms will have opportunities to participate in and benefit from coordinated investment initiatives**, particularly in strategic sectors such as digital technologies, clean tech and biotech. • **The Competitiveness Coordination Tool will ensure that financial services firms are aligned with EU-wide strategic priorities**, potentially leading to more cohesive and impactful investment strategies. • **The establishment of the European Competitiveness Fund** will provide additional funding opportunities for financial services firms, enabling them to support and invest in high-growth sectors. • **Access to capital**: Firms may benefit from greater access to capital through new investment products and a more integrated financial market. • **Regulatory compliance**: Firms will need to comply with new regulations related to the E-SIU, which may involve changes in their financial practices and reporting.

The Competitiveness Compass for the EU presents a comprehensive framework aimed at enhancing the EU's competitiveness through innovation, decarbonisation, reducing dependencies, regulatory simplification and improved access to financing. Regulated firms will need to navigate these changes and adapt their operations, compliance practices and strategic planning to align with the new regulatory environment. The potential benefits include reduced compliance costs, improved access to funding and enhanced supply chain resilience, but firms must also be prepared to meet new standards and participate in joint initiatives to fully leverage these opportunities.

[41] Available here.

European Commission's Competitiveness Compass

Towards a strong and united Europe
The decisions made this year will significantly influence Europe's future amidst prevailing instabilities, with a focus on enhancing the EU's size, power, and values to positively impact citizens' lives.

Interconnected challenges are addressed, such as economic competitiveness, climate change, geopolitical turbulence, and migration, stressing the need for simpler rules, quicker actions, and a united approach for effective management and progress.

There is a strong emphasis on boosting investment across key priorities, preparing for a larger EU with candidate countries, and ensuring that a united Europe can safeguard its democratic values, foster solidarity, and strengthen its global influence.

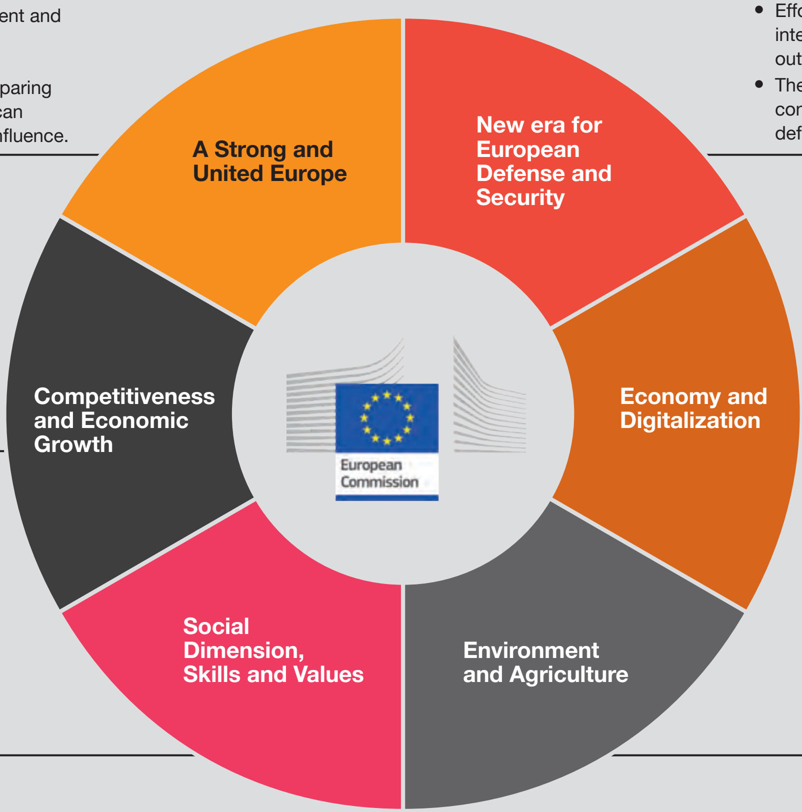
Competitiveness and Economic Growth
A new **Single Market Strategy** will be implemented to facilitate cross-border services and eliminate barriers to boost EU business competitiveness.

The **Clean Industrial Deal** will support industry decarbonization while maintaining competitiveness and ensuring affordable energy, hand in hand with the **European Climate Law**. The **Savings and Investment Union** will support a true internal capital market.

Social Dimension, Skills and Values

The Commission lists strengthening social fairness as a key focus and intensifies efforts through a new action plan on the implementation of the European **Pillar of Social Rights**. The **Union of Skills** will be developed to address skill gaps and labor shortages while ensuring quality education and training.

The **Democracy Shield** and **Roadmap for Women's Rights** will play an important role to defend the Union against threats against democracy and set a commitment for rights and principles.



New era for European Defense and Security
- The **Preparedness Union Strategy** will strengthen crisis anticipation and response capabilities and serve as a foundation for a stronger and more resilient Union.
- Efforts on the implementation of the **Pact on Migration and Asylum** will be intensified and a five-year **European Migration and Asylum Strategy** will set out a framework.
- The **White Paper on the Future of European Defense** launches a broad consultation for a Union framework for defense investments and critical defense capabilities, as the Commission calls for a **true EU Defense Union**.

Economy and Digitalization
- Through the **Bioeconomy Strategy** promote circular and sustainable production.
- Introduce the **Digital Networks Act**, for a reliable high- capacity digital infrastructure.
- An AI contingent Action Plan covering **AI factories boosting competitive AI ecosystems in Europe**, supported by the Cloud and AI Development Act.
- The **EU Quantum Strategy**, following the Quantum act to maintain the global leading position in this sector.

Environment and Agriculture
- **A Vision for Agriculture and Food** will provide a roadmap and framework for long-term perspective in the sector.
- **The Ocean Pact** will create a single reference framework for all ocean-related policies.
- An EU framework for space related business and the environmental impact of space activities will come forward in the **Space Act**.

Source: ec.europa.eu

Key takeaways from the European Commission's AWP

The European Commission's AWP for 2025 and its Annexes outlines, over 42 pages, a series of legislative and non-legislative initiatives, the latter including the Competitiveness Compass but much more. This can be summarised as follows:

Type of deliverable	Proposals	Key implications for firms
Legislative initiative	**1. Revision of the Sustainable Finance Disclosure Regulation (SFDR)** The SFDR revision, scheduled for Q4 2025, aims to enhance transparency in sustainable investments.	Regulated firms may need to adapt to new disclosure requirements, which may include more detailed reporting on environmental, social, and governance (**ESG**) factors. This will likely increase compliance costs but also provide opportunities for firms to differentiate themselves through robust sustainability practices.
Legislative initiative	**2. Digital Package** Expected in Q4 2025, this legislative package will include measures to streamline digital processes and enhance cybersecurity.	Regulated firms may need to invest in digital infrastructure and cybersecurity measures to comply with new standards. This initiative aims to reduce administrative burdens and improve operational efficiency, but firms must be prepared for initial implementation costs.
Legislative initiative	**3. European Business Wallet** The European Business Wallet, also slated for Q4 2025, will facilitate secure data exchange between businesses and government entities. This initiative will simplify compliance processes and reduce the need for paper-based documentation.	Firms may need to integrate their systems with the new digital wallet, which may require significant IT investments.
Legislative initiative	**4. Industrial Decarbonisation Accelerator Act** Scheduled for Q4 2025, this act will support energy-intensive industries in their decarbonisation efforts.	Financial services firms, particularly those involved in financing industrial projects, may need to align their investment strategies with the new decarbonisation requirements. This may involve reassessing the risk profiles of certain investments and increasing due diligence on environmental impacts.
Legislative initiative	**5. Targeted Revision of the REACH Regulation** The revision of the REACH Regulation, planned for Q4 2025, will simplify the regulatory framework for chemicals.	Firms involved in the production or financing of chemical products will need to stay abreast of the new requirements to ensure compliance. This revision aims to reduce administrative burdens and accelerate decision-making processes.

Type of deliverable	Proposals	Key implications for firms
Simplification and implementation priorities	**6. Omnibus Packages** The CWP includes several Omnibus packages aimed at simplifying legislation. These packages will address sustainability (including its taxonomy), investment simplification, and the removal of paper requirements. Thes can be summarised as: • **First Omnibus Package on Sustainability (Q1 2025)**: This legislative initiative aims to streamline sustainability reporting and due diligence requirements. • **Second Omnibus Package on Investment Simplification (Q1 2025)**: This package will simplify investment processes and reporting requirements. • **Third Omnibus Package (Q2 2025**): This includes measures for small mid-caps and the removal of paper requirements. • **Digital Package (Q4 2025)**: This initiative will focus on creating a digital regulatory environment, removing inefficient paper-based requirements.	Regulated firms will benefit from reduced administrative burdens, but they must stay informed about the specific changes to ensure compliance. These changes may contribute to: • **Reduced compliance costs**: Firms can expect a reduction in compliance costs due to simplified reporting and regulatory requirements. • **Increased operational efficiency**: The removal of paper requirements and the shift towards digital processes will enhance operational efficiency. • **Improved regulatory clarity**: Streamlined regulations will provide greater clarity and reduce the complexity of compliance.
Simplification and implementation priorities	**7. Simplification and streamlining initiatives – other than the Omnibus proposals** The European Commission will focus on simplifying and streamlining existing regulations rather than introducing new, complex regulations (other than those already in the pipeline as proposals – see below). This includes: • **Annual Plans or Evaluations and Fitness Checks**: This plan will allow for a critical look at the potential to simplify, consolidate, and codify the EU acquis, reducing costs and administrative burdens. • **Fitness check on the legislative acquis in the digital policy area (Q4 2025)** • Evaluation of the Geo-blocking Regulation (Q4 2025) • **Revision of the Sustainable Finance Disclosure Regulation (Q4 2025)**: This legislative initiative will include an impact assessment and aim to enhance transparency in sustainable finance. • **Review of the Securitisation Framework (Q2 2025)**: This will address issues related to private funding and competitiveness.	Regulated firms will want to proactively engage in this space in order to be able to forward plan for respective changes.
Non-legislative initiative	**8. Competitiveness Compass** – as above.	As above.

Type of deliverable	Proposals	Key implications for firms
Non-legislative initiative	**9. Single Market Strategy** Expected in Q2 2025, the Single Market Strategy will aim to remove barriers to cross-border trade and investment. The Single Market Strategy will present a new horizonal strategy to modernise the Single Market with a clear path towards further facilitation cross-border provision of services and goods.	Financial services firms will benefit from a more integrated market, but they must also be prepared for increased competition. Firms should consider strategies to leverage the expanded market opportunities while maintaining compliance with harmonized regulations.
Non-legislative initiative	**10. EU Start-up and Scale-up Strategy** This strategy, scheduled for Q2 2025, will support the growth of innovative companies, including around access to finance and infrastructure, entering new markets, obtaining data and attracting the necessary talent. This work will prepare the ground for the new European Innovation Act.	Financial services firms should look for opportunities to finance start-ups and scale-ups, particularly those involved in high-tech and sustainable sectors. This initiative will likely increase the demand for venture capital and other forms of risk capital.
Non-legislative initiative	**11. Social fairness and consumer protection** This includes deliverables in response to a: • **New action plan on the Implementation of the European Pillar of Social Rights (Q4 2025)**: A non-legislative initiative to tackle employment, skills, and social issues. • **2030 Consumer Agenda (Q4 2025)**: A non-legislative initiative to (further) protect consumers in the Single Market.	Financial services firms will need to ensure that they: • **Social Responsibility**: Firms will need to align their practices with the principles of the European Pillar of Social Rights, ensuring fair treatment of employees and stakeholders. • **Consumer Protection**: The 2030 Consumer Agenda will introduce new requirements for consumer protection, which firms will need to comply with to avoid penalties and maintain consumer trust.

In terms of pending legislative proposals, the Annex to the European Commission's AWP sets out that the following financial services relevant pending legislative proposals are planned to be advanced by the European Commission:

- Proposal of the EU's Late Payments Regulation remains tabled – despite numerous criticisms[42]
- Proposal on EU Directive European Cross-Border Associations
- Proposal for a Regulation on the provision of digital euro payment services providers incorporated in Member States whose currency is not the euro
- Proposal, as part of the Single Currency Package,[43] for a Regulation on the legal tender of euro banknotes and coins
- Proposal for the Payment Services Regulation (**PSR**), revised Payment Services Directive (**PSD 3**) and the Regulation for Financial Data Access (**FIDAR**) [44]
- Proposal for a Directive and Regulation for amendments as regards EU retail investor protection rules as delivery of the Retail Investor Strategy package. Progress had stalled in recent months
- Proposal for a Regulation as regards the modernisation of the Key Information Document
- Delivery of the bank crisis management and deposit insurance (CMDI) package. CMDI comprises changes which would amend the Bank Recovery and Resolution Directive, the Single Resolution Mechanism Regulation and the Deposit Guarantee Schemes Directive. Specifically, the Annex refers to a:
  - Proposal for a Directive as regards scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation and transparency
  - Proposal for a Regulation establishing the European Deposit Insurance Scheme (**EDIS**)
  - Proposal for a Regulation as regards early intervention measures, conditions for resolution and funding of resolution action
- Proposal for a Directive on harmonising certain aspects of insolvency law
- Proposal for a Council Directive laying down rules on debt-equity bias reduction allowance and limiting the deductibility of interest for corporate income tax purposes
- Proposal for a Directive preventing the misuse of shell entities for tax purposes (the Unshell Directive)
- Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain services
- Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence

Not included in the above list, but published separately in conjunction with the release of the above is the European Commission's legislative proposal to amend the Central Securities Depositories Regulation in line with the planned move to a T+1 securities settlement cycle by 11 October 2027. This, and each of the respective developments above are covered in standalone Client Alerts.

In addition to the above, the Annex to the European Commission's AWP confirms that the following EU legislative instruments have been identified as obsolete or unlikely to reach agreement and will be withdrawn. These include:

- **Proposal for a Council Directive on a common system of taxation applicable to interest and royalty payments**: This proposal is considered obsolete and will be addressed via an upcoming Omnibus act.
- **Proposal for a Regulation on sovereign bond-backed securitie**s: This proposal is (perhaps somewhat regrettably) blocked and further progress is deemed unlikely.
- **Proposal for a Directive on standard essential patents**: No foreseeable agreement and the Commission will assess whether another proposal should be tabled.

So, what perhaps is missing from both the Competitiveness Compass and the AWP for 2025? While innovation to drive economic growth is very much centre-stage in these legislative and non-legislative proposals, there are a number of items that are perhaps missing to support the harmonisation and efficiency of working capital provision and supply chain financing – an area that is both important to the real economy and the financial services as well as market participants active in financing the execution of global trade. This is particularly important given the outlook for 2025 through to 2029 given the rising politicisation of the use of tariffs and its impact on trade. The EU's focus on supply chain resilience does not really address some of the practical issues in that market. Nor does the continued EU proposal of the Late Payments Regulation.

The EU's Late Payments Regulation, which would replace the EU's existing Late Payments Directive, will likely continue to fail to address what the EU but also global market participants

[42] See Client Alert here.
[43] See earlier Client Alert here.
[44] See earlier Client Alert here.

to operate more efficiently and indeed to foster competitiveness.[45] Far more sensible efforts might see the Commission actually directing its rulemaking efforts in streamlining existing rules and consolidating these in a new chapter in the EU's Single Rulebook for financial services to cover factoring, invoice and/or receivables financing plus supply chain financing with greater uniformity and consideration of the practical issues and pitfalls that arise throughout the financing and equally the supply chain. If this were to happen, it perhaps might make it easier for EU financial services firms to better deliver (secured) financing and much needed capital to SMEs on a cross-border basis and in particular in respect of cross-border exposures, where issues on conflicts of laws on assignability and notification requirements may often hinder execution, and thus improve the EU's competitiveness for financial services firms and real economy firms active in this area.

[45] As noted in the earlier Client Alert (available here): Since the introduction of the Late Payment Directive, several business models have also emerged to address working capital and other trade and supply chain financing needs of the real economy. This ranges from securitising receivables through to alternative financing approaches, to address the challenges on cashflow arising for businesses when dealing with delayed or outstanding payments. Among these models are factoring or invoice financing, supply chain financing such as dynamic discounting and reverse factoring and peer-to-peer (P2P) lending which all aim to creating a more efficient payment ecosystem overall by also reducing financial stress. The development and adoption of these models may vary across the EU Member States and approaches as to how such alternative financing models are regulated are still drawn-up against national lines. This thus drives fragmentation instead of efficiency and certainty that could be achieved through pan-EU legislative and regulatory harmonisation of factoring and supply chain financing in a meaningful manner so as to make such vital and in-demand products easier to operate across the EU-27 for the benefit of SMEs and indeed all businesses. As receivables financing, receivables securitisations as well as factoring and supply chain financing transactions are often cross-border, in particular where receivables are also offered to be financed via platforms, multiple laws apply to such transactions and (competing) compliance requirements including on notification and perfecting assignments.

Outlook

The European Commission's Competitiveness Compass and AWP for 2025 present a transformative agenda aimed at bolstering the EU's competitiveness through innovation, decarbonisation, regulatory simplification, and enhanced investment coordination. For financial services firms, this comprehensive framework offers both opportunities and challenges.

On the one hand, firms can look forward to possibilities of increased access to funding, the ability to test innovative products in regulatory sandboxes and (eventual) reduced compliance costs through streamlined reporting requirements. On the other hand, they must prepare to meet new standards, particularly in the areas of cloud services and AI and navigate the complexities of a more integrated and competitive market environment – especially at a time where other global jurisdictions are proposing different (perhaps not always prudent) approach(es) on (de-)regulation.

The EU's continued focus on decarbonisation and energy efficiency will also have significant implications, requiring firms to align their operations with new environmental standards and participate in initiatives like the Clean Industrial Deal. Additionally, the emphasis on reducing dependencies and increasing supply chain resilience will necessitate strategic adjustments in sourcing and production practices.

Overall, the initiatives outlined in the Competitiveness Compass and AWP 2025 signal a dynamic shift towards a more competitive, innovative, and sustainable EU economy. Financial services firms must proactively engage with these developments, leveraging the opportunities for growth and innovation while ensuring compliance with the evolving regulatory landscape. By doing so, they can position themselves to thrive in a rapidly changing market and contribute to the broader goals of economic resilience and sustainability.

Trio Programme of the Council of the European Union

The Council of the European Union[46] is one of the two legislative bodies of the EU and together with the European Parliament serves to amend and approve, or veto, the proposals of the European Commission, which holds the right of initiative i.e. to put forward legislative proposals.

The Council of the European Union meets in 10 different configurations of 27 national ministers (one per EU Member State). The precise membership of these configurations varies depending on the topic under consideration; for example, when discussing agricultural policy the Council is formed by the 27 national ministers whose portfolio includes this policy area (with the related European Commissioners contributing but not voting).

While the presidency of the Council of the European Union rotates among Member States of the EU every six months, it is common practice that the trio of Member States that for an 18-month period will hold that presidency set out common long-term goals in the form of a common "**Trio Programme**".

The Trio Programme system ensures that particular topics receive common attention through the 18-month period. On the basis of the Trio Programme, each of the three Member States prepare their own, more detailed six-month programme. Consequently, the trio programme may sometimes be wider (in particular given the earlier preparation and longer-term outlook) than that of the individual six-month presidency programme.

The trio of Poland, Denmark and Cyprus are scheduled from January 2025 to June 2026 to hold the presidency of the Council of the European Union. This program is designed to address significant geopolitical challenges and advance the EU's strategic agenda, particularly in light of Russia's aggression against Ukraine and instability in the Middle East.

Details of the Polish Presidency of the Council of the European Union's priorities for the first half of 2025 follow the analysis of the details of the current Trio Programme that are set out immediately below. The details of the subsequent priorities of Denmark and Cyprus will, following their publication, be set out on our EU RegCORE Thought Leadership page.

[46] The Council of the European Union is in addition to the "European Council" intergovernmental i.e., the attendees express and represent the position of their respective EU Member State's executive. A domestic election that changes the executive of the EU Member State may also change the political composition of the Council of the European Union. Importantly, even if often confused, the European Council is a collegiate body that is part of the executive of the EU. Its role is to defined the overall political direction and priorities of the EU. The European Council is composed of Heads of State or of government of the EU Member States, the President of the European Council, the President of the European Commission and the Higher Representative for Foreign Affairs and Security Policy. Unlike the Council of the European Union, the European Council has no legislative power, it is a strategic (often crisis-solving) body and forum that acts a collective presidency. The European Commission remains the sole initiator of legislation but the European Council may provide a guide to legislative policy – which in turn will ultimately go to the European Parliament and the Council of the European Union as the EU's co-legislators. Importantly the command and control structure of the EU's missions deployed as part of the Common Security and Defence Policy places the European Council President, a permanent post, at the head of that structure.

Key takeaways from the Trio Programme

The following sections highlight the key priorities in the Trio Programme:

Strategic financial planning

The trio will commence work on the Multiannual Financial Framework (i.e. the EU's budget) post-2027, ensuring alignment with strategic priorities for 2024–2029. This involves enhancing dialogue with civil society, especially engaging youth, to promote inclusive policymaking.

Global role and international cooperation

To enhance the EU's global presence, the trio will:

- Promote international cooperation.
- Support Ukraine with political, economic and military aid.
- Address the humanitarian crisis in Gaza.
- Strengthen partnerships with Eastern and Southern neighbours, transatlantic allies and regional organisations.
- Foster strategic partnerships through the Global Gateway initiative.
- Pursue a robust trade policy to reduce strategic dependencies and secure supply chains, focusing on bilateral agreements and revitalising multilateral trading systems like the WTO.

Security and defence

The trio aims to protect EU citizens from crime, terrorism and cyber threats by:

- Enhancing the EU's defence capabilities.
- Exploring increased defence investments, innovation and industry production, including in Ukraine.
- Prioritising cooperation with NATO.

Migration and border management

The trio will address migration and border management by:

- Implementing the pact on migration and asylum.
- Strengthening external borders.
- Establishing partnerships with key countries to manage migration flows effectively, including facilitating, increasing and speeding up returns.
- Working on the application of the EU's visa policy.
- Ensuring the proper functioning of the Schengen area for free and safe movement.

EU enlargement and internal reforms

Emphasising EU enlargement and internal reforms, the trio views accession negotiations with candidate countries as a strategic investment in peace, stability and security. The trio will:

- Advance negotiations based on merit.
- Support candidate countries in meeting accession criteria.
- Pursue necessary internal EU reforms.

Economic competitiveness and growth

To boost the EU's competitiveness, the trio will:

- Promote sustainable growth.
- Reduce dependencies.
- Enhance capacities in key technologies.
- Implement structural reforms.
- Deepen the Single Market and reduce regulatory burdens, particularly for SMEs.
- Further develop the Capital Markets Union and complete the Banking Union.

Green and digital transitions

Central to the agenda are the green and digital transitions, focusing on:

- Achieving climate neutrality by 2050.
- Leading global climate negotiations.
- Promoting a circular economy, clean technologies and energy sovereignty.
- Fostering a resilient digital ecosystem.
- Investing in digital infrastructure, cybersecurity and AI.
- Addressing AI challenges and benefits for workers and businesses.

Social inclusion and equality

The trio will focus on:

- Social inclusion, gender equality and labour market integration.
- Ensuring transitions benefit all citizens.
- Supporting health cooperation through the European Health Union.
- Addressing demographic trends to sustain welfare systems.
- Enhancing preparedness and resilience to respond to natural disasters.

Upholding European values

Committed to upholding European values, the trio will promote measures to:

- Secure free media.
- Combat disinformation.
- Protect civil society.
- Tackle gender-based violence, hate speech and discrimination.
- Support cultural diversity and creative sectors.
- Emphasise efficient access to justice as a cornerstone of freedom and democracy.

Outlook

The ambitious agenda set forth by the trio of Poland, Denmark and Cyprus for their upcoming presidency of the Council of the European Union underscores the multifaceted challenges and opportunities facing the EU. For financial services firms, the implications are profound and far-reaching. The focus on economic competitiveness, structural reforms and the deepening of the Single Market presents both opportunities and challenges. Firms will need to navigate an evolving regulatory landscape aimed at reducing dependencies and enhancing capacities in key technologies, which could lead to increased compliance costs but also open new avenues for growth and innovation.

Moreover, the emphasis on the green and digital transitions will necessitate significant investments in sustainable practices and digital infrastructure. Financial services firms will play a crucial role in financing these transitions, but they must also adapt to new regulatory requirements and market dynamics. The push for climate neutrality by 2050 and the promotion of a circular economy will likely drive demand for green financial products, while the focus on cybersecurity and AI will require firms to bolster their technological capabilities and risk management frameworks.

In conclusion, the trio's presidency will be a pivotal period for financial services firms operating within the EU. The strategic initiatives outlined will shape the regulatory and economic environment, demanding agility and foresight from industry players. As the EU navigates geopolitical tensions, economic reforms and societal challenges, financial services firms must remain vigilant and proactive to capitalise on emerging opportunities while mitigating risks. The path ahead is complex, but with strategic planning and innovation, firms can thrive in this dynamic landscape.

Program of the Polish Presidency of the Council of the European Union

Poland assumed the rotating presidency of the Council of the European Union on 1 January 2025 (the **Polish Presidency**) for a period of six months. This comes during a period of uncertainty and concern. Europe is facing challenges such as Russia's ongoing aggression against Ukraine, increasing geopolitical tensions and various internal issues like migration pressure, energy transition and climate change.

The Polish Presidency aims to enhance European security across various dimensions, including external, internal, economic and energy security. It emphasises the importance of EU unity and collaboration with partners who share its values, supporting the EU's enlargement based on merit.

Key priorities include supporting Ukraine, reducing dependence on Russian energy and strengthening transatlantic ties, particularly with the United States. The Polish Presidency's activities with respect to the ongoing conflict will be conducted in alignment with the principles set out in the EU's Strategic Agenda for 2024–2029.

On 22 January 2025, Polish Prime Minister Donald Tusk in a speech,[47] presented the programme[48] of the Polish Presidency of the Council of the European Union. Tusk was President of the European Council from 2014 to 2019 and from 2019 to 2022 the president of the European People's Party. While much of Tusk's speech may have been in direct response to selected statements made by Donald Trump on him re-assuming office as his second term as U.S. President, it did address a number of longstanding issues that the EU has had on its agenda to address in full.

The Polish Presidency's priorities dive deeper into the overarching aims agreed and communicated in the Trio Programme (discussed in the preceding pages). The Polish Presidency will therefore consider aspects by thematic area as well as for the various compositions of the Council of the European Union.

[47] Available here.
[48] Available here and here.

Main action points – by thematic area

Defence and security
The Polish Presidency focuses on enhancing European security across various sectors, emphasising EU unity, supporting Ukraine, reducing reliance on Russian energy and strengthening transatlantic ties. It seeks to bolster European defence initiatives to complement NATO by increasing military spending, strengthening the defence industry and investing in key infrastructures like the "East Shield" and "Baltic Defence Line," while enhancing cooperation with partners such as the USA and UK.

Protection of people and borders
Europe needs to shift from a reactive to a proactive approach to ensure optimal internal security, as demonstrated by its response to the COVID-19 pandemic and support for Ukraine. The Polish Presidency aims to address migration and security challenges at the EU's external borders, focusing on reducing irregular migration and enhancing return policies in collaboration with third countries.

Additionally, the Polish Presidency will work to strengthen the EU's response to hybrid threats, improve civil protection and disaster resilience and combat organised crime and terrorism.

Resistance to foreign interference and disinformation
Autocracies are using disinformation to undermine the social and political cohesion of the EU, necessitating stronger democratic resilience. The Polish Presidency aims to enhance coordination against disinformation and cyber threats, focusing on crisis situations involving third-country interference and developing secure digital services.

Ensuring security and freedom of business
The EU economy faces challenges from rapid technological change, the climate transition and rising geopolitical tensions, which are affecting competitiveness and creating regulatory burdens. The Polish Presidency aims to address these issues by deepening the Single Market, reducing bureaucratic burdens and promoting flexible energy-climate policies focused on incentives. Additionally, it plans to enhance support for industry, improve trade policies and discuss the future of cohesion policy to ensure fair competition and economic resilience.

Energy transition
The Polish Presidency emphasises the importance of reliable energy supply for EU security, advocating for a complete phase-out of Russian energy imports. It aims to reduce energy prices, revise the EU energy security framework and ensure fair development of clean energy sources.

Furthermore, the Polish Presidency seeks to decrease dependence on imported technologies and critical raw materials necessary for the energy transition.

Competitive and resilient agriculture
The aim is to strengthen the Common Agricultural Policy to support farmers and rural development, ensuring stable incomes and a competitive, resilient agricultural sector for European food security. It emphasises the importance of preventing actions by farmers to combat climate change effects, like floods and droughts.

Health security
The COVID-19 pandemic has shown the significant negative impacts of health risks. The Polish Presidency will prioritise the digital transformation of healthcare, the mental health of children and adolescents and health promotion and disease prevention. Efforts will focus on improving EU drug security, diversifying medicine supply chains and supporting domestic production.

Main action points – according to Council configuration

1. General Affairs Council (**GAC**)
   The General Affairs Council, under the Polish Presidency, aims to strengthen and protect EU values, focusing on the rule of law, EU enlargement and countering foreign information interference. The Polish Presidency emphasises the importance of cohesion policy to address development disparities and promote socio-economic resilience. Efforts will also be made to enhance EU relations with the UK and negotiate new agreements with Switzerland concerning a package of legislative solutions regulating EU-Swiss cooperation and with Andorra and San Marino regarding their participation in the EU Single Market. The Polish Presidency will prepare for future enlargement and internal reforms and work on the Multiannual Financial Framework beyond 2027. Additionally, discussions will target the EU's legislative priorities and cohesion policy's role in regional development.

2. Foreign Affairs Council (**FAC**)
   The Foreign Affairs Council in 2025 will focus on supporting Ukraine politically, militarily and economically, while maintaining policies and strengthening sanctions towards Russia and Belarus. The Polish Presidency will work on stabilising the Eastern neighbourhood, including Moldova. Efforts will be made to normalise relations in the South Caucasus, support the Western Balkans and Turkey and foster EU-NATO relations. The Polish Presidency will promote EU defence development, support civilian security and deepen transatlantic relations, with particular emphasis on cooperation with the US. In trade, the Polish Presidency will focus on strengthening the EU's economic security, updating trade agreements with Ukraine and Moldova and supporting the WTO reform process.

3. Economic and Financial Affairs Council (**ECOFIN**)
   It will focus on addressing the EU's current economic challenges by streamlining the Single Market and enhancing competitiveness, particularly through strengthening the capital markets union and reducing energy prices. It will work on financial services legislation, tax reforms and the customs union, while supporting Ukraine and ensuring the smooth implementation of the EU budget. Efforts will be made to advance the digital euro, tackle tax competition and update the EU list of non-cooperative jurisdictions. The Polish Presidency aims to strengthen economic cooperation with partner countries and prepare a unified EU position for G20 meetings. Additionally, it will participate in dialogues to support EU candidate countries in meeting economic criteria for membership.

4. Justice and Home Affairs Council (**JHA**)
   The Polish Presidency aims to enhance EU security by addressing migration challenges, combating serious and organised crime by preparing the new cycle of the European Multidisciplinary Platform against Criminal Threats (**EMPACT**) for 2026–2029 and strengthening civil protection mechanisms. It will focus on innovative migration policies, working with international partners to tackle root causes and improve border security.

   Efforts will be made to strengthen judicial cooperation in criminal and civil matters, update legal frameworks for digital information access and enhance the protection of fundamental rights. The Polish Presidency will commemorate the Schengen Agreement's 40th anniversary by prioritising its functioning. Additionally, it will focus on EU's accession to the ECHR and promote cooperation in the digitalisation of justice ("European e-Justice Strategy 2024–2028".)

   The Polish Presidency will further focus on the draft Directive harmonising certain aspects of insolvency law and will continue to work on a draft Directive on adapting non-contractual civil liability rules to artificial intelligence.

5. Employment, Social Policy, Health and Consumer Affairs Council (**EPSCO**)
   A focus will be on ensuring fair and safe working conditions amid digital transformation, emphasising gender equality and social inclusion. Efforts will address challenges faced by the elderly, with a focus on health security and self-determination for seniors. The Polish Presidency will prioritise discussions on AI in the workplace, teleworking and the right to disconnect, while promoting social dialogue and addressing labour and skills shortages. It will also focus on equality, particularly for vulnerable groups and gender equality, including countering gender-based violence. In healthcare, the Polish Presidency will emphasise digital transformation, mental health for youth and the availability of medicines, with a focus on cybersecurity in medical devices.

6. Competitiveness Council (**COMPET**)
   The Polish Presidency will focus on strengthening the EU's long-term competitiveness by reinforcing the Single Market and developing an industrial policy that boosts European companies. It will address issues like supply chain

risks, high energy prices and the Carbon Border Adjustment Mechanism to improve global competitiveness. There will be a focus on reducing bureaucratic burdens, improving the regulatory environment and enhancing public and private investment. Key discussions will include the decarbonisation of industries, the role of state aid and strategic dependencies. The Polish Presidency will also advance work in areas like intellectual property, tourism, public procurement, space and research, emphasising innovation and science to enhance EU resilience and competitiveness.

7. Transport, Telecommunications and Energy Council (**TTE**)
   A further essential area of the program is to enhance the resilience and competitiveness of the transport sector, with an emphasis on cybersecurity and developing a new EU energy security architecture. It aims to improve transport infrastructure through the revised Trans-European Transport Network (**TEN-T**), promoting sustainable transport and decarbonisation. In digital and telecommunications, the Polish Presidency will focus on cybersecurity, digital transformation and AI, aiming to reduce regulatory burdens and promote innovation. Energy security will be a priority, with plans to update the European energy security strategy, support clean energy technologies.

8. Agriculture and Fisheries Council (**AGRIFISH**)
   The Polish Presidency will concentrate on empower the competitiveness and resilience of the agricultural sector, ensuring food security and stabilising farmers' incomes. It will address the challenges posed by EU enlargement, including Ukraine's potential accession and the future shape of the Common Agricultural Policy (**CAP**) after 2027. The Polish Presidency will emphasise research, innovation and digitalisation in agriculture, while promoting a level playing field for EU agricultural products in international trade as well as negotiating on fishing opportunities and agreements with third countries. Efforts will be made to strengthen the position of farmers in the food supply chain and improve animal welfare legislation.

9. Environment Council (ENVI)
   There will be an increase of environmental and societal resilience to climate change, emphasising the benefits of healthy ecosystems. It will support EU efforts to create a climate adaptation plan, highlighting the need for measures against natural disasters and promoting incentives over burdens in the green transition. Combating disinformation on EU climate policies is a priority, alongside continuing legislative negotiations on soil monitoring, waste management and environmental claims. The Polish Presidency will also focus on water management, aiming to finalise amendments related to priority substances in water and participate in international environmental conventions. Efforts will include promoting informed consumer participation in the green transition and addressing microplastic pollution through regulatory negotiations.

10. Education, Youth, Culture and Sport Council (**EYCS**)
    Additionally, the Polish Presidency will support young people in sectors such as arts and sports, strengthening European identity and promoting inclusive education and training systems. It aims to evaluate and define future priorities for the European Education Area, emphasising high-quality, inclusive education for all learners. Discussions will be initiated on future EU education programs and the competitiveness of EU education systems, including a joint European diploma and vocational excellence. In the area of culture, the Polish Presidency will support young creators and discuss the future of the Creative Europe Programme. For sports, it will highlight the importance of sport in education and address challenges in promoting physical activity and fitness among youth.

Outlook

The Polish Presidency's ambitious agenda underscores the critical juncture at which the EU finds itself. For financial services firms, the implications are profound and multifaceted. The emphasis on enhancing European security, both internally and externally, will necessitate some firms to increase their vigilance and compliance with evolving regulatory frameworks. Firms will need to navigate a landscape marked by heightened scrutiny and potential new regulations aimed at bolstering economic resilience and reducing dependencies on external actors.

Moreover, the focus of the Polish Presidency on energy transition and further reducing reliance on certain energy imports will likely lead to significant shifts in investment strategies and financial planning. Financial services firms must be prepared to be actively involved in the support and financing of the transition to clean energy, which will require substantial capital and innovative financial products. The Polish Presidency's support on CBDC, which also involves a push for a digital euro and advancements in cornerstones of financial services legislation, will also demand adaptability and forward-thinking approaches to remain competitive in a rapidly changing market.

In conclusion, the Polish Presidency's tenure will be a period of both challenge and opportunity for financial services firms. The need for robust risk management, strategic investment and compliance with new regulatory measures will be paramount. As the EU navigates these turbulent times, financial services firms must remain agile and proactive, ensuring they are well-positioned to support and benefit from the Union's efforts to enhance security, economic stability and resilience.

Making sense of it all for the rest of 2025 and beyond

As markets navigate through 2025, the European financial services landscape is poised for significant transformation, driven by a confluence of regulatory, geopolitical and technological forces. Such change is being driven from within the EU, including at Member State level, as well as from developments that the EU will need to face in dealing with external forces.

As evidenced by the analysis over the preceding pages, this ever-more complex evolution of the persisting polycrisis will likely impact the EU's Single Market for financial services overall as well as specific market sectors over the remainder of the year and beyond. In response, firms and market participants will need to balance taking both a strategic view over the medium to longer-term while at the same time becoming more agile in how they approach their short-term and tactical responses and contingency plans to a range of risks but also in seizing opportunities.

The ECB-SSM's supervisory priorities underscore the need for BUSIs to bolster their resilience further against macro-financial threats and geopolitical shocks. This includes enhancing credit risk management frameworks, operational resilience and digital transformation strategies. The SRB's focus on crisis preparedness and resolution planning further amplifies the need for robust operational frameworks, particularly in light of digital and cyber threats. BUSIs are subject to a stricter set of supervisory expectations when it comes to timely and significant upgrading of their ICT infrastructure and cybersecurity measures to meet these stringent requirements.

Like their Banking Union brother authorities, the three ESA sister authorities will individually but also collectively in their composition of the JC of the ESAs, place financial stability in light of geopolitical and ESG sustainability and climate-related risks at the core of their focus and growing mandates. In addition, the transition to a new AML/CFT framework with the establishment of new institutional frameworks around the EU AMLA will require seamless cooperation and alignment of practices to meet new regulatory expectations across all market sectors as well as for TradFi and non-TradFi firms.

During 2025, the Single Rulebook will equally continue to grow as new chapters begin to operationalise as well as other reforms move from policy proposals to becoming rulemaking and supervisory reality in the form of EU Regulations, Directive and/or ITS/RTS as well as new mandates for existing as well as new supervisory authorities.
All firms and market participants within the scope of relevant policymakers and authorities covered in this playbook also will have to address how they approach both the role and the rules applicable to technological innovation, particularly in developments in AI and blockchain as being advanced in financial services but also across the real economy. These developments present both opportunities and challenges.

Firms and market participants that can effectively integrate such new technologies plus emerging market preferences and practices into their dealings with counterparties, clients, customers and real economy stakeholders as well as their own internal operations will gain a competitive edge, but they must also navigate the complexities of new regulatory frameworks and ensure ethical and responsible use of such new developments, in particular on AI – specifically also with respect to the transatlantic politicisation of the future path AI an blockchain may be poised to take.

Across all market sectors, sustainability will, despite the EU's (rather welcome) targeted reforms and simplification efforts, remain a cornerstone of the regulatory and supervisory agenda. EIOPA and ESMA in particular intensifying their focus on sustainable finance and combating greenwashing. The revision of the SFDR and the introduction of new guidelines on ESG risk management will likely require firms to (further) enhance their sustainability disclosures and integrate ESG risks into their business models. This shift towards sustainable finance presents an opportunity for firms to differentiate themselves through robust sustainability practices and to attract environmentally conscious investors, especially in light of the EU legislators' plans for 2025 on decarbonisation and the Clean Industrial Deal. That being said, EU market participants will also in 2025 need to navigate how to comply with the EU's ESG requirements and how these compare as well as contrast to efforts being advanced across other global jurisdictions, including those that may be suffering from ESG rulemaking fatigue and/or differing degrees of proposed (de-)regulation.

In conclusion, the regulatory landscape is set to become more rigorous, necessitating significant investments in compliance, technology and risk management. The regulatory and supervisory priorities set out by the EU authorities and policymakers in this playbook for 2025 and beyond present a complex but navigable landscape for financial services firms that apply early planning, agility and strategic foresight. By doing so, firms and market participants can ensure compliance but also position themselves as leaders in a rapidly evolving financial ecosystem. In short, even where the path ahead may be perceived by some to be fraught with challenges, for those who can adeptly navigate these (choppy) waters, the opportunities in 2025 and beyond are likely to be abundant.

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About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multijurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

In order to assist firms in staying ahead of their compliance obligations we have developed a number of RegTech and SupTech tools for supervised firms. This includes PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from more than 2,500 legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

The PwC Legal Team behind Rule Scanner are proud recipients of ALM Law.com's coveted "2024 Disruptive Technology of the Year Award".

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.