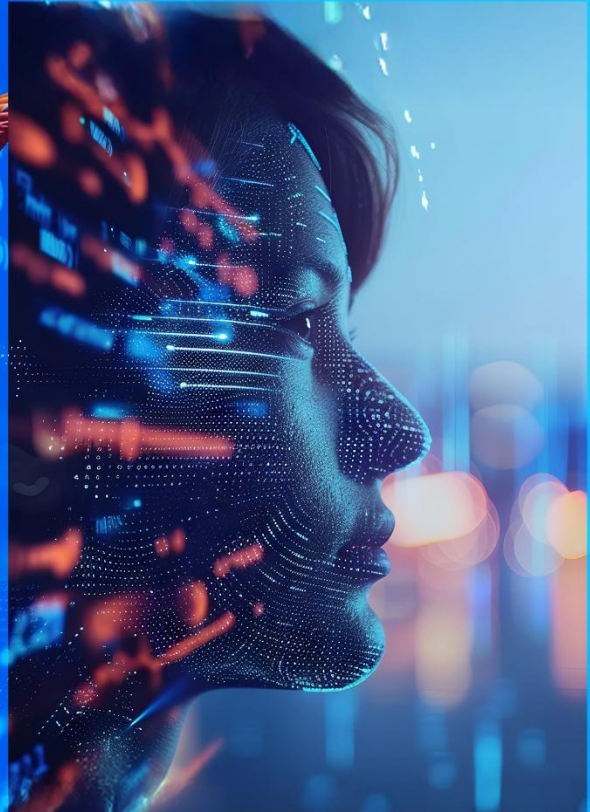




Regulatory Insights

Financial Services



February 2026

Anti-Money Laundering

AMLA consults on draft RTS on customer due diligence and enforcement *Publication date: 9 February 2026*

What: AMLA [published](#) three draft Regulatory Technical Standards (RTS) aimed at harmonising customer due diligence (CDD) rules and supervisory practices across the EU for both financial and non-financial sectors.

Key points:

[RTS on Business Relationships:](#)

Defines criteria for identifying business relationships, occasional transactions and linked transactions, forming the basis for when CDD obligations apply.

[RTS on Customer Due Diligence:](#)

Sets out how obliged entities should verify customer identity and conduct ongoing monitoring in a risk-sensitive and proportionate manner, building on the AML Regulation framework.

[RTS on Enforcement:](#)

Establishes a common supervisory approach for assessing, categorising and responding to breaches of AML/CFT obligations.

Next steps:

Public hearing: AMLA will hold a public hearing on the draft RTS on Business Relationships and Customer Due Diligence on 24 March 2026.

Consultation deadlines:


- RTS on Business Relationships: comments due by 9 March 2026.
- RTS on Customer Due Diligence and Enforcement: comments due by 8 May 2026.

 **Medium impact** : important step toward harmonised EU-wide AML/CFT standards and supervisory consistency.

- Updated public statement on Iran;
- The suspension of Russia remains in effect.

Strategic Initiatives

- Cyber-enabled fraud: FATF endorsed new work on the rapidly escalating fraud landscape, highlighting the need for stronger detection and disruption tools across AML/CFT/CPF systems.
- Virtual assets: Two reports approved for publication next month on (i) risks associated with offshore VASPs and regulatory gaps, and (ii) emerging risks linked to stablecoins and unhosted wallets, including peer-to-peer transfers.

 **Medium impact:** key monitoring-list updates alongside strengthened focus on cyber-enabled fraud and virtual-asset risks.

Outcomes of the FATF Plenary (11–13 February 2026)

Publication date: 13 February 2026

What: The [FATF Plenary](#) met in Mexico City and agreed key actions to advance global AML/CFT/CPF priorities, adopt new mutual evaluations and update jurisdiction monitoring.

Key points:

Mutual evaluations

- Adoption of new mutual evaluation reports for Austria, Italy and Singapore under the latest assessment round.
- Reports will be published in April–May 2026, with countries expected to follow time-bound Roadmaps to address identified gaps.

Monitoring Updates

- Kuwait and Papua New Guinea added to increased monitoring.

Asset Management

📄 Delegated Regulations on Liquidity Management for AIFS and UCITS published in the Official Journal

Publication date: March 2026

What: The European Commission published Delegated Regulations (EU) [2026/465](#) and [2026/466](#) in the Official Journal. These regulations define the characteristics and methodologies of liquidity management tools (LMTs) under AIFMD2 and the UCITS Directive.

Key points:

- ❑ The two regulations specify the operational features and methodologies of the LMTs available to AIF and UCITS managers.
- ❑ Under the revised AIFMD and UCITS regimes, fund managers must select at least two LMTs from the lists set out in the Delegated Regulations for potential activation.
- ❑ The framework aims to enhance liquidity risk management and reduce divergence in national practices across EU member states.
- ❑ The rules support more consistent supervisory expectations and provide clearer operational parameters for deploying LMTs.

Next steps:

- ❑ The Delegated Regulations **enters into force on 19 March 2026**.
- ❑ They **apply from 16 April 2026**, with a **one-year transitional period** for funds constituted before that date to adjust their liquidity management frameworks.

🟡 Medium impact:

Strengthened and harmonised liquidity management practices across EU funds. Existing funds benefit from a transitional period to align internal policies with the new requirements.



📄 EBA launches consultation on simplifying the credit risk framework

Publication date: 9 February 2026

What: The EBA launched a [consultation](#) on its Discussion Paper examining ways to simplify and improve the credit risk framework. The Paper sets out initial ideas to enhance efficiency and usability as the EBA develops its future policy priorities. The consultation runs until **10 May 2026**.

Key points:

The Discussion Paper builds on the EBA's 2025 Report on the efficiency of the regulatory and supervisory framework, which called for a systematic review of EBA products to enhance simplicity across the rulebook.

The credit risk area has accumulated a large number of mandates under the EU Banking Package; the Paper explores how these mandates can be reviewed and streamlined.

Proposals focus on:

- ❑ Simplifying policy elements while balancing risk-sensitivity, comparability and cost-efficiency;
- ❑ Improving the presentation and coherence of the framework through consolidation of EBA products and aligned definitions;
- ❑ Identifying challenges linked to specific mandates and measures to be applied in future assessments under the Capital Requirements Regulation (CRR).

🟡 **Medium impact** : early-stage proposals that may influence future simplification of the credit risk rulebook with potential long-term benefits for usability and clarity.



📄 Commission launches consultation on competitiveness of the EU banking sector

Publication date: 11 February 2026

What: The European Commission launched a targeted [consultation and call for evidence](#) on the competitiveness of the EU banking sector. The feedback will inform the EU Commission's Q3 2026 report on the competitiveness of EU banks, a key deliverable under the Savings and Investment Union (SIU) strategy.

Key points:

- ❑ The consultation seeks views on how EU banks perform domestically and globally, how they support financing of the European economy, and how to further deepen the Single Market and the Banking Union.
- ❑ It also invites feedback on simplifying and improving the effectiveness of the regulatory and supervisory framework, noting persistent complexity in prudential rules.
- ❑ Topics covered include:
 - Competitiveness of EU banks, drivers of performance, digitalisation and cross-border activity;
 - Barriers to market integration and outstanding elements of the Banking Union;
 - Complexity and effectiveness of the EU regulatory and supervisory framework.

🟡 **Medium impact** : early-stage information-gathering exercise shaping the EU Commission's future policy direction on banking competitiveness and market integration.

EBA advises national authorities on end-of-transition actions under No-Action Letter on PSD2–MiCA interplay

Publication date: 12 February 2026

What: The EBA issued an [Opinion](#) to guide national competent authorities (NCAs) on how to proceed following the end of the transition period under its No-Action Letter regarding the interaction between PSD2 and MiCA, which concluded on 2 March 2026. The transition period allowed crypto-asset service providers (CASPs) to continue providing electronic money token (EMT) services qualifying as payment services while submitting, and awaiting decisions on, PSD2 authorisation applications.


Key points:

- ❑ The Opinion sets out the conditions under which NCAs may allow CASPs to continue providing EMT services after 2 March 2026 without yet holding a PSD2 licence.
- ❑ CASPs not meeting all conditions should be required to discontinue the provision of such services.
- ❑ NCAs should, where needed, coordinate with the relevant MiCA authority and other national enforcement authorities to ensure compliance.
- ❑ The Opinion builds on the EBA's [2 June 2025 No-Action Letter](#), which:
 - Clarified the interaction between PSD2 and MiCA for CASPs transacting EMTs;
 - Allowed a 9-month transition period for obtaining PSD2 authorisation;
 - Recommended limiting the scope of EMT-related services treated as payment services; and
 - Encouraged streamlined authorisation procedures by re-using information submitted during MiCA authorisation. ; and emphasised the need for NCAs to prioritise authorisation work as the transition period concludes.
 - Noted that more than 100 CASPs have already contacted NCAs or applied for PSD2 authorisation, signalling the need for NCAs to prioritise

authorisation handling with the end of the transition period.

Next steps:

NCAs are expected to apply the guidance from 2 March 2026 onward when assessing CASPs' continued provision of EMT-related payment services.

 **Medium impact:** ensures supervisory consistency during the PSD2 licensing transition, with operational implications for CASPs awaiting authorisation decisions.

ECB and ESRB publish joint report on financial stability risks from bank–NBFI linkages

Publication date: 12 February 2026

What: The ECB and ESRB have released a [joint report](#) assessing financial stability risks arising from linkages between EU banks and the non-bank financial intermediation (NBFI) sector. While current risks are not acute, the report highlights significant vulnerabilities, highly concentrated in a small number of large euro area G-SIBs, that could amplify stress in adverse conditions.

Key points:

- ❑ **Significant interconnections:** Banks and NBFIs are linked through liquidity provision, leverage, and market-making activities. These channels can transmit and amplify shocks.
- ❑ **Funding risk:** Banks rely on concentrated short-term funding from NBFIs. Market stress could trigger redemptions, margin calls and declines in NBFI funding to banks, creating liquidity pressures.
- ❑ **Leverage and counterparty risk:** Lending to leveraged NBFIs (e.g., hedge funds, securities firms) exposes banks to losses if leveraged positions unwind or if illiquid asset values fall, potentially prompting fire sales.

- ❑ Data gaps: Granular transaction- and exposure-level data were crucial for the analysis, but gaps, especially for non-EU exposures and offshore transactions, limit visibility of risks. Improved data access and centralised mechanisms would strengthen monitoring.

● **Medium impact:** important supervisory insights into concentrated transmission channels between banks and NBFIs, with implications for monitoring liquidity, leverage and cross-sector interconnectedness.

EBA issues final Guidelines on proportionate retail diversification methods under the standardised approach

Publication date: 13 February 2026

What: The EBA published its final [Guidelines](#) on proportionate retail diversification methods under the Capital Requirements Regulation (CRR). The Guidelines provide a harmonised framework for assessing whether retail portfolios are sufficiently diversified to benefit from the preferential 75% risk weight for retail exposures, while ensuring a proportionate approach for smaller institutions.

Key points:

- ❑ Institutions must demonstrate that their retail portfolios are sufficiently granular. As a baseline, no single exposure to a counterparty or group of connected clients should exceed 0.2% of the total eligible retail portfolio.
- ❑ To reflect proportionality, institutions may still apply the preferential risk weight even where this benchmark is exceeded, provided that no more than 10% of the eligible retail portfolio is above the 0.2% threshold.

- ❑ During consultation, the EBA presented a baseline iterative method and a one-step alternative.
 - In the final Guidelines, the EBA adopts the one-step approach to reduce operational burden and enhance proportionality for smaller institutions.
 - The diversification threshold has been increased from 5% to 10% following industry feedback, easing practical impact while maintaining prudential safeguards.
- ❑ The Guidelines also clarify the treatment of securitised retail exposures, distinguishing between institutions acting as originators and those acting as investors.
 - A limited and temporary derogation is introduced for investor institutions lacking obligor-level information in transparency templates, allowing the diversification condition to be deemed fulfilled.

Next steps:

Institutions should review their retail portfolios and diversification assessment processes to ensure compliance with the new Guidelines once they enter into force.

● **Medium impact:** introduces proportionate, streamlined diversification methods with meaningful relief for smaller institutions, while preserving prudential standards



EBA ESG Dashboard update shows stable climate risk indicators


Publication date: 18 February 2026

What:

The EBA released the latest update of its ESG risk dashboard, incorporating data up to Q2 2025. The dashboard tracks banks' exposures to climate-related risks and provides contextual information to support institutions and supervisors in managing these risks. The new edition confirms overall stability across the main climate-risk indicators, consistent with previous updates.

Key points:

- High exposure to climate-sensitive sectors:** Banks' exposures to sectors that significantly contribute to climate change remained elevated at around 62% of non-financial corporate portfolios. This underscores the continued importance of robust climate-risk management and monitoring.
- Improving environmental data quality:**
 - Exposures secured by immovable property show strong energy-efficiency profiles.
 - Banks' reliance on proxy indicators has declined by roughly 10 percentage points since December 2023, signaling improving data coverage and more reliable sustainability assessments.
- Heterogeneous physical risk metrics:** Physical risk indicators continue to vary significantly across jurisdictions, in part due to methodological differences. This highlights the inherent complexity of assessing physical risk across diverse geographies and datasets.

 **Medium impact :** indicators remain stable, but elevated exposures and

heterogeneous physical-risk assessments underline the need for continued development of climate-risk data, methodologies and governance frameworks.



EBA publishes follow-up Report on ICT risk assessment under the SREP

Publication date: 23 February 2026

What: The EBA published its follow-up [Report](#) to the 2022 peer review on ICT risk assessment under the Supervisory Review and Evaluation Process (SREP). The Report shows that competent authorities have made notable progress in strengthening ICT risk supervision, largely supported by the implementation of the Digital Operational Resilience Act (DORA). However, further work is still needed to achieve fully consistent and effective ICT risk supervision across the EU.

Banking & Finance (continued)

Key points:

- ❑ The follow-up assessment reviewed the 2022 recommendations, including a targeted review of relevant benchmarking questions.
- ❑ Progress was assessed in light of:
 - DORA's application since January 2025, and
 - The forthcoming integration of the ICT SREP Guidelines into the revised SREP framework, a key recommendation of the 2022 peer review.
- ❑ Findings highlight that competent authorities are:
 - Expanding their ICT supervisory capacity and expertise,
 - Increasingly applying horizontal supervisory analyses, and
 - Making more systematic use of ICT-related supervisory tools.
- ❑ Improvements were observed in the use of ICT risk sub-categories, now broadly implemented by almost all authorities.
- ❑ The Report encourages competent authorities to:
 - Fully integrate ICT risk methodologies and sub-categories into SREP processes, and
 - Continue enhancing supervisory convergence and operational resilience across the EU.

Next steps:

Competent authorities are expected to continue strengthening ICT risk supervision and align their practices as the revised SREP Guidelines are finalised.

🟡 **Medium impact:** shows strong progress in ICT risk supervision, but continued convergence and integration of ICT methodologies remain priorities under DORA and the evolving SREP framework.

📄 EBA concludes work on legacy instruments monitoring

Publication date: 25 February 2026

What: The EBA decided to conclude its dedicated monitoring of legacy instruments, consistent with its long-standing expectation that these instruments should be phased out to maintain clear subordination structures and reduce prudential complexity.

Key points:

- ❑ Legacy instruments, mainly own funds instruments benefiting from [CRR1/CRR2](#) grandfathering, have been a focus of the EBA's monitoring in recent years.
- ❑ The EBA previously issued Opinions in [2020](#) and [2022](#) and regularly reviewed the remaining stock, including individual cases.
- ❑ With only limited and specific cases remaining, the EBA considers that competent authorities can now continue this oversight based on existing guidance.
- ❑ The EBA will continue its broader monitoring of own funds and eligible liabilities quality, but legacy-instrument monitoring will no longer be a priority area.

Next steps:

Competent authorities will continue to oversee the remaining legacy instruments, applying existing guidance as needed.

🟢 **Low-medium impact :** Most legacy instruments have been gradually wound down, reducing complexity, with no new policy requirements expected.



EBA responds to EU Commission's proposed amendments to RTS on equivalent legal mechanism

Publication date: 26 February 2026


What: The EBA issued an [Opinion](#) responding to the European Commission's proposed amendments to the draft Regulatory Technical Standards (RTS) on what constitutes an equivalent legal mechanism to ensure the completion of residential property under construction within a reasonable timeframe.

Key points:

- ❑ The Commission notified the EBA on 9 January 2026 of its intention to endorse the draft RTS (submitted in August 2025) with amendments.
- ❑ The EBA considers two of the proposed amendments to be inconsistent with the prudential safeguards underpinning the preferential treatment for residential property exposures:
 - Raising the risk-weight cap for protection providers under the Standardised Approach from 20% to 30%. The EBA argues this could lead to preferential capital treatment not aligned with the protection provider's credit quality.
 - Removing the requirement that the completion guarantee be mandated by the law of the Member State where the residential property is located. The EBA warns this could weaken legal certainty and undermine the robustness of the mechanism.
- ❑ Through this Opinion, the EBA reaffirms the need for a harmonised and prudent application of the preferential treatment for residential property exposures.

Next steps:

The Opinion constitutes the EBA's formal response to the EU Commission's amended RTS ahead of the endorsement process.

 **Medium impact:** Clarifies the EBA's prudential concerns and indicates resistance to amendments that could dilute safeguards for residential property exposures.

EBA kicks off EU central validation of ISDA SIMM from 1 March 2026

Publication date: 26 February 2026

What: The EBA [announced](#) that it will begin the central validation of the ISDA Standard Initial Margin Model (ISDA SIMM) on 1 March 2026, marking a key milestone in establishing the EU-level validation function for pro forma initial margin models under EMIR.

Key points:

- ❑ The EBA confirms that its central ISDA SIMM validation function is operational and ready to start on 1 March 2026.
 - ❑ Alongside the announcement, the EBA published the Decision on arrangements for ISDA SIMM validation, which also enters into force on 1 March 2026.
 - ❑ The Decision sets out the operational framework, covering:
 - Onboarding and application procedures,
 - Governance and cooperation with competent authorities and ISDA,
 - Ongoing monitoring requirements and criteria for model change assessments.
 - ❑ The EBA obtained, via competent authorities, the list of financial and non-financial counterparties using ISDA SIMM as part of the 2025 data-collection exercise.
- #### **Implementation timeline:**
- ❑ Phase 1: Direct onboarding of identified counterparties to the EBA ISDA SIMM validation system (staggered process).

- ❑ Phase 2: Onboarded counterparties will be invited to submit applications for SIMM validation, expected to begin in August 2026.
- ❑ The EBA expects to issue its first SIMM validation decision in Q4 2026, including the list of counterparties covered.
- ❑ Until then, counterparties may continue using ISDA SIMM-based models, provided they have applied to their competent authorities for authorisation and rely on the EBA's earlier no-action letter ([17 December 2024](#)).

● **Medium impact** : Major operational milestone for EU-wide oversight of initial margin models, with phased onboarding and validation throughout 2026.

📄 **Basel Committee reviews market developments and crypto asset standards**

Publication date: 25 February 2026

What: The Basel Committee on Banking Supervision (BCBS) met virtually on 24–25 February 2026 to [discuss](#) recent market conditions, vulnerabilities in repo markets, and ongoing work on crypto asset prudential standards.

Key points:

The BCBS highlighted vulnerabilities in government bond-backed repo markets, noting that its recently finalised counterparty credit risk guidelines should help address these issues. Implementation will continue to be monitored.

The Committee reviewed progress on its targeted review of banks' crypto asset exposure standards, with further updates expected later this year.

A technical amendment to the standardised approach to operational risk and a FAQ update on the market risk framework will be published in March.

The next International Conference of Banking Supervisors (ICBS) will be held in Indonesia on 30 September–1 October 2026.

Next steps:

Monitoring of the new counterparty credit risk guidelines will continue. Additional updates on the crypto asset review are expected later in 2026.

● **Medium impact:**

Limited immediate changes, but ongoing supervisory focus on repo market risk and crypto asset exposures.

📄 **Basel Committee issues a consolidated version of its guidelines**

Publication date: 26 February 2026

What: The Basel Committee on Banking Supervision (BCBS) released a draft consolidated version of its [guidelines and sound practices](#), together with a public [consultation](#) aimed at improving accessibility and streamlining existing materials.

Key points:

- ❑ Existing guidelines and sound practices have been reorganised into a modular, user-friendly format, consistent with the Basel Framework structure.
- ❑ The consolidation removes outdated or duplicative content, reducing overall volume by around 75%.
- ❑ The exercise does not introduce new supervisory expectations; it simply restructures existing material.
- ❑ A draft consolidated version and a consultative document are now available on the BCBS website.
- ❑ Stakeholder comments are invited **until 26 June 2026**.
- ❑ The BCBS plans periodic updates as standards and supervisory practices evolve.

● **Medium impact:** Improved clarity and usability of BCBS guidance; no immediate change to supervisory expectations.

Securities & Markets

📄 EU Commission publishes Delegated Regulation on RTS for the Active Account Requirement under EMIR

Publication date: 6 February 2026

What: The Commission published in the Official Journal Commission [Delegated Regulation 2026/305](#), which sets out the regulatory technical standards specifying the **operational conditions, representativeness obligation and reporting requirements** related to the **Active Account Requirement (AAR)** under EMIR.

Background:

Regulation (EU) 2024/2987 introduced Article 7a into EMIR to mitigate financial-stability risks arising from EU counterparties' exposures to systemically important third-country CCPs. It requires certain FCs and NFCs to maintain at least one active account at an EU CCP for specified derivative categories, and for some entities to clear a representative number of trades through that account.

The RTS adopted by the Commission follow ESMA's [consultation](#) (November 2024–January 2025) and [Final Report](#) (June 2025).

Next steps:

The Delegated Regulation entered into force on **26 February 2026**.

🟡 **Medium impact** : Formalises the detailed EMIR 3 AAR framework, triggering operational and reporting preparations for in-scope counterparties.

📄 EU Commission consulted on Implementing Regulation listing spot FX benchmarks exempt from the BMR

Publication date: 4 February 2026

What: The European Commission has published for consultation a [draft Implementing Regulation](#) establishing a list of spot foreign exchange rate benchmarks that

are exempt from the application of the Benchmarks Regulation (BMR).

Key points:

❑ The spot FX benchmarks included in the Annex to the draft Regulation are designated as meeting the criteria under Article 18(1) BMR.

The consultation closed on 2 March 2026.

❑ Once adopted, the Implementing Regulation will apply 20 days after publication in the Official Journal of the EU.

🟢 **Low impact:** Targeted and technical measure clarifying which spot FX benchmarks fall outside BMR scope.



Securities & Markets (continued)

 **ESMA launches consultation to streamline MAR guidance on delayed disclosure.**

Publication date: 19 February 2026


What: ESMA opened a [consultation](#) on proposed updates to its Market Abuse Regulation (MAR) guidelines concerning the delayed disclosure of inside information.

Key points:

- ❑ Updates aim to align the guidelines with the Listing Act's revised disclosure rules and reduce administrative burdens for issuers.
- ❑ From June 2026, issuers will not be required to immediately disclose inside information tied to protracted processes; ESMA therefore proposes removing related legitimate-interest examples from current guidance.
- ❑ New legitimate interests for delaying disclosure are proposed, including:
 - Requests from public authorities not to disclose inside information,
 - Situations where an issuer needs additional time to gather information,
 - Cases where an issuer is simultaneously participating in several procurement processes for similar contracts.
- ❑ ESMA proposes removing the “no misleading the public” condition, as the Listing Act has deleted it from MAR. Instead, delayed disclosures must not contradict an issuer's last public announcement on the subject.

Next steps:

Stakeholders are invited to submit responses by **29 April 2026**. ESMA intends to publish its final report in **Q4 2026**.

 **Medium impact:** Clarifies delayed disclosure conditions and reduces certain issuer obligations but maintains overall MAR framework.

 **ESMA issues supervisory briefing on the AAR representativeness obligation**

Publication date: 20 February 2026

What: ESMA published a [supervisory briefing](#) outlining expectations for how counterparties should comply with, and report on, the representativeness obligation under the Active Account Requirement (AAR).

Key points:

The briefing provides practical guidance to ensure consistent supervision of counterparties subject to the AAR, an area that has drawn particular attention from regulators.

It explains how counterparties should:


- Identify the most relevant subcategories for the AAR representativeness obligation.
- Report trades in line with the obligation.
- Apply the requirements, including through an illustrative example of compliant reporting.

The representativeness obligation requires relevant counterparties to clear a defined number of trades through their active accounts at EU CCPs.

These trades must concern the most relevant derivative subcategories and reflect activity currently cleared at Tier 2 CCPs.

Next steps:

Counterparties subject to the AAR representativeness obligation are expected to follow the supervisory expectations set out in the briefing to meet their regulatory duties.

 **Medium impact:** provides operational clarity on a scrutinised requirement, with potential reporting and process-adjustment needs for affected firms.

Securities & Markets *(continued)*

📄 **ESMA withdraws MiFID II/MiFIR guidelines on market data to simplify obligations**

Publication date: 23 February 2026

What: ESMA has withdrawn [its guidelines on MiFID II/MiFIR market data obligations](#) with immediate effect, as part of broader efforts to streamline requirements and reduce unnecessary compliance burdens for market participants.

Key points:

The [decision](#) to withdraw aligns the framework with the newly applicable [Regulatory Technical Standards on making market data available on a Reasonable Commercial Basis](#) (RTS on RCB).

The change removes overlapping guidance and consolidates expectations under a single, updated set of technical standards.

The RTS on RCB, effective since 23 November 2025, sets harmonised rules on transparency, pricing practices, and data access obligations for market data providers.

Next steps:

Market data providers authorised before 23 November 2025 benefit from a transition period until 22 August 2026, solely to update existing contractual arrangements to comply with the RTS.

ESMA encourages stakeholders to raise questions or issues related to the RTS via RCB@esma.europa.eu.

🟡 **Medium impact:** simplifies the regulatory landscape and reduces duplicative guidance, but firms must ensure contracts align with the updated RTS requirements by August 2026.

📄 **ESMA consults on guarantees as CCP collateral and CCP investment policy**

Publication date: 23 February 2026

What: ESMA launched a public [consultation](#) under EMIR 3 to gather feedback on proposed conditions for accepting certain guarantees as CCP collateral and on aspects of CCP investment policy.

Key points:

- ❑ ESMA seeks stakeholder views, including from non-financial counterparties (NFCs) on:
 - Conditions for accepting public guarantees, public bank guarantees and commercial bank guarantees as eligible CCP collateral.
 - Criteria under which debt instruments may qualify as eligible financial instruments for CCP investment purposes.
 - The “highly secured arrangements” required for depositing emission allowances when used as margin or default fund contributions.
- ❑ EMIR 3 introduces measures to enhance the efficiency, competitiveness and accessibility of EU clearing, including:
 - A permanent expansion of the types of guarantees CCPs may accept as collateral.
 - A broader scope of users permitted to provide such guarantees, now explicitly covering CCP clients that are NFCs.

Next steps:

The consultation is open until **30 April 2026**. ESMA plans to finalise its report and submit the draft technical standards to the EU Commission by end-2026.

🟡 **Medium impact:** technical changes with potential implications for collateral management, CCP policies and access to clearing for NFCs.



Securities & Markets (continued)

ESMA reminds firms of obligations under CFD product intervention measures amid rise in perpetual futures offerings

Publication date: 24 February 2026


What: ESMA issued a [statement](#) reminding firms to assess whether newly offered derivative products fall within the scope of existing product intervention measures on contracts for differences (CFDs).

Key points:

- ❑ The reminder responds to a growing number of leveraged derivatives marketed as *perpetual futures* or *perpetual contracts*, including those referencing crypto-assets such as Bitcoin.
- ❑ ESMA highlights that these instruments often meet the definition of a CFD and therefore fall under national product intervention measures, which require:
 - Leverage limits,
 - Standardised risk warnings,
 - Margin close-out protection,
 - Negative balance protection, and
 - A prohibition on monetary and non-monetary benefits.
- ❑ ESMA also reiterates additional MiFID II obligations for firms offering these products:
 - Given their complexity, these derivatives should have narrowly defined target markets supported by consistent distribution strategies.
 - For non-advised services, firms must carry out an appropriateness assessment aligned with rules applicable to complex financial instruments.
 - Firms should identify, prevent, or manage conflicts of interest arising from the design and offering of these products.

Next steps:

Firms are expected to review their product governance, distribution practices and appropriateness processes to ensure that perpetual-type derivatives are correctly assessed and fully compliant with applicable CFD product intervention requirements.

 **High-medium impact:** Heightened supervisory focus on crypto-linked leveraged products may require firms to reassess product classification, client targeting and risk controls.

EBA and ESMA consult on revised suitability assessment requirements for banks and investment firms

Publication date: 25 February 2026

What: The EBA and ESMA launched a [joint consultation](#) on revised guidelines for assessing the suitability of members of the management body and key function holders. The revisions form part of a broader EU initiative to harmonise suitability assessments and strengthen supervisory convergence. The consultation is open until **25 May 2026**.

Key points:

- ❑ The draft revised joint guidelines reflect new requirements introduced by the revised Capital Requirements Directive (CRD) for large institutions.
- ❑ Updates apply to entities covered by the CRD as well as investment firms within the scope of MiFID II.
- ❑ Key enhancements include:
 - Ex-ante applications in situations where competent authorities conduct ex-post suitability assessments.
 - Mandatory suitability assessments for specific roles, including heads of control functions and chief financial officers.
 - Clarifications of new CRD requirements for third-country branches.

Securities & Markets (continued)

- Strengthened links with the AML/CFT framework, including guidance on identifying reasonable grounds to suspect money-laundering or terrorist-financing risks.

- ❑ The revised guidelines also introduce targeted simplifications to reduce administrative burden and increase clarity for institutions and supervisors.

Consultation process:

- ❑ Stakeholders can submit comments by **25 May 2026**.
- ❑ A [public hearing](#) will be held on **15 April 2026**, from 14:00 to 15:30.
- ❑ The EBA is simultaneously consulting on [draft Regulatory Technical Standards](#) (RTS) specifying documentation and information that large institutions must submit to competent authorities.

Next steps:

Once the revised guidelines enter into force, the **2021 Guidelines** will be repealed.

- **Medium impact:** Significant clarifications and new obligations for large institutions and investment firms but accompanied by simplification measures intended to ease implementation.

📄 **ESMA sets out new clearing thresholds under EMIR 3**

Publication date: 25 February 2026

What: ESMA published its [draft Regulatory Technical Standards](#) (RTS) establishing updated clearing thresholds (CTs) under EMIR 3. The proposed regime maintains continuity in systemic-risk coverage across OTC derivatives markets while seeking to avoid unnecessary complexity and additional compliance costs for market participants.

Key points:

- ❑ ESMA proposes a streamlined approach by:
 - Retaining the existing five CT categories, avoiding additional buckets or more granular segmentation.

- Clarifying the timing of position calculations, allowing counterparties to apply the new CTs during their usual assessment window, or earlier if they wish to benefit from the revised regime sooner.

- Increasing stability and predictability in the mechanism that triggers CT reviews.

- ❑ ESMA suggests raising the thresholds for commodity, interest rate, and credit derivatives compared to the levels consulted on in April 2025.
 - Adjustments are based on recent market developments, including price movements, inflation and other relevant factors, while still ensuring proportionate systemic-risk coverage.

- ❑ ESMA confirms that broadening the recognition of structured hedging arrangements (e.g., VPPAs) would require amendments at Regulation level and therefore cannot be addressed in this set of RTS.

- ❑ Counterparties exceeding one or more clearing thresholds continue to be subject to additional requirements, most notably the clearing obligation.

Next steps:

ESMA has submitted the final draft RTS to the European Commission for endorsement. Once endorsed, they will proceed through the adoption process.

- **Medium impact :** Provides more stable and proportionate CTs with limited structural changes, but firms may need to revisit internal calculations and hedging strategies once the new thresholds apply.

Securities & Markets (continued)

ESMA consults on post-trade risk reduction services under EMIR 3

Publication date: 26 February 2026

What: ESMA launched a [consultation](#) on the requirements governing how post-trade risk reduction (PTRR) services may benefit from the conditioned exemption from the clearing obligation introduced under EMIR 3.

Key points:

- ❑ ESMA is seeking stakeholder feedback on several elements of the PTRR framework, including:
 - Transparency obligations towards participants,
 - Algorithm safeguards,
 - Execution requirements for PTRR exercises,
 - Operational controls and record-keeping, and
 - How relevant authorities should conduct monitoring.
- ❑ The draft Regulatory Technical Standards (RTS) outline the conditions that PTRR services must meet for OTC derivative transactions to qualify for the exemption from the clearing obligation.
- ❑ The RTS focuses on the three main PTRR service types used in the market:
 - Compression,
 - Portfolio rebalancing,
 - Basis risk optimisation.
- ❑ ESMA aims to ensure that the exemption is not used to circumvent the clearing obligation, while also supporting simplification and burden-reduction by building on existing market practices since the start of the EMIR 3 regime.

Next steps:

Stakeholders are invited to provide feedback by **20 April 2026**. ESMA plans to submit the final draft RTS to the EU Commission in Q4 2026.

🟡 **Medium impact** : Introduces structured conditions for PTRR exemptions with operational implications for service providers

and participants but aligned with existing market practices.

ESMA issues supervisory briefing on algorithmic trading

Publication date: 26 February 2026

What: ESMA published a [supervisory briefing](#) designed to promote consistent supervision of algorithmic trading across the EU. The briefing provides National Competent Authorities (NCAs) with practical guidance and clarified expectations under MiFID II.

Key points:

- ❑ The briefing focuses on areas where supervisory practices have diverged, including:
 - Pre-trade controls,
 - Governance and oversight arrangements,
 - Testing frameworks for algorithmic trading systems, and
 - Outsourcing of algorithmic trading functions.
- ❑ ESMA also addresses the increasing use of artificial intelligence in algorithmic trading, highlighting supervisory considerations to assess emerging risks and ensure responsible deployment of advanced technologies.
- ❑ As a non-binding convergence tool, the briefing complements existing MiFID II requirements and supports more harmonised supervisory practices across Member States.

Next steps:

Stakeholders will receive the briefing via NCAs for use in day-to-day supervision. ESMA will continue monitoring market and technological developments and may update this briefing or introduce additional convergence tools as needed.

🟡 **Medium impact:** Supports greater supervisory alignment in algorithmic trading, particularly in the context of expanding AI-driven models but remains consistent with existing MiFID II frameworks.

Sustainability

ESAs respond to draft amended European Sustainability Reporting Standards (ESRS)

Publication date: 17 February 2026

What: The EBA, EIOPA and ESMA have issued opinions on the European Commission's draft revised European Sustainability Reporting Standards (ESRS). While broadly supportive, all three Authorities highlight areas where further refinements are needed to ensure proportional, reliable and decision-useful sustainability reporting.

Key points:

EBA

- ❑ Welcomes streamlining efforts but raises concerns about permanent reporting reliefs, warning these could significantly reduce quantitative disclosures and shift information burdens onto users.

EIOPA

- ❑ Recommends setting a three-year time limit on the "undue cost or effort" waiver for own-operation data to prevent indefinite deferral.
- ❑ Suggests that (re)insurers should be able to use prudential risk-management processes when conducting financial materiality assessments.

ESMA

- ❑ Also questions permanent reliefs and proposes introducing time limits.
- ❑ Calls for refinements to transition-plan requirements and stronger reporting on the role of administrative, management and supervisory bodies.
- ❑ Advises adjusting the immateriality exemption and enhancing transparency on financial resources allocated to sustainability actions.

Next steps:

The EU Commission will consider the ESAs' opinions, alongside those of the European Central Bank and other bodies and aims to adopt the revised ESRS in a Delegated Act

by summer 2026.

● **Medium impact:** Supervisory support for ESRS with calls for targeted adjustments, especially around relief mechanisms, governance transparency and data-quality safeguards.

Omnibus Simplification Package:

Directive on simplified sustainability reporting and due diligence rules published in Official Journal.

Publication date: March 2026

What: [Directive \(EU\) 2026/470](#) has been published in the Official Journal, narrowing the scope of the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD).

Key points:

- ❑ Only businesses with over 1,000 employees and net annual turnover above EUR 450 million must carry out social and environmental reporting under the CSRD and provide Taxonomy-aligned reporting.
- ❑ Reporting standards will be simplified, with reduced qualitative disclosures; sector-specific standards will become voluntary.
- ❑ CSDDD due diligence requirements will apply only to very large companies (over 5,000 employees and EUR 1.5 billion turnover), and only from July 2029.
- ❑ In-scope companies must apply a risk-based approach to due diligence.
- ❑ Companies will no longer be required to prepare a transition plan aligned with the Paris Agreement. Next steps:
- ❑ Entry into force: **18 March 2026**. Transposition deadline: 19 March 2027 (except Article 4, which must be transposed by 26 July 2028).

● **Medium impact:** Marked narrowing and simplification of EU sustainability reporting and due diligence requirements.

IOSCO 2026 work programme

IOSCO publishes 2026 Work Programme

Publication date: 9 February 2026

What: IOSCO released its 2026 [Work Programme](#), building on its 2025 agenda and maintaining a strong focus on strengthening global capital markets. The programme sets out IOSCO's strategic priorities and workstreams for the year, supported by continued collaboration with the IMF, OECD, World Bank and FSB.

Key priorities for 2026:

1. Strengthening Financial Resilience and Market Effectiveness

- Finalise ongoing reviews including:
 - Principles for Valuation of Collective Investment Schemes
 - Principles and Standards for Secondary Market Disclosures
 - Targeted implementation review of Commodity Derivatives Principles
- New initiatives:
 - Addressing fragmentation in OTC derivatives reporting
 - Assessing market microstructure impacts on liquidity and extended trading hours
 - Contributing to FSB work on non-bank data availability and NBFIs leverage
- Continued work on operational resilience of FMI through the CPMI-IOSCO group, including third-party risk and cyber resilience.

2. Protecting Investors

- Launch of IOSCO's first TechSprint, in partnership with the UK FCA's AI Lab, focused on improving investor education using advanced technology.
- Exploration of risks linked to novel products (e.g., crypto-asset funds, private credit, retail derivatives).
- Engagement with digital platforms to curb harmful content and promote I-SCAN,

IOSCO's real-time global investor alerts system.

3. The Evolution of Public and Private Markets


- Analysis of growing interlinkages between private equity and the audit sector.
- Contributions to FSB work on private credit.
- Further research on the functioning and dynamics of public markets.

4. Technological Transformation

- Advancement of the crypto-asset roadmap, including a methodology for crypto/digital asset assessments and regular thematic reviews.
- Development of an AI supervisory toolkit and guidance on AI disclosures and governance.
- Continued work on SupTech, supported by IOSCO's new collaborative forum on AI-enabled supervisory tools.

5. Promoting Regulatory Cooperation and Effectiveness

- Support for emerging market regulators through capacity building, partnerships, and technical assistance.
- Ongoing promotion of the IOSCO MMoU (Multilateral Memorandum of Understanding) and migration to the Enhanced MMoU.
- Continued reviews to promote consistent application of securities rules worldwide.
- Expansion of NEXTGEN capacity-building initiatives, including a new e-learning platform planned for 2026.

 **Medium impact:** The programme sets broad supervisory and policy priorities for 2026, with notable emphasis on operational resilience, emerging technologies, investor protection and cross-border coordination.

CySEC – ESMA 2025 Cross-Border Activity Reporting Exercise

CySEC Circular – Cross-Border Activity Questionnaire for 2025

CySEC issued on 25 February 2026 Circular [C757](#), following ESMA’s annual 2025 exercise on cross-border activities. This follows the earlier Circular [C754](#), which clarified the scope of firms required to participate.

All Cypriot Investment Firms (CIFs) that, during 2025, provided investment services on a freedom to provide services (FPS) basis to **more than 50 active retail clients** (including retail clients treated as professionals on request) in any EU/EEA host Member State must complete an online questionnaire for each qualifying country.

Key points:

- Reporting covers 01/01/2025 – 31/12/2025, with reference date 31/12/2025.
- One questionnaire must be submitted per host Member State where the CIF served more than 50 active retail clients.
- Cyprus is excluded (no submission for home Member State).
- Firms must only report FPS activity; services provided via branches (freedom of establishment) must **not** be included.
- Inactive clients must be excluded only if they had:
 - no activity for at least one year,
 - no investment/ancillary services, **and**
 - generated no revenue for the CIF during that period.
- Access details (platform link and password) will be emailed by CySEC to CIFs falling under the scope.
- Submission deadline: 27 March 2026.**

- Upon submission, firms should save the contribution ID generated by the system.
- Corrections require resubmitting the questionnaire for the relevant Member State.
- Firms must also send a separate notification to CySEC specifying, per host Member State, the number of AML/CFT-related complaints recorded.

Important changes this year:

- The EU Survey platform no longer allows “save draft” or “edit contribution” functions. Each submission must be completed and submitted in one session.
- Corrections require a new submission.
- A new reporting category “Cash management” has been added for accounts generating fees despite inactivity.

Completion tips:

- Ensure firm information is accurate (legal name, type, LEI, contact details).
- Select the correct host Member State in the form.
- Enter turnover as whole numbers (decimal point only for cents; no thousand separators).
- Use the question-mark help icons for guidance.



Glossary

AIF Alternative Investment Fund (EU)

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

AIFMs Alternative Investment Fund Managers

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

CRD Capital Requirements Directive

CSRD Corporate Sustainability Reporting Directive

CySEC Cyprus Securities and Exchange Commission

EBA European Banking Authority

ECB European Central Bank

EIOPA European Insurance & Occupational Pensions Authority

EFAMA European Fund and Asset Management Association

ESG environmental, social, and governance

EMIR European Market Infrastructure Regulation

ESAs European Supervisory Authorities (EBA, EIOPA and ESMA)

ESMA European Securities and Markets Authority

ESRB European Systemic Risk Board EU European Union

FATF Financial Action Task Force

ICT Information and Communication Technology

INTERPOL International Criminal Police Organisation

IOSCO International Organisation of Securities Commissions

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

MiFID Markets in Financial Instruments Directive

NCA National Competent Authority

OECD Organisation for Economic Co-operation and Development

OJ Official Journal

RTS Regulatory Technical Standards

SFDR Sustainable Finance Disclosure Directive

UNODC United Nations Office on Drugs and Crime

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

UCITS Undertakings for Collective investments in Transferable Securities (EU)

Main Contacts

Marios Lazarou

Board Member
Head of Advisory
T: + 357 22 209 033
E: Marios.Lazarou@kpmg.com.cy

Eleni Poyiadji

Principal, MiFID & AML expert, Risk Consulting
T: + 357 22 209 248
E: Eleni.Poyiadji@kpmg.com.cy

Chloe Karacosta

Senior Manager, DORA expert
Risk Consulting
T: + 357 22 207 475
E: Chloe.Karacosta@kpmg.com.cy

Eva Solomontos

Senior Manager, ESG expert
Risk Consulting
T: + 357 22 209 036
E: Eva.Solomontos@kpmg.com.cy

Marie-Hélène Angelides

Senior Associate,
Asset Management expert, Risk Consulting
T: + 357 22 209 227
E: Marie-helene.Angelides@kpmg.com.cy

Artemis Hadjivarnava

Principal, Capital Adequacy lead expert,
Risk Consulting
T: + 357 22 209 147
E: Artemis.Hadjivarnava@kpmg.com.cy

Eleni Georgiou

Senior Manager, GDPR & AML expert, Risk Consulting
T: + 357 22 209 341
E: Eleni.Georgiou@kpmg.com.cy

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.