RegCORE – Client Alert

EBA publishes its Annual Work Programme 2025 and sets out the path to 2027

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Financial Services

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QuickTake

Every year, usually during the fourth quarter, EU-level authorities such as the European Banking Authority (**EBA**) publish their Annual Work Programmes (**AWP**s) setting out their priorities and resourcing for the coming calendar year. Some authorities, such as ESMA also publish a multi-year priority plan in what is known as a Single Programming Document (**SPD**). Both the AWPs and SPDs are of relevance to national competent authorities (**NCA**s) and more importantly the relevant firms within the scope of ESMA's and NCA's regulatory and supervisory mandate.

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.[1] 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 Digital Operational Resilience Act (**DORA**),[2] where it will be overseeing designated

[1] Available here.
[2] 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

critical third-party service providers (**CTPPs**) jointly with its sister European Supervisory Authorities (**ESA**s), the European Securities and Markets Authority (**ESMA**) and the European Insurance and Occupational Pensions Authority (**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.

This Client Alert 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. This Client Alert 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, the ESAs as well as those of the Banking Union authorities (ECB-SSM and SRB). Readers may also find benefit in consulting excellent publications from PwC's Risk Network as well as PwC Legal's "Navigating 2025", a comprehensive playbook providing a more granular annual outlook from PwC Legal's EU RegCORE on the forthcoming regulatory policymaking agenda, the supervisory cycle and assessment of commonalities and trends across plans for 2025 and beyond.

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, Implementing Technical Standards (**ITS**) and Regulatory Technical Standards (**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. <u>**EBA's expectations towards NCAs and financial market participants**</u>

   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

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October 2024, ESMA and its sister ESAs <u>announced</u> 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.

(**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.

Monitoring financial stability

Given the heightened geopolitical tensions, persistent inflation and market volatility, the EBA will increase its efforts in financial stability assessment and monitoring. The 2025 AWP indicates a robust approach to financial stability, with a clear mandate to enhance risk-based and forward-looking financial stability for a sustainable economy. This involves regular analyses of key risk metrics and tools, including the refinement of stress-testing methodologies. The EBA recognises that the risks to the European financial sector are multifaceted, arising from economic, geopolitical and structural developments. Consequently, financial services firms should prepare for more rigorous and comprehensive assessments of their stability and resilience.

One of the critical components of the EBA's strategy is the implementation of more stringent stress tests. The 2025 EU-wide stress test exercise will be a cornerstone of this effort, incorporating lessons learned from previous exercises and introducing new methodologies. The EBA plans to expand top-down elements in its stress test framework, which will require additional resources and a more detailed analysis of institutions' financial health. Firms can expect these stress tests to scrutinise their ability to withstand adverse economic conditions, including scenarios involving high inflation and market volatility.

A notable aspect of the EBA's enhanced monitoring efforts is the increased focus on Environmental, Social and Governance (**ESG**) sustainability and climate-related risks. The EBA's work programme includes developing a framework for monitoring ESG risks across the EU banking sector. This framework will encompass transition and physical risks associated with climate change, as well as market developments related to sustainable products. The EBA's commitment to integrating ESG considerations into its regulatory framework is evident in its ongoing work on ESG risk management guidelines and climate stress tests.

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 of 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 AML authority (**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**). 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.

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. The 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 robust 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. <u>EBA's deprioritisation of policy areas</u>

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, NPL, 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 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 original version included a detailed presentation of priorities for 2024-2026, with activities grouped into policy and	• 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. • 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.

	• 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 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.
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	• 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.

	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 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.
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 workflows 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 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 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. • 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.

Outlook and next steps

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. Institutions 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.

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 1,500 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.

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