AWM Regulatory update Q1 2025

April 2025

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2025 Regulatory & Supervisory Outlook Report: Overview

February 2025

Relevant to All Firms

The Central Bank of Ireland (CBI) has released its 2025 Regulatory and Supervisory Outlook Report (RSO) outlining the priorities for the financial sector. The mission is to maintain financial stability and ensure the financial system benefits consumers and the economy, covering over 13,000 entities and emphasising robust frameworks and risk-based supervision.

Supervisory Priorities

- Firms should adopt a forward-looking approach to managing risk and uncertainties.
- Firms must be resilient to macroeconomic challenges and provide adequate support to customers in financial difficulty.
- Firms must address governance, risk management and control framework deficiencies.
- Adapt to changes in the financial system and consumer expectations, particularly in technology.
- Improve responsiveness to climate change and support the transition to a net-zero economy.

Supervisory Approach

- New framework effective from January 2025, focusing on outcomes and risk-based supervision.
- Three overarching industry categories with supervision divided into Banking & Payments, Insurance, and Capital Markets & Funds.
- Integrated supervision with multi-year strategies for each sector, informed by supervisory priorities.

Key Regulatory Initiatives

- Consumer Protection Code: Finalising the revised code to protect consumers in a digitalised financial services sector.
- Crypto Assets Regulation: Implementing the Markets in Crypto Assets Regulation (MiCAR).
- Governance and Accountability: Embedding the Individual Accountability Framework (IAF) and enhancing operational resilience, in particular through the effective implementation of Digital Operational Resilience Act (DORA).
- Collaboration: Working with the Department of Finance on various strategies and supporting EU financial services initiatives.

The Central Bank aims for ongoing dialogue with firms about the new supervisory approach and continued involvement in European and international regulatory frameworks.

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2025 Regulatory & Supervisory Outlook Report: Capital Markets & Funds

February 2025

Relevant to All Firms

Ireland plays a significant role in the global funds industry hosting approximately 9,000 funds with a net asset value of close to €5 trillion. The Central Bank of Ireland has highlighted the risks associated with this industry in their Regulatory and Supervisory Outlook Report 2025.

Risk drivers for the Irish Funds Sector

Liquidity and Leverage Risks

- Leverage and liquidity risks in the funds sector need on-going monitoring and mitigation.
- Liquidity issues can hinder redemption requests, especially with highly leverage funds.
- Deficiencies in risk management, less liquid assets.
- Interconnectedness between non-banking financial institutions (NBFIs) and traditional financial sectors add complexity.

Asset Valuation and Market Risks

- Volatile geopolitical environment and changing investor preferences.
- Valuation challenges at asset class level.

Operational Risks and Resilience

- Digitalisation and interconnectedness heighten cyberattack risks.
- Outsourcing does not adequately mitigate third party risks.
- The sector also faces challenges from technology use, geopolitical threats, and high delegation and outsourcing.
- Growth of white label/third party management companies.

Sustainable Finance

- The funds sector struggles to support the transition to a sustainable economy.
- Shifting investor demand for “green” products and the promotional advantages of “sustainable” or “ESG” labels.
- Global climate targets not being met.

Data, AI and modelling Risks

- Increasing use of AI tools could potentially have regulatory and investor protection consequences if not governed properly.
- Poor governance of data completeness and accuracy by funds and FSPs.

Strategic Risk and adapting to structural change

- Retail investors in Ireland and some EU countries lack confidence, opportunities, and incentives to participate in the funds market, limiting their potential returns.
- Embedded culture of bank financing in the EU.
- Growth in demand for new types of potentially more complex and higher risks investments.

CBI AIFMD Q&A 50th Edition

March 2025

Relevant to All Firms

On 7 March 2025, the CBI published its 50th edition of its AIFMD Q&A. This Q&A provides greater clarity as to QIAIFs acting as guarantors on the behalf of third parties and the rules around the circumstances in which Loan Originating QIAIFs can grant loans to certain parties.

Q&A ID 1160

The CBI has confirmed that guarantees can be provided for investments and/or intermediary vehicles in which the QIAIF holds a direct or indirect economic interest.

This is contingent upon specific safeguards and disclosures to investors. These are outlined within the Q&A.

Q&A ID 1161

The definition of a financial institution in the AIF Rulebook aligns with the revised AIFMD II loan origination rules. These rules reference "financial undertakings" as defined in the Solvency II Directive.

Therefore, the prohibition within the AIF Rulebook on lending to "financial institutions" applies to:

1. Credit institutions, financial institutions, or ancillary services undertakings under the CRD IV Directive.
2. Insurance undertakings, reinsurance undertakings, or insurance holding companies under the Solvency II Directive.
3. Investment firms under the MiFID II Directive.
4. Mixed financial holding companies under the Financial Conglomerates Directive.

Q&A ID 1162

The Central Bank has clarified that the restriction on lending to individuals planning to invest in equities, other traded investments, or commodities does not apply to borrowers who intend to acquire equity, debt, or related securities solely to gain a controlling interest in a target company.

Consumer Protection Code and Standards for Business (1/2)

March 2025

Relevant to All Firms

The Central Bank of Ireland (CBI) has launched the regulations that will replace the Consumer Protection Code (CPC). The CPC has been revised, updated and consolidated into the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Consumer Protection) Regulations 2025 (**Consumer Protection Regulations**). The Consumer Protection Regulations will apply from **24 March 2026**, giving regulated entities a 12-month transition period to prepare for the changes.

Impact on Individual Accountability Framework	Under the Central Bank (Individual Accountability Framework) Act 2023 (IAF), the **CBI was empowered to prescribe Business Standards for all or specific classes of regulated entities.** The CBI in exercise of these powers have published the Standards for Business Regulations 2025. The Standards for Business Regulations set out specific standards that all regulated entities must adhere in the conduct of their activities. However, these Regulations do not apply to regulated entities providing MiFID services, credit unions (except when they act as insurance intermediaries), crowdfunding services, and reinsurance business activities. **Standards for Business** will also **apply from 24 March 2026.**

The Business Standards Regulations are divided into **Standards for Business** and **Supporting Standards for Business**.

Standards for Business

1. Secure its customers' interests;
2. Act with honesty and integrity;
3. Act with due skill, care and diligence;
4. Act in the best interests of customers and treat them fairly and professionally;
5. Ensure that all information it provides to customers is presented in a way that informs the customer effectively;
6. Control and manage its affairs and systems to counter the risks of financial abuse to customers to whom it is providing financial services within the scope of its regulated activities;
7. Control and manage its affairs and systems sustainably, responsibly and in a sound and prudent manner;
8. Maintain adequate financial resources;
9. Engage and cooperate with the CBI and comparable competent authorities in good faith and without delay.

Supporting Standards for Business

The Supporting Standards set more granular detail under each heading. The General Guidance on the Consumer Protection Code also sets out (at Section 2) detailed guidance on the Business Standards Regulations.

Consumer Protection Code and Standards for Business (2/2)

March 2025

Relevant to All Firms

The **Business Standards** are in addition to the **Common Conduct Standards** (which apply to those who perform controlled functions in regulated entities) and the **Additional Conduct Standards** (which apply to those who perform either pre-approval controlled functions in a regulated entity or any other function by which the person may exercise a significant influence on the conduct of that regulated entity's affairs) under the Individual Accountability Framework (IAF).

The Common and Additional Conduct Standards have applied since 29 December 2023.

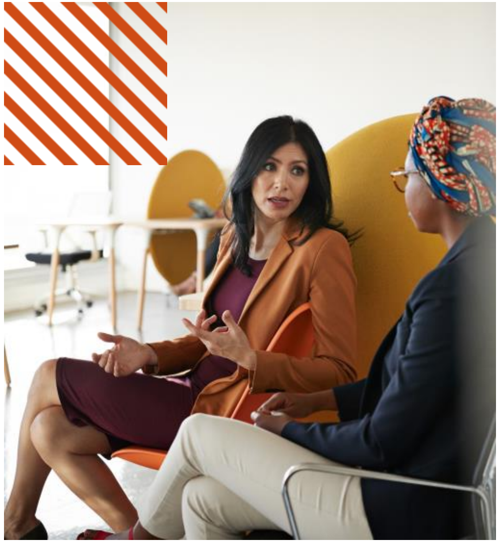
Applicability of Standards

The Central Bank has emphasised the distinction between those on whom the standards are imposed:

- **Individuals** in the case of the **Common and Additional Conduct Standards**, and
- **Firms** in the case of the **Business Standards** Regulations.

Reasonable steps

The CBI also highlighted that the **'reasonable steps'** concept that forms part of the Common and Additional Conduct Standards for individuals hasn't been replicated in the Business Standards Regulations for firms because the CBI has provided those firms with various resources, and set out its expectations, regarding how their obligations under the Business Standards Regulations should be implemented in a way that secures customers' interests.



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Call for Evidence - Savings and Investments Union (SIU)

February 2025

Relevant to All Firms

In advance of the publication of the Communication on the Savings and Investments Union (SIU), the European Commission published a Call for Evidence to collect input on its overall approach to the Savings and Investments Union (SIU). **Feedback period closed on 7 March 2025**.

Background

The initiative for a European Savings and Investments Union (SIU) was announced by President von der Leyen in her Political Guidelines for 2024-2029. The **SIU aims to combine the Capital Markets Union (CMU) and the Banking Union (BU)** to leverage private savings for broader economic objectives. This initiative builds on past achievements of the CMU and BU, with significant steps already taken since 2012.

Purpose

The main purpose of the SIU is to address inefficiencies in the EU's capital markets, particularly the mismatch between savings and investments. **The initiative aims to better link savings with investments** to create real economic impacts, support people to save better, foster capital for innovation, unlock digital finance, ensure the competitiveness of the financial sector, and harness sustainable finance.

Objectives

1. **Mobilise EU Savings:** Encourage retail participation in capital markets through simple and low-cost saving and investment products, and appropriate incentives.
2. **Increase Investments:** Provide more financing options for EU companies, especially startup and innovative ones, by incentivising private and institutional investors and promote the use of ELTIF 2.0 and loan originating AIFs.
3. **Enhance Market Integration:** Foster greater market integration and efficiency by removing barriers to cross-border saving and investment activity.
4. **Improve Supervision:** Enhance supervisory arrangements to ensure high-quality oversight of capital markets across the EU.

The SIU is a long-term project that will consist of a series of actions to develop capital and banking markets. It will focus on supporting the green and digital transitions, ensuring economic and social sustainability, and increasing Europe's sustainable prosperity and competitiveness.

Commission proposal to shorten settlement cycle for EU securities from two days to one

February 2025

Relevant to All Firms involved in trading activities

The European Commission has proposed to shorten the settlement period for EU transactions in transferable securities **from two days to one**. The proposed legislative amendment would shorten the settlement cycle on securities - such as shares or bonds executed on EU trading venues - **from** two business days (the so called "**T+2**") **to** one after the trading takes place ("**T+1**").

To manage the transition effectively, the proposal suggests a **timeframe ending** on **11 October 2027** to allow market participants ample time to adapt systems and processes.

Key benefits

Increased Efficiency and Competitiveness

The move to T+1 is expected to enhance settlement efficiency, mitigate risks for buyers and sellers, and ensure quicker allocation of cash and securities. This would free up resources more rapidly, thus potentially boosting trading volumes and market liquidity.

Global Alignment

With several major global markets like the United States, China, and India already operating on a T+1 settlement cycle, aligning the EU's practices would reduce costs and frictions associated with misalignment and avoid market fragmentation. Other international capital markets - such as the UK or Switzerland - have committed to or are considering moving to T+1 as mandatory settlement.

Automation and Modernisation

Transitioning to T+1 would necessitate greater automation in post-trading processes, driving modernisation across EU financial markets which is crucial for maintaining competitiveness and operational efficiency.

Next steps

The proposal will now be submitted to the European Parliament and the Council for their consideration and adoption.

European Commission adopts SIU Strategy (1/2)

March 2025

Relevant to All Firms

The European Commission's strategy to establish a Savings and Investments Union ("SIU") aims to enhance citizens' wealth and boost economic competitiveness in the EU. This initiative seeks to channel savings into productive investments by leveraging the EU's skilled workforce and robust financial system.

Key objectives include closing the innovation gap, supporting decarbonisation, reducing dependencies, and overcoming internal market barriers to create a more integrated financial system. The strategy highlights the need for ambitious policy coordination among Member States and estimates an annual investment requirement of EUR 750-800 billion by 2030.

Regulatory and supervisory barriers will be addressed to integrate EU capital markets, with enhanced trading infrastructure interoperability and harmonised supervision. Stakeholder engagement, regular monitoring, and a mid-term review in 2027 are planned to ensure successful implementation and guide future actions.

It encourages retail participation in capital markets through improved financial literacy and tax incentives, and emphasises expanding the supplementary pension sector. Additionally, the strategy calls for increased investment in equity and venture capital, alignment of public funding with EU objectives, and taxation reforms to reduce debt bias.

European Commission adopts SIU Strategy (2/2)

March 2025

Relevant to All Firms

Enhancing wealth and boosting the EU's economic competitiveness: key goals

Channel savings into productive investments

to Close innovation gap, and support decarbonisation

resulting in Reduced external dependencies and overcome market barriers

Approaches

- Improve financial literacy and offer tax incentives for retail market participation
- Expand supplementary pension sector and boost equity/venture capital investments.
- Aligned funding needs with EU goals, and with taxation reform.
- Address regulatory barriers and enhance trading infrastructure.

Implementation

- Ambitious policy coordination, stakeholder engagement, regular monitoring, and mid-term review in 2027.

ESG updates

The Omnibus Package

March 2025

Relevant to All Firms

CSRD: Key proposed changes for EU entities (and entities listed in the EU)

Timing (‘stop the clock’ proposal)	Scope	Value Chain	Standards	Assurance
• Postpone ‘wave 2’ and ‘wave 3’ reporting by two years	• Scope reduction: taking out of scope entities with up to 1000 employees • Entities with up to 1000 employees could voluntarily report under the VSME	• Limit requests to entities (EU and non-EU) with up to 1000 employees to the requirements of the VSME (T1 or beyond)	• Remove the requirement to issue sector standards • Intention to revise the ESRS to reduce the reporting burden	• Remove the possibility to move to reasonable assurance • EC to issue targeted assurance guidelines by 2026
‘Stop the clock’ proposal	**‘Content’ proposal**			

CSRD: Proposed changes for Non-EU entities (with significant activities in the EU)

Timing	Scope	Standards
• No changes (Reporting in 2029 on financial years beginning on or after 1 January 2028)	• Scope reduction: Consolidated net turnover of more **than €450m (instead of €150m)** in the EU and either: 1. a ‘large’ undertaking (**no changes in definition**) or 2. a branch with net turnover of more than **€50m (instead of €40m)**	• No changes (Non-EU ESRS (in draft - not yet issued) application remains)

The Omnibus Package

March 2025
Relevant to All Firms

EU Taxonomy: Key proposed amendments

Scope	'Partial alignment'	Materiality	Template simplification	Other (for the FS sector)
• Optional taxonomy disclosures for large undertakings with more than 1000 employees and a net turnover up to €450m	• Option to disclose partially aligned activities by large undertakings with more than 1000 employees and a net turnover up to €450m	• Introduction of a 10% materiality threshold	• Simplify and reduce the reporting templates	• Adjust the Green Asset Ratio by excluding from its denominator exposures from companies out of scope of the CSRD

CSRD: Proposed changes for Non-EU entities (with significant activities in the EU)

Timing	Scope	Value Chain	Other
• Postpone 'wave 1' by one year (from July 2027 to July 2028) • Postpone the transposition deadline by one year (from July 2026 to July 2027)	• No changes proposed	• Limit primary due diligence to Tier 1 suppliers (unless plausible information of adverse impact) • Value chain information should be limited to those included in the VSME for SMEs and small midcaps	• Remove the obligation to "put into effect" a climate transition plan • Other specific changes around: termination of business relationships, penalties, monitoring frequency reduction

The Omnibus Package
What does it mean in practice?

March 2025

Relevant to All Firms

<table>
<tr><th>Reporting entities</th><th>Current CSRD scope*</th><th>‘Stop the clock’ proposal</th><th>New CSRD scope</th></tr>
<tr><td>Wave 1
Current required reporting:
ESRS and EU Taxonomy</td><td>• Entities in the scope of Non-financial Reporting Directive (NFRD)
• ‘Large’ entities that are listed and have more than 500 employees</td><td>• No change in timing
• Reporting in 2025 on financial years beginning on or after 1 January 2024</td><td rowspan="3">EU undertakings and Non-EU entities listed in the EU:
• If more than 1000 employees and either above €50m net turnover or above €25m total balance sheet:
– Apply revised ESRS
• If more than 1000 employees and more than €450m net turnover:
– Apply revised ESRS and revised EU Taxonomy
• If more than 1000 employees and less than €450m net turnover:
– Apply revised ESRS and (optional) revised EU Taxonomy
• All other EU undertakings: voluntary reporting based on VSME standards</td></tr>
<tr><td>Wave 2
Current required reporting:
ESRS and EU Taxonomy</td><td>• All other ‘large’ EU undertakings and EU undertakings that are parents of a ‘large’ group</td><td>• Two-year delay
• Would report in 2028 on financial years beginning on or after 1 January 2027</td></tr>
<tr><td>Wave 3
Current required reporting:
ESRS for LSME and EU Taxonomy</td><td>• Listed SMEs; certain small and non-complex credit institutions, captive insurance entities, and captive reinsurance entities</td><td>• Two-year delay
• Would report in 2029 on financial years beginning on or after 1 January 2028</td></tr>
</table>

* For entities in an EU territory that has transposed the CSRD

The Omnibus Package
Next steps

March 2025

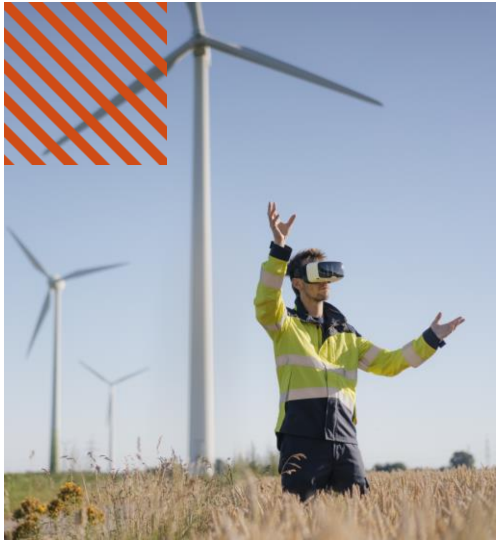
Relevant to All Firms

Legislative process

- Proposed amendments are **not final**
- Proposed amendments are subject to EU co-legislative process
- Further amendments are possible
- ‘Timing’ proposals expected to be adopted quickly
- ‘Content’ proposals could take up to the end of 2025 or even longer
- Taxonomy - 4-week public consultation period

Transposition

- Transposition into national law required for CSRD and CSDDD
- No transposition required for EU taxonomy
  - 'Stop the clock' proposal - Member States to transpose by 31 December 2025
  - Content proposal - no specified date, draft requirement for transposition within 12 months of ‘entry into force’
  - Note: some territories yet to
  - Transpose current CSRD



Until proposals have been approved and transposed, existing legislation based on local law remains in effect.

ESMA updates

ESMA's 2026-2028 Programming Document

January 2025

Relevant to All Firms

On the 31 January 2025, the European Securities and Markets Authority (ESMA) published its 2026-2028 Programming Document. This document outlines ESMA's strategic priorities and provides a comprehensive roadmap for its activities and resource planning over the next three years. ESMA's mission is to enhance investor protection, promote orderly financial markets and safeguard financial stability.

Highlights

Key points from the programme include ESMA's planned work on:

- Developing the new Savings and Investments Union (SIU).
- Increasing the competitiveness of the European financial sector, including through simplification of rules and the reduction of compliance costs.
- Preparing for and implementing new supervisory mandates, such as those related to DORA and the regulation on ESG rating providers.
- Taking actions against the risk of greenwashing and enhancing its regulatory framework to support the EU's green transition and ensure transparency in ESG disclosures.
- Shortening the settlement cycle (T+1) by Q4 2027.
- Implementing legislative files including the reviews of MiFID II, EMIR (EMIR 3), CSDR (CSDR Refit), AIFMD, the UCITS Directive and the ELTIF Regulation.
- Monitoring the risks posed by the growth of the non-bank financial intermediation (NBFI) sector.
- Actively monitoring developments relating to blockchain and AI, reassessing its rulebook to ensure its relevance and exploring the potential of leveraging these technologies for supervisory purposes.

ESMA Market Report on Costs and Performance of EU Retail Investment Products 2024

January 2025

Relevant to All Firms

Provides an overview of key developments during 2023, a year characterised by improving returns and a macroeconomic slowdown.

Key points

UCITS

The EU UCITS market now covers 94% of UCITS, with assets totaling €10.2 trillion, €6.4 trillion of which is held by retail investors. Ongoing costs have decreased for equity (5%) and bond funds (13%), but remain stable for mixed and passive funds. Active equity funds underperform passive ones. A €10,000 investment in UCITS from 2019 to 2023 would net about €12,800 after fees. Larger funds typically have lower fees, and ESG funds had lower costs and outperformed non-ESG funds in 2023.

Retail AIFs

Assets in AIFs reached nearly EUR 7.7 trillion in 2023, with retail investors holding approximately EUR 900 billion. The share of retail investors decreased from 13.8% to 11.3%. Annualised returns for retail AIFs improved, with a similar hypothetical investment yielding around EUR 12,600 net of fees.

SRPs

Structured retail products reached €360 billion in 2023, slightly increasing from the previous year. Interest rate and inflation-linked products gained market share. Subscription fees decreased, but future performance scenarios showed limited differences. A €10,000 investment in an SRP would yield €12,702 in a moderate scenario, €12,885 in a favorable one, and €7,417 in an unfavorable scenario. Positive returns were reported for SRPs maturing in 2023, excluding investor costs.

Overall

The report underscores trends in cost reduction, investment performance discrepancies, and the evolving landscape of retail investment products in the EU.

Further information can be found at the following link.

Guidelines on Stress Testing Scenarios under the MMF Regulation

January 2025

Relevant to All Firms

On 7 January 2025, ESMA released guidelines in accordance with Article 28 of the MMF regulations. These guidelines outline the establishment of common reference parameters for stress test scenarios, which are mandatory for MMFs or their managers to include in their required stress tests. ESMA has committed to updating these guidelines on an annual basis to ensure their continued relevance and effectiveness.

The Guidelines are:

- Are updated annually and influenced by the latest market developments.
- To be published on the ESMA website. All involved NCAs must notify ESMA of their intention to comply within two months of publication.
- Include explanations on reporting macro systemic shocks and updated guidelines to assist managers in completing the reporting.
- Maintain previous provisions for internal stress tests and redemption scenarios, with updates to macro systemic shocks and calibration sections.

Stress test scenarios cover:

- Hypothetical changes in liquidity, credit risk, interest and exchange rates, redemption levels, and macroeconomic shocks.
- Liquidity changes, credit risk, interest and exchange rate movements, redemption levels, and macro systemic shocks, with detailed calibration parameters for consistency and accuracy in reporting.

As per Final Report from ESMA, once the updated guidelines apply (two months after translation and publication), managers must report the new parameters' results to their NCAs with their quarterly reports, as per Article 37 of the MMF Regulation and set out in Commission Implementing Regulation (EU) 2018/7083. Further information can be found at the following link.

Joint Guidelines for the exchange of information in relation to the assessment of fitness & propriety (1/2)

February 2025

Relevant to Competent Authorities

The European Supervisory Authorities (**ESAs**), which include the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), and European Securities and Markets Authority (ESMA) issued Joint Guidelines for the exchange of information by competent authorities, relevant to the assessment of the fitness and propriety of holders of qualifying holdings, directors, and key function holders of financial institutions and financial market participants (persons of interest).

Guidelines apply from 17 February 2025, with specific provisions for natural and legal persons taking effect later.

Purpose

- Clarification of the use of the ESAs Information System for exchanging information relevant to assessing the fitness and propriety of persons of interest.
- Establishment of consistent, efficient, and effective supervisory practices within the European System of Financial Supervision (ESFS).
- Ensuring common, uniform, and consistent application of Union law regarding the use of the ESAs Information System by competent authorities.
- Addressed competent authorities related to the regulation efforts for the financial institutions and market participants.

Joint Guidelines for the exchange of information in relation to the assessment of fitness & propriety (2/2)

February 2025

Relevant to Competent Authorities

Key Guidelines

Subject Matter

The document provides guidance on using the ESAs Information System (digital platform for information exchange) by competent authorities assessing the fitness and propriety of individuals and entities in the financial sector.

Information Exchange

Details on exchanging information related to the fitness and propriety assessments. Competent authorities must request relevant information from other authorities before making assessments.

Definitions

Clarification on terms used and their meaning within these Guidelines.

Operating Rules

Explanation of the rules, specifications, arrangements, and procedures for using the ESAs Information System, including technical specifications, access rights management, and language arrangements.

These Guidelines aim to ensure a uniform approach across the EU in assessing the fitness and propriety of key individuals in the financial sector, enhancing transparency and cooperation among supervisory authorities.

Crypto Assets

ESMA Supervisory Briefing on CASPs

January 2025

Relevant to NCAs

On 31 January 2025, the European Securities and Markets Authority (ESMA) released its Supervisory Briefing on the Authorisation of Crypto Asset Service Providers (CASPs) under the Markets in Crypto Assets Regulation (MiCA). It acts as a guide for National Competent Authorities (NCAs) in the EU, aiming to ensure a consistent approach for authorisation and enhance the integrity of the crypto-asset market.

Key takeaways

- All CASPs are considered to be high risk due to their direct dealings with retail investors and limited regulatory track record.
- Factors such as size, complexity, cross border activity, role in the ecosystem, and outsourcing are highlighted as elements that increase risk.
- CASPs must demonstrate sufficient local autonomy and decision-making power within the EU.
- There must be a strong emphasis on robust internal controls, including risk management and compliance.
- NCA's should maintain national registers or dedicated sections on their websites to help identify authorised CASPs.
- Assessment of the suitability and experience of the executive management board members along with fit and proper assessments should be conducted on an ongoing basis.
- CASPs must provide realistic business plans with projections over a three-year horizon, including pessimistic scenarios.
- Critical functions should not be outsourced to the extent that it impairs the entities operations or supervisory oversight, and special attention is required when outsourcing to entities outside the EU.

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ESMA Consultation on Guidelines for the criteria to assess knowledge and competence under MiCA

February 2025

Relevant to CASPs

The Regulation on Markets in Crypto-assets (MiCA) mandates the European Securities and Markets Authority (ESMA) to issue guidelines specifying the criteria for assessing the knowledge and competence of staff under MiCA.

In February 2025, ESMA published its Consultation Paper, setting out its proposed Guidelines for individuals providing information or advice on behalf of Crypto Asset Service Providers (CASPs).

Guidelines on knowledge and competence

- The objective is to ensure a minimum level of knowledge and competence among staff providing advice and information on crypto-assets to enhance investor protection and foster trust in crypto-asset markets.
- CASPs must ensure their staff possess the necessary knowledge and competence to meet regulatory and ethical standards.
- Staff must understand the key characteristics, risks, and features of crypto-assets and services, including tax implications, costs, market functioning, and valuation mechanisms.
- Staff giving advice must have a deeper understanding of costs, suitability requirements, portfolio management, and diversification.
- CASPs must ensure staff are assessed, maintain, and update their knowledge and competence appropriately.
- The **deadline** for responses to the Consultation **is 22 April 2025**. ESMA is intending to publish a final report and the **finalised Guidelines in the third quarter of 2025**.

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