



Future of Governance Risk and Compliance 2025 and beyond

Banking and Financial Services

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Foreword

GRC as a Strategic Capability in an Age of Autonomous Intelligence



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In today's unpredictable and fast-moving economy, resilience has become a necessity for banks. Building a resilient bank goes beyond financial strength. It means strengthening capital buffers, improving governance, and implementing robust controls to handle unexpected shocks and protect customer trust. It also means staying ahead of rising regulatory demands. As global rules tighten around data privacy, sanctions, financial crime, and operational risk, compliance is now at the heart of resilience. Banks must ensure that policies and controls are documented and embedded into daily operations, supported by real-time monitoring and transparent reporting. With market volatility, sophisticated cyber threats, and geopolitical tensions rising, this deeper integration of risk management and compliance has become a boardroom priority—forming the foundation for long-term stability, reputation, and sustainable growth.

But resilience alone is not enough. Increasing regulatory scrutiny is forcing banks to act quickly and invest heavily in stronger Governance, Risk, and Compliance (GRC). In 2024, US financial institutions paid over \$4 billion in fines and remediation costs. This clearly signals that regulators expect higher standards across operational risk, sanctions, data governance, and financial crime. In response, global spending on risk and compliance technology is forecast to reach \$134.96 billion by 2030, up from \$63 billion in 2024, growing at a CAGR of 13.2%. This spend is not just about avoiding penalties — it is about building public trust and protecting reputation in a challenging environment.

At the same time, technology and AI are reshaping how risk and compliance functions operate. Generative and agentic AI are helping banks detect fraud faster, automate compliance tasks, and strengthen controls.

But these tools also bring new challenges around fairness, accountability, and transparency. With frameworks like the EU AI Act and similar legislation emerging in other markets, banks must embed responsible AI principles directly into systems and daily decision-making. Institutions must invest in robust data governance, explainability, and clear accountability to keep pace.

These shifts show that GRC can no longer be seen as a back-office obligation or cost center. It is the backbone of a resilient, trusted, and future-ready bank. By embedding governance into daily operations, managing risk proactively, and using technology responsibly, banks can turn compliance into a source of strength and trust — not just an expense. Banks that get this right will protect themselves and set the standard for trust and resilience in a changing world.

Foreword

Resilience, Responsibility, and Regulatory Foresight: The Strategic Imperatives Shaping European Banking



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As the European banking sector enters a pivotal period from 2025 to 2030, it faces a convergence of complex challenges and transformative opportunities. Amid modest economic recovery, uneven growth across member states, and continued geopolitical volatility, banks must recalibrate their strategies for resilience, trust, and long-term relevance. At the heart of this transformation lie three deeply consequential trends that will redefine the industry's regulatory, technological, and ethical underpinnings: digital operational resilience, responsible artificial intelligence, and market infrastructure reform.

The implementation of the Digital Operational Resilience Act (DORA) signals a structural shift in how digital risk is governed across the financial ecosystem. By standardizing ICT (Information and Communications Technology) risk management and extending oversight to third-party providers, DORA places operational continuity and cybersecurity at the forefront of the regulatory agenda. For banks, DORA is not merely a compliance requirement—it is a strategic imperative to modernize infrastructure, invest in real-time risk monitoring, and embed digital resilience into the core architecture of banking services. Institutions that act with urgency will unlock competitive advantages through secure, stable, and trusted operations.

In parallel, the European Commission's proposed AI Act underscores the growing importance of ethical and transparent technology use in financial services. As artificial intelligence becomes central to credit decisioning, risk scoring, and customer engagement, regulators are insisting on fairness, accountability, and human oversight. This pivot to Responsible AI is reshaping the governance of data-driven decision-making. The banks that lead will be those that go beyond compliance—developing transparent, explainable models and embedding ethical AI frameworks that reinforce customer trust and brand integrity.

Simultaneously, the evolution of the EMIR Refit demonstrates Europe's commitment to strengthening market transparency and risk mitigation in the derivatives space. By refining trade reporting standards, enhancing clearing obligations, and improving risk controls, EMIR Refit is creating a more transparent and efficient capital market infrastructure. While implementation will require investment in data, systems, and processes, it also presents a strategic opportunity for banks to streamline compliance functions and enhance their reputation for market integrity.

Collectively, these regulatory developments reflect a new era of strategic governance—one where regulation is not simply an external constraint but a foundation for sustainable growth, ethical leadership, and operational excellence. They also reinforce a broader industry-wide evolution: the shift from product-centric to platform-centric banking. Emphasizing ecosystem integration and partnerships. As open banking evolves, traditional banks will continue collaborating with fintechs, cloud providers, and RegTech innovators, blurring the lines between banks and disruptors.

By 2030, the most successful European banks will be defined by their ability to orchestrate value across diverse networks of partners. These banks will integrate specialized capabilities into seamless customer journeys, managing complexity and safeguarding trust. Building and managing strategic partnerships will be as crucial as regulatory compliance and AI innovation, positioning them to lead the next chapter of European banking.



TREND 1

Strengthening Resilience
in US Banking: Basel III
Endgame and Community
Reinvestment Reforms



Overview

The Basel III Endgame represents the final phase of the Basel III regulatory framework, aimed at strengthening the banking sector's resilience. It introduces comprehensive changes to capital requirements, risk management, and regulatory reporting. The primary objective is to enhance the global financial system's stability by addressing vulnerabilities exposed during the 2008 financial crisis. Endgame focuses on four key risk areas: market, credit, operational, and credit valuation adjustment. These changes are expected to impact banks with total assets exceeding USD 100 billion, requiring them to adopt new reporting standards and comply with stricter capital requirements [1.1].



Trend

Basel III Endgame compels banks to hold higher-quality capital across four primary risk categories—credit, market, operational, and derivative risk. For credit risk, stricter borrower assessments and loan loss provisions aim to curtail defaults and bolster lending discipline. Market risk rules tighten capital adequacy for trading activities, enforcing more sensitive valuation and risk capture techniques. Operational risk reforms mandate banks to factor in losses from cyber incidents, fraud, and internal failures, pressuring institutions to rethink controls and resilience protocols. On the derivatives front, increased capital charges reflect these instruments' heightened volatility and systemic exposure.



Technology Enablement

BNPL analytics platform: Tracks, analyzes, and visualizes Buy Now, Pay Later (BNPL) transactions, helping providers comply with disclosure rules and consumers make informed financial decisions.

AI-powered credit card disclosure assistant: Simplifies and explains credit card disclosure rules, provides real-time assistance to consumers, and helps providers comply with regulatory requirements.

API-driven data broker platform: Leverages open banking APIs to securely access and analyze banking data, providing meaningful insights to financial institutions.



Key Takeaways

Basel III Endgame and the updated CRA mandate a twofold transformation in banking: operational resilience and community impact. Regulators are pushing banks toward greater transparency and stability by refining how risk-weighted assets are calculated and integrating unrealized gains/losses into capital ratios. At the same time, CRA CRA (Community Reinvestment Act) reforms emphasize equitable access to credit and financial services. Large banks must respond with more strategic capital planning, agile data capabilities, and deeper stakeholder alignment. These regulatory shifts are not just compliance hurdles but catalysts for more sustainable, inclusive growth models across the financial sector.



Way Forward

- Prepare systems and reporting capabilities to meet new capital and risk data requirements
- Strengthen credit, market, operational, and derivative risk oversight governance frameworks
- Prioritize community-focused lending programs to align with evolving CRA expectations
- Collaborate proactively with regulators during the rule finalization and implementation phases
- Allocate resources to support compliance readiness before the deadline of July 1, 2025
- Use the three-year phase-in period (until June 30, 2028) to test and refine capital strategies
- Embed resilience and inclusion as core principles within enterprise-wide risk management strategies

Alignment with stronger regulation frameworks that is suitable for Genius act will boost digital assets business.





TREND 2

Harmonizing operational resilience and cybersecurity norms in Europe using DORA



Overview

The Digital Operational Resilience Act (DORA) is Europe's response to a rapidly escalating digital threat landscape, where cybercrimes cost the region an estimated €140 billion (\$164 billion) in 2020 alone and continue to rise at over 30% in recent years. DORA sets a new regulatory benchmark for ICT risk management in the financial services sector, replacing fragmented national approaches with a harmonized EU-wide standard.

DORA applies to various financial entities, including banks, insurers, payment institutions, and e-money institutions. It enforces robust requirements around risk identification, incident classification and reporting, resilience testing, and third-party tech oversight. These mandates respond directly to alarming trends like the rising cost of data breaches (averaging \$4.35 million in 2022) and the 69% spike in hourly cybercrime victims during the pandemic.

By turning operational resilience into a core business capability rather than an afterthought, DORA protects financial institutions and positions the EU as a global leader in digital financial security, innovation, and regulatory foresight.



Trend

DORA introduces a unified regulatory framework that compels financial institutions in the EU to strengthen their digital defenses across the board. It marks a critical shift from fragmented national guidelines to a centralized approach covering ICT risk management, cybersecurity, incident reporting, resilience testing, and third-party oversight. Banks must go beyond traditional compliance and embed operational resilience directly into their IT, governance, and vendor ecosystems. This includes maintaining an updated register of critical information assets and contracts, classifying IT incidents based on materiality, harmonizing cybersecurity controls, implementing scenario-based testing, and institutionalizing incident response protocols. It also enforces documentation of contractual obligations and third-party risk evaluation as part of broader governance reforms. By implementing these standards, DORA ensures transparency, accountability, and consistency across financial entities. It levels the playing field for incumbents and new entrants, enabling secure innovation. However, legacy systems, vendor complexity, and transformation cost remain implementation challenges. DORA's true strength lies in its ability to create a proactive, cross-sector culture of resilience in the digital age, positioning the EU as a global benchmark for financial cyber stability.



Technology Enablement

DORA-compliant AI risk management: Ensures compliance with DORA's robust ICT risk management requirements. It uses machine learning algorithms to identify, monitor, and mitigate tech risks in real-time.

DORA-based incident reporting: AI instantly detects and reports any tech incidents within the financial sector, ensuring swift response in line with DORA requirements.

Cybersecurity-as-a-Service (CaaS): A CaaS model tailored for banks and financial institutions will provide robust cybersecurity defenses and resilience testing, especially for resource-constrained institutions.



Key Takeaways

DORA elevates cybersecurity and operational resilience to strategic imperatives for financial institutions in the EU. It requires a shift from reactive risk mitigation to proactive governance, integrating digital resilience into core banking infrastructure. By unifying standards for ICT risk, incident reporting, and third-party oversight, DORA enhances institutional security and strengthens trust and competitiveness in the EU's financial sector. Its ripple effects are likely to influence global regulatory frameworks.



Way Forward

- Partner with tech providers that improve compliance, risk monitoring, and resilience in core banking systems
- Invest in automated incident management tools to streamline regulatory reporting and reduce operational friction
- Adopt continuous ICT risk monitoring using real-time dashboards and analytics to prevent disruptions
- Leverage Cybersecurity-as-a-Service (CaaS) models to bolster defenses, especially for resource-constrained institutions
- Integrate threat intelligence across systems to respond dynamically to evolving cyber threats
- Prepare for scalability as DORA's impact may inspire similar regulations globally, making future-readiness essential

Cybersecurity must be treated differently from information security, and banks must adopt ISO 27000 and CIS 20 to combat these threats.





TREND 3

Enabling ethics and transparency in financial innovation using responsible AI and the EU AI Act



Overview

AI is revolutionizing financial services, from intelligent underwriting and fraud detection to hyper-personalized customer experiences. But as AI's influence expands, so do concerns around bias, explainability, and accountability. Recognizing these challenges, the European Union has enacted the world's first comprehensive AI legislation: the EU AI Act. This pioneering regulation balances innovation with ethical safeguards, offering a structured, risk-based approach to ensure AI systems uphold fundamental rights and foster public trust.

For banks and financial institutions operating in or doing business with the EU, the Act is more than a compliance exercise—it's a call to embed responsibility into the core of AI-driven transformation. Institutions must ensure their AI systems are explainable, transparent, and fair, from credit scoring algorithms to customer service bots. The EU's model is poised to influence global standards, signaling a shift toward harmonized, ethics-first governance for AI across industries.



Trend

At the heart of the EU AI Act lies a four-tiered risk framework, setting clear guidelines for AI system deployment. It bans unacceptably risky applications like cognitive manipulation or real-time biometric surveillance. It forces high-risk systems, common in banking (e.g., credit scoring or claims processing), to take rigorous conformity assessments and register in an EU-wide database before market entry. These systems face intense scrutiny, requiring robust documentation, explainability, and human oversight.

Limited-risk systems, like generative content platforms or chatbots, must meet transparency standards, ensuring users know they're interacting with AI. Meanwhile, minimal-risk tools, such as general-purpose AI (e.g., ChatGPT), face fewer regulatory burdens but are encouraged to follow voluntary codes of conduct.

This tiered model encourages responsible innovation and provides financial institutions a structured path to scale AI ethically. The Act ensures that efficiency gains from automation never come at the expense of individual rights or systemic trust.



Technology Enablement

AI interpretability software: Help banks interpret their AI systems by demystifying the complex algorithms, making them transparent, explainable, and fair in compliance with the EU AI Act.

AI Act review board: A board of AI and legal experts who continuously review the AI systems used by a financial institution for compliance with the EU AI Act. Its recommendations will keep the institute agile in a dynamic AI landscape.



Key Takeaways

The EU AI Act represents a defining moment in the journey toward responsible AI adoption in financial services. It compels institutions to rethink their models through the lens of transparency, explainability, and fairness. The Act balances innovation with protection by applying a risk-based classification, particularly in high-impact areas like credit scoring and claims adjudication. Banks must now invest in interpretable AI, governance frameworks, and customer education to align with this new standard. While compliance may be complex, the reward is significant: enhanced customer trust, reputational strength, and readiness for global AI convergence led by Europe's regulatory foresight.



Way Forward

- Classify all AI applications under the Act's risk framework and identify high-risk exposure
- Implement governance structures for explainability, human oversight, and algorithmic fairness
- Upgrade data management systems to ensure transparency and regulatory traceability
- Train internal teams and educate customers on AI usage and their associated rights
- Prepare for cross-border regulatory alignment as other regions mirror the EU's approach
- Engage with regulators early to understand implementation timelines and compliance expectations
- Invest in AI interpretability tools and ethical review boards for continuous oversight
- Monitor upcoming revisions to the Act to stay agile and compliant in a dynamic AI landscape

Banks in the Nordics are already leveraging AI for fraud prevention. For European banks, most of the AI Act provisions are likely to become effective in August 2026.





TREND 4

Elevating transparency and systemic risk oversight in EU derivatives markets using EMIR REFIT



Overview

The European Market Infrastructure Regulation (EMIR) REFIT (Regulatory Fitness Program) marks a transformative shift in reporting and monitoring derivatives transactions. Initially conceived to improve post-financial-crisis oversight, EMIR's 2024 revision now mandates an advanced reporting structure to improve market transparency and reduce systemic risk. Implemented on April 29, 2024, in the EU and September 30, 2024, in the UK, financial institutions must now navigate a dual-reporting landscape driven by post-Brexit regulatory divergence.

At its core, EMIR Refit is a forward-looking initiative requiring banks, asset managers, and trading platforms to reassess their data infrastructure, introduce new reporting fields, and implement tighter validation and reconciliation standards. Integrating ISO 20022 standards and using Legal Entity Identifiers (LEIs) and Unique Product Identifiers (UPIs) has introduced a new level of granularity in derivatives reporting. Compliance is no longer just about meeting deadlines—it's about embedding resilience and accuracy into every transaction record.



Trend

EMIR Refit introduces new reporting obligations for financial market participants, guided by the European Securities and Markets Authority (ESMA). The final guidelines issued by ESMA focus on improving data quality, validation, and reconciliation processes. Entities must adopt comprehensive validation mechanisms to detect and correct issues before submission to trade repositories and ensure data reconciliation between counterparties.

The updated framework also mandates the use of Legal Entity Identifiers (LEIs) for party identification, Unique Product Identifiers (UPIs) for asset classification (as defined by ANNA DSB), and Unique Trade Identifiers (UTIs) for transaction tracking. Reporting systems must be adjusted to accommodate the new data fields and align with EMIR Refit specifications.

Moreover, the Refit emphasizes collaboration between firms and national regulatory authorities to ensure a seamless transition. Institutions must begin reviewing their internal reporting infrastructure and policies now to meet compliance standards and avoid costly delays or mismatches in reporting.



Technology Enablement

Blockchain-based transaction tracking: Track transactions securely and transparently using LEIs, UPIs, and revised UTIs, ensuring data integrity and compliance with EMIR Refit.

EMIR Refit compliance dashboard: Tracks and displays the status of EMIR Refit compliance across different departments in a financial institution in real time. It flags potential issues and inconsistencies and provides predictive analytics on potential risks.



Key Takeaways

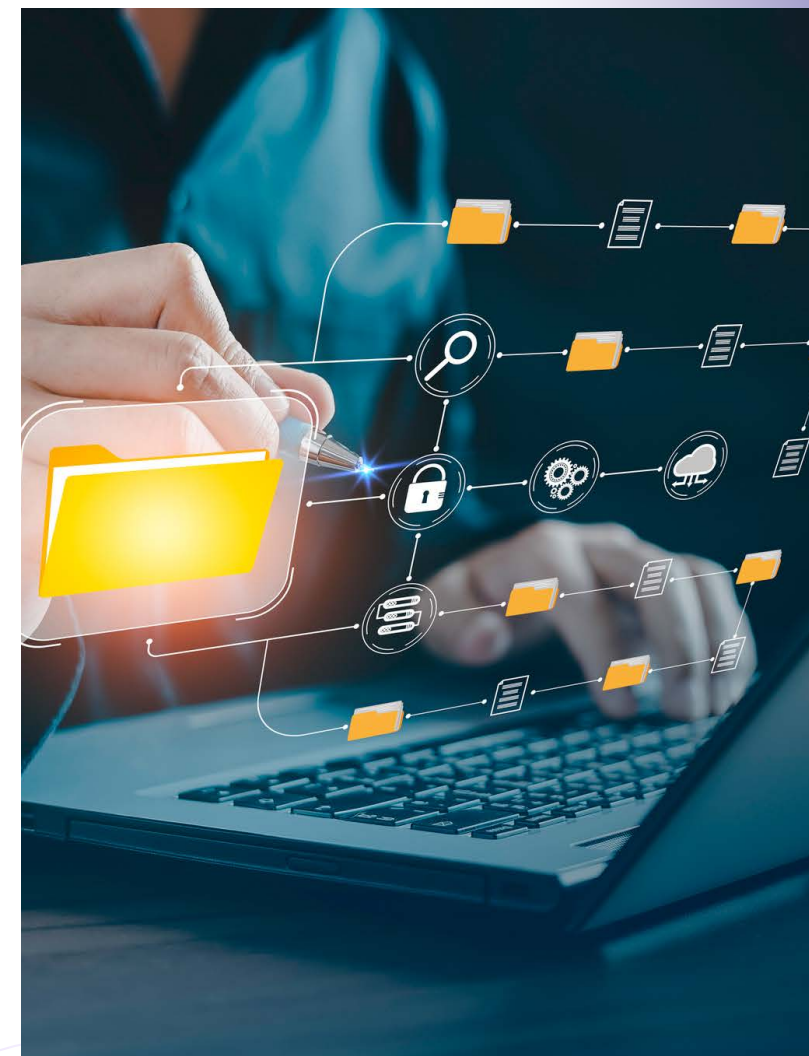
The EMIR Refit is a substantial upgrade to the EU's derivatives reporting regime, with phased rollouts requiring immediate action from financial market participants. New rules impact both current and future trades, mandating richer data, improved reconciliation, and standardized identifiers. Institutions operating in the EU and the UK must prepare for temporary regulatory divergence. Early planning, cross-functional coordination, and infrastructure modernization are critical. While complex, this transformation enhances transparency, mitigates systemic risk, and strengthens regulatory trust, providing long-term stability for capital markets.



Way Forward

- Assess and classify impacted transactions across the EU and UK reporting regimes
- Upgrade systems to support ISO 20022 standards and new data field requirements
- Implement robust validation and reconciliation processes to ensure data integrity
- Adopt LEIs, UPIs, and revised UTIs for consistent transaction tracking
- Collaborate closely with trade repositories to ensure technical readiness
- Engage with ESMA guidelines and national regulators for compliance clarity
- Develop a dual-reporting governance model to manage UK-EU divergence effectively
- Train internal teams on new processes and ensure ongoing regulatory monitoring

To comply with the FCA (Financial Conduct Authority) in the EU, it is significant for the EMIR Refit to support faster trade settlement that is transparent and scalable.





TREND 5

Harnessing AI and ML for smarter fraud detection:
RBI's MuleHunter.AI initiative



Overview

As the financial services landscape becomes more digitized and interconnected, traditional fraud detection methods are proving inadequate against increasingly sophisticated threats. Regulatory bodies across the globe are rethinking their approach to combating financial crimes, prioritizing technologies that enable contextual awareness, real-time monitoring, and predictive capabilities. In India, the Reserve Bank of India (RBI) is spearheading these efforts by infusing AI and Machine Learning (ML) into the heart of fraud detection.

Anchored by the Anti-Money Laundering (AML) Act of 2020 and aligned with global priorities like the Financial Crime Enforcement Network's (FinCEN's) focus on beneficial ownership and emerging tech, the RBI is laying the groundwork for smarter surveillance. Its flagship initiative, MuleHunter.AI, aims to disrupt mule account networks, minimize false positives, and ensure faster, more accurate detection of fraudulent transactions. This signals a fundamental evolution in regulatory thinking—from reactive enforcement to proactive prevention.



Trend

RBI's MuleHunter.AI is a landmark development in India's efforts to combat financial fraud. Designed to detect and disrupt mule accounts used in laundering illicit funds, this AI-powered tool provides banks with a smarter, faster alternative to static rule-based systems. By analyzing transaction behavior, identifying unusual patterns, and enabling real-time network monitoring, MuleHunter.AI helps financial institutions strengthen their fraud response.

Pilot testing with leading institutions like the State Bank of India (SBI) and Punjab National Bank (PNB) has shown encouraging outcomes, significantly reducing false positives and enhancing detection accuracy. The tool's core capabilities include behavioral pattern recognition, machine learning algorithms, compliance integration, and network mapping, making it an advanced, end-to-end solution. Beyond technology deployment, the RBI is cultivating an ecosystem of collaboration by organizing hackathons, encouraging partnerships with fintech, and leveraging data insights to guide policy. This shift from static compliance to adaptive oversight represents a strategic reorientation of regulatory thinking for the digital age.



Technology Enablement

Real-time fraud alert system: Uses AI to detect unusual transaction patterns, immediately notifies concerned parties, and suggests immediate actions to prevent potential fraud.

AI-enhanced fraud detection training: Educates bank staff about AI-enhanced fraud detection using real-world case studies to demonstrate AI and ML capabilities in identifying fraudulent activities.



Key Takeaways

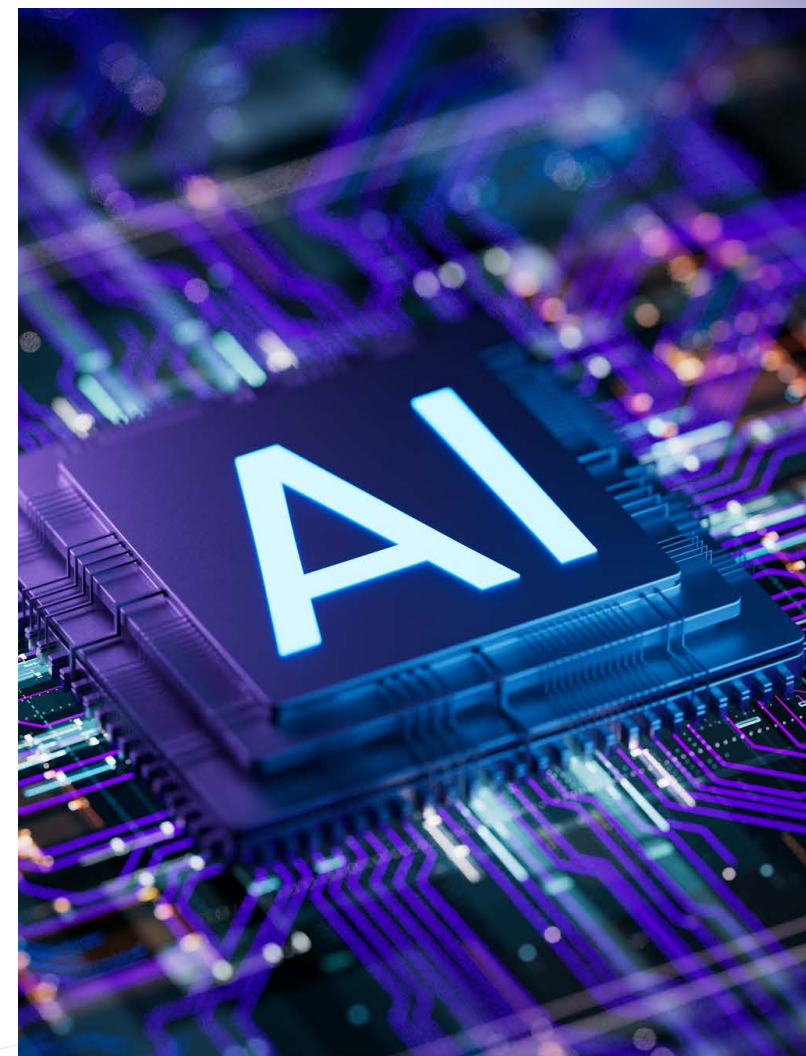
MuleHunter.AI is an RBI-led initiative to identify and prevent mule accounts within India's banking ecosystem. Its deployment reflects the regulator's commitment to modernizing fraud detection using AI and ML. Successful pilots with major banks show AI's potential to outperform traditional methods in accuracy and responsiveness. Key features include behavioral analytics, network visualization, and real-time alerts. RBI also encourages fintech collaborations to evolve its regulatory toolkit and inform future policy decisions. By prioritizing innovation and intelligence-led oversight, the RBI is positioning itself and the broader Indian banking system as a global leader in AI-driven financial governance.



Way Forward

- Indian banks must ensure timely, standardized, and complete data sharing to take maximum benefit of AI
- Smaller institutions may need to invest in upgraded tech systems and staff training to adopt AI-powered tools
- As fraud tactics evolve, solutions like MuleHunter.AI will require continuous updates and refinements to maintain efficacy
- While currently non-mandatory, adopting AI-driven solutions like MuleHunter.AI will likely become a best-practice benchmark
- The initiative opens new pathways for solution providers and tech vendors to co-create regulatory-grade fraud prevention solutions

RBI's initiative to control financial fraud with Mulehunter.AI has been adopted by reputed banks like the State Bank of India (SBI) and Punjab National Bank (PNB).





TREND 6

Sensitizing banks and financial institutions to climate change through ESG initiatives



Overview

Since it emerged as a serious investment criterion in 2019, Environmental, Social, and Governance (ESG) has evolved into a major force shaping global capital markets. By 2023, ESG-related stocks and funds gained considerable traction as investors increasingly prioritized positive societal and environmental impact. According to Bloomberg Intelligence, global ESG-related Assets Under Management (AUM) are projected to surpass \$50 trillion by 2025, up from \$40 trillion in 2022 [6.1].

Sustainable investment is no longer limited to intent—it's reach now spans product innovation, reporting, and regulation. The market has seen a rise in green, social, and sustainability-linked bonds, generating over \$500 billion in H1 2023 alone [6.2]. Meanwhile, the impact investing market surged to \$495.82 billion in 2023, growing at a CAGR of 17.8% [6.3]. With multiple jurisdictions tightening ESG disclosure requirements, like India's 65% ESG fund allocation rule and the upcoming finalization of Europe's Sustainable Finance Disclosure Regulation (SFDR) [6.4][6.5], financial institutions are being made to improve both responsibility and transparency.



Trend

The ESG momentum is changing how financial institutions allocate capital, develop products, and assess risk. A new wave of ESG-linked instruments, including green and social bonds, has gained traction, reflecting investor demand for purpose-aligned portfolios. Innovative offerings such as sustainability-linked bonds, with performance-based coupon rates, are becoming more mainstream.

Investors are also seeking quality ESG data to assess environmental risks, such as carbon emissions or fossil fuel exposure, and meet reporting requirements. This is driving demand for ESG scores, analytics, and risk ratings [6.3]. To support transparency, regulators across regions have introduced or are finalizing enhanced disclosure norms. This includes the SFDR's Principal Adverse Impact (PAI) report requirement in Europe, US Securities and Exchange Commission (SEC) climate disclosures, and Securities and Exchange Board of India's (SEBI's) mandate for ESG funds to invest 65% of AUM in ESG-compliant firms [6.4][6.5]. These steps reflect a growing global push to standardize ESG practices and address challenges like inconsistent data and greenwashing.



Technology Enablement

ESG robo advisor: An AI-powered robo-advisor that uses ML to analyze ESG data and provide users personalized, sustainable investment advice.

ESG crowdfunding platform: Helps raise funds for projects and startups with high ESG scores, supporting the growth of sustainable businesses.

ESG compliance and tracking software: Helps companies track their ESG performance, ensuring compliance with regulations and generating detailed reports for stakeholders.



Key Takeaways

The ESG ecosystem is expanding rapidly, with regulatory clarity and innovative financial products driving institutional interest. Global disclosure standards are converging to ensure transparency and comparability in ESG reporting.

As capital increasingly flows into sustainable investments, data providers and fintechs are stepping up to meet the demand for credible ESG analytics. Despite challenges like evolving legislation and inconsistent ESG data, banks, investors, and asset managers must embed ESG into their core frameworks. ESG is no longer optional. It is a strategic imperative to reshape investment philosophies and risk assessments across the financial services sector.



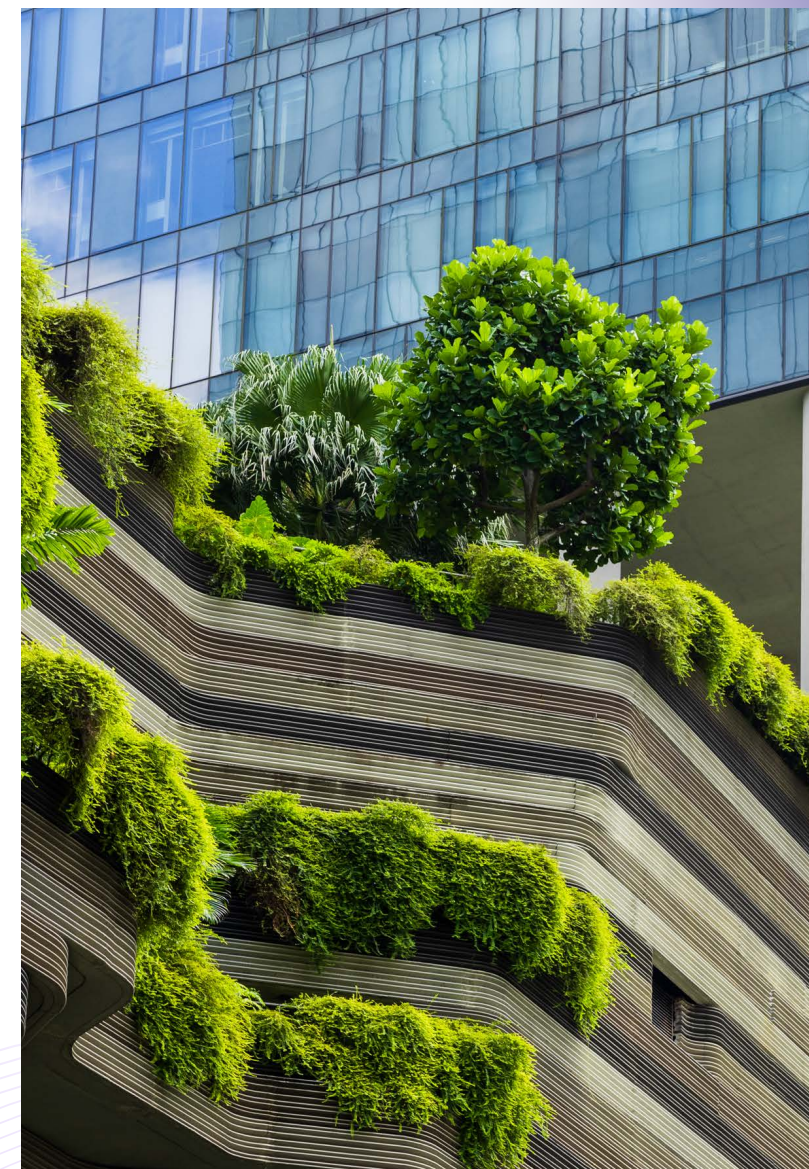
Way Forward

- Continued financial innovation is expected, with a broader suite of ESG-linked instruments entering the market
- Stricter reporting frameworks will be adopted globally, with deeper scrutiny of sustainability claims to combat greenwashing
- Investment in ESG data infrastructure will be crucial to meet disclosure and regulatory needs
- Software providers will play a growing role in enabling ESG risk scoring, benchmarking, and compliance tracking
- Investor education and awareness will become essential as sustainable investing becomes mainstream
- Market participants must treat ESG not as a trend but as a core lens for evaluating long-term risk and value

US: We expect more state-level bills to be passed on ESG regulations.

EU: ESG risks and mitigations are of top priority as per the statement released by the European Banking Authority (EBA)

Asia: Banks in India, China, Singapore, and South Korea are launching new products with uniform objectives and adherence to ESG norms.



Conclusion

In conclusion, the regulatory landscape for the banking and financial sectors is undergoing significant transformations. The Basel III Endgame aims to fortify the banking sector by introducing stringent capital requirements and risk management practices, focusing on credit, market, operational, and financial derivative risks. This shift is crucial for enhancing the resilience of the global financial system and promoting prudent banking practices. Concurrently, the Community Reinvestment Act (CRA) evaluations emphasize the importance of community engagement, ensuring that banks contribute positively to their local areas.

The Digital Operational Resilience Act (DORA) in Europe is another critical development, addressing ICT-related risks and incidents to bolster the financial sector's resilience. By enforcing robust ICT risk management, incident reporting, and operational resilience testing, DORA aims to create a more secure and competitive financial environment.

In India, the RBI's MuleHunter.AI program exemplifies the integration of AI and ML in fraud detection, showcasing a proactive approach to combating

financial fraud. This initiative highlights the importance of leveraging advanced technologies to enhance regulatory oversight and fraud prevention.

The EU AI Act sets a precedent for responsible AI development, emphasizing transparency, fairness, and user control. By classifying AI systems based on risk, the Act aims to mitigate potential harms and ensure ethical AI practices.

Lastly, the growing focus on Environmental, Social, and Governance (ESG) considerations reflects a shift towards sustainable investing. The demand for standardized ESG reporting and innovative financial products linked to ESG factors underscores the importance of integrating sustainability into investment frameworks.

Overall, these regulatory trends highlight a global movement towards more stringent requirements, enhanced risk management, and greater emphasis on community engagement and sustainability. These changes are essential for creating a more resilient, secure, and inclusive financial system.



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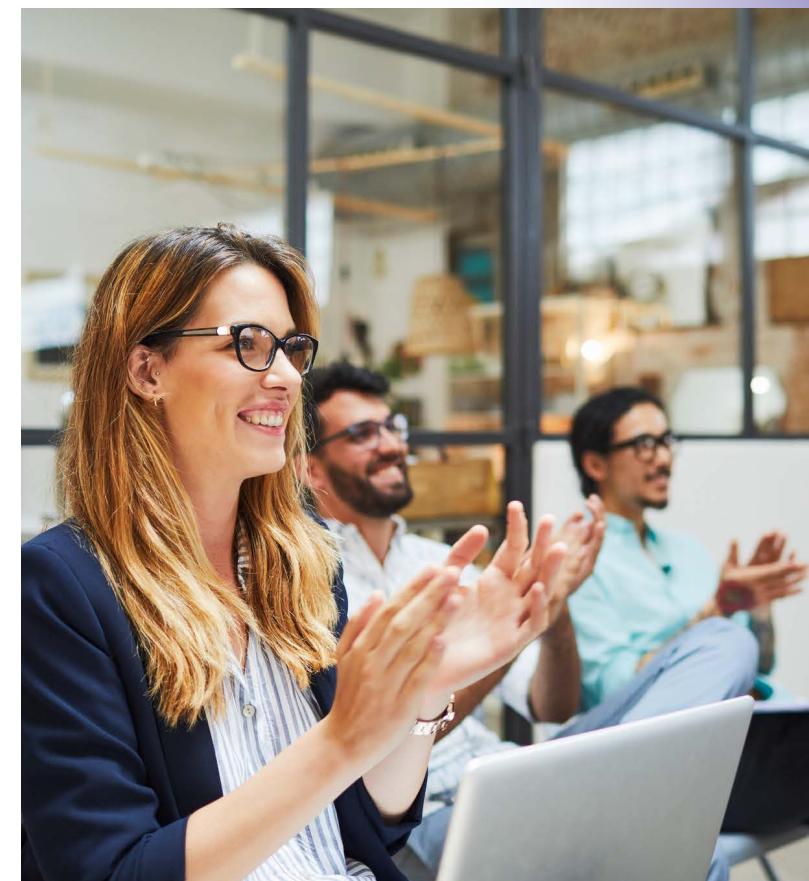
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