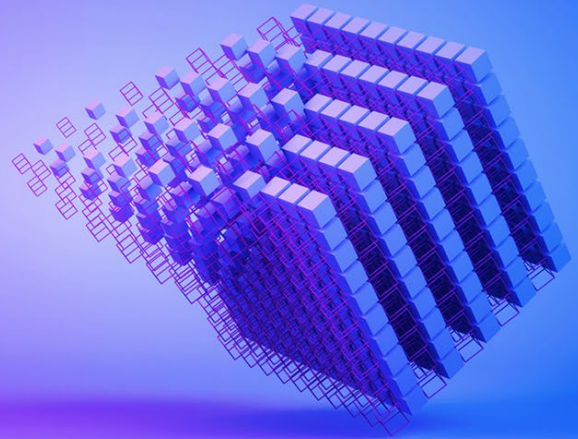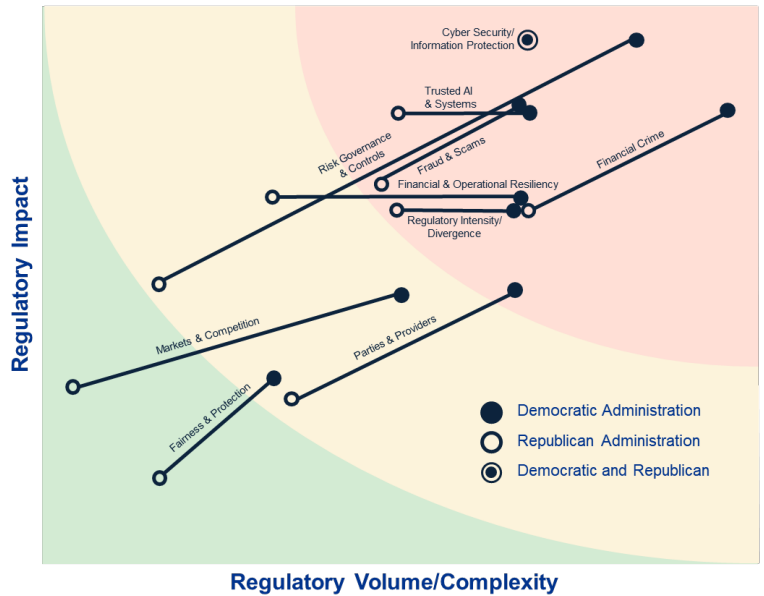**KPMG**

2025: The Year of Regulatory Shift

2025 will be the year of Regulatory Shift following the "supercharged" years of 2023 and 2024, where regulators engaged in near record levels of rulemaking even as they intensified supervision and enforcement activities. KPMG Regulatory Insights' proprietary analysis looks at potential shifts in regulatory activity across key regulatory topics given alternate election outcomes and possible legal and state action. Expanded legal challenges, SCOTUS decisions (including the decision to overturn the Chevron Doctrine[1]), and changes in agency leadership (pending administration changes) will slow the pace of new rulemaking.

Potential 2025 Regulatory Shifts

Legend:
- ● Democratic Administration
- ○ Republican Administration
- ◉ Democratic and Republican

Axes: Regulatory Impact (vertical), Regulatory Volume/Complexity (horizontal)

Source: KPMG Regulatory Insights, August 2024

The outcome of the U.S. elections will strongly influence the regulatory environment across all industries, though to varying degrees based on the regulatory topic and other factors such as state activity, legal/litigation challenge and the economy. As depicted above, at a high level, a Democratic victory will likely result in a continuation of current policies and pressures—high regulatory activity with a focus on risk governance and controls. In contrast, a Republican administration will likely result in a lessening of regulatory activity, particularly in the areas of consumer/investor/employee and antitrust regulatory policy. However, regardless of election results, expect the regulatory focus on AI and cybersecurity to remain intense.

Potential 2025 Regulatory Activity

Regulatory Area	Democratic Administration	Republican Administration	Legal Activity	State Activity
Cybersecurity/Information Protection	🔴	⭕	↔️	⬆️
Trusted AI & Systems	🔴	⭕	↔️	⬆️
Regulatory Intensity/Divergence	🔴	⭕	⬆️	⬆️
Fraud & Scams	🔴	⭕	↔️	⬆️
Fairness & Protection	🟡	⭕	⬇️	⬆️
Financial & Operational Resiliency	🔴	⭕	↔️	↔️
Financial Crime	🔴	⭕	↔️	↔️
Parties & Providers	🔴	⭕	↔️	⬆️
Markets & Competition	🟡	⭕	⬇️	↔️
Risk Governance & Controls	🔴	⭕	⬇️	↔️

Source: KPMG Regulatory Insights, August 2024

Cybersecurity/Information Protection

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⭕	↔️	⬆️

As cybersecurity risks (e.g., adversarial attacks, data poisoning, insider threats, and model reverse engineering) remain a key concern across industries, regulatory scrutiny of data security, data risk management, resiliency, and incident responses/ reporting will continue at a high pace in 2025. Federal (e.g., SEC) and state regulatory activity will remain high driven by complexities and interconnectedness of third-party AI/technological products and services, data protection, and transactions. Anticipate a continuation of increased individual state adoption of cyber security laws and regulations, as well as pursuit of litigation based on consumer protections (e.g., CO, CA, TX, FL, NY). Both Democratic and Republican administrations are expected to also intensify regulatory activities to strengthen cyber risk management and governance.

Trusted AI & Systems

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⭕	↔️	⬆️

The whole-of-government approach to understand and regulate emerging risks of AI and Gen AI at the federal level continues supported by the core principles established in the Executive Order on AI,[2] as well as guidance such as the NIST AI Risk Management Framework.[3] Regardless of the election outcome, these areas of focus are likely to remain in place. We expect both Democratic and Republican administrations will prioritize US competitiveness in AI while maintaining national security; a Democratic administration will more likely also focus on increasing scrutiny and enforcement in areas such as consumer and workforce protections and transparency in public disclosures/communications. Evolving US expectations coupled with differing global (e.g., EU AI Act[4]) and increasing state expectations (e.g., Colorado Artificial Intelligence Act,[5] California GenAI Executive Order[6]), will necessitate that companies of all industries/sizes develop and employ Trusted and Responsible AI risk governance and risk management practices no matter whether they are an AI developer, deployer, or third-party user.

Regulatory Intensity/Divergence

Democratic Administration	Republican Administration	Legal Activity	State Activity
●	○	⬆	⬆

Regardless of election outcome, legal challenges and intense (and potentially increasing) state activity across areas such AI, 'fair access', and climate is anticipated. As such, the regulatory complexity across jurisdictions is likely to continue to drive high operational, risk and compliance challenges/impacts and potential compliance and reputational risks. While a Republican administration may somewhat lessen net-new federal regulatory activity (e.g., regulatory releases, supervision/enforcement), overall Regulatory Intensity/Divergence will remain elevated in 2025.

Fraud & Scams

Democratic Administration	Republican Administration	Legal Activity	State Activity
●	○	↔	⬆

Due to increasing volume and costs to consumers and companies from fraud and other scams, regulatory supervision of fraud model management, customer authentication, and investigation processes will continue to be a key focus area in 2025. State consumer protection requirements will increase as digitalization and related new products and services (e.g., crypto and digital assets, AI use, etc.) have the potential to raise fraud and financial crime risks. Expect continued (to potentially expanded) regulatory policy in areas of both fraud management and consumer data (particularly in areas such as children's online protections and identify theft), with a Democratic administration likely intensifying supervision and enforcement (e.g., FTC and DOJ).

Fairness & Protection

Democratic Administration	Republican Administration	Legal Activity	State Activity
●	○	⬇	⬆

Consumer/investor protection regulations aimed at improving transparency and ensuring fairness throughout the "customer journey" (inclusive of product development, marketing, sales, servicing, complaints/claims management, and pricing/fees (e.g., drug costs, airline fees)) have been limited due to successful legal challenges of jurisdictional authorities. As a result, expect an increase in state activity (irrespective of election results) relative to individual consumer protections (e.g., CO, CA). State level regulatory actions are also increasing the use of RFIs/RFCs, seeking direct from consumers as part of regulatory/rulemaking process. A Democratic administration's efforts to increase scrutiny in this area is likely to be met with further challenges, whereas a Republican administration may decrease "net new" federal regulatory activity in this area.

Legend		
Decreased regulatory activity	🟢 ⚪ ⬇️
Neutral	🟡 ⚪ ↔️
Increased regulatory activity	🔴 ⚪ ⬆️

Financial & Operational Resiliency

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⚪	↔️	↔️

Ongoing regulatory focus on demonstrable financial capabilities and risk management inclusive of the ability to withstand both "shocks" as well as longer-term change (e.g., interest rate risk management, weather/climate-related events, supply chain disruptions) will continue to evolve in 2025. Companies are and will continue to be required to take a risk-based approach to managing critical operations, tolerance for/recovery of disruptions, third-party oversight, and incident response processes. While both a Democratic and Republican administration will aim to ensure financial stability and an operationally resilient market, a Democratic administration is anticipated to take a continued rigorous approach to supervision and enforcement. Regardless of administration, legal challenges are anticipated and are likely to limit net new rulemaking.

Financial Crime

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⭕	↔️	↔️

Focus on financial crime regulation (inclusive of sanctions/tariffs, know-your-customer, anti-money laundering, beneficial ownership, etc.) is unlikely to abate in 2025. Anticipate challenges to legal jurisdictional authority at the federal and state level to continue as well as state differences in defining permissible/non-permissible services and pricing. Both Democratic and Republican administrations will take actions to minimize illicit finance deemed against US interests, with a likely heightening of supervision/enforcement under a Democratic administration alongside additional hiring/funding requests for such agencies as DOJ, IRS, and HHS.

Parties & Providers

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⚪	↔️	⬆️

The growing number and complexity of party/provider arrangements (e.g., direct, indirect, "nth" party) is increasing interdependencies within and between companies and industries. Regulators perceive heightened risks across such areas as compliance, data management, cybersecurity, fairness, and finance crime. Under a Democratic administration, supervision and enforcement is expected to remain high in 2025 in both risk management oversight practices (throughout the relationship lifecycle and particularly to "critical" providers/relationships), as well as directly to the service and technology providers (with comparative lessening under a Republican administration).

Markets & Competition

Democratic Administration	Republican Administration	Legal Activity	State Activity
🟡	⭕	⬇️	↔️

As the economy and business grows, regulators often look to promote "fair" market competition and minimize "harmful" competitive impacts. In recent years, federal regulators (e.g., FTC, DOJ, DOC, and banking regulators) have intensified their scrutiny of M&A activities through antitrust/ anticompetition laws, and have looked to expand existing supervisory authorities (i.e., 'expanded their regulatory perimeter'), risk standards, and frameworks to include "non-traditional" competitors such as private funds and technology providers, etc. However, a rise in legal challenges disputing regulators' jurisdictional authorities has limited the volume of new regulations. A Democratic administration is likely to continue the pursuit of antitrust/anti-competitive regulatory supervision and enforcement while actions under a Republican administration are anticipated to likely decrease.

Risk Governance & Controls

Democratic Administration	Republican Administration	Legal Activity	State Activity
🔴	⭕	⬇️	↔️

Heightened regulatory standards for effective corporate risk management and governance emphasize board and senior management ownership and accountability (inclusive of incentive compensation programs, clawback provisions, issues disclosure/remediation) as well as enterprise-wide demonstrability of effective and sustainable processes and internal controls. Regardless of administration, companies will be held to high expectations to enhance risk controls in areas of risk such as cyber security, information protection, AI, and financial crime. Multi-agency (e.g., DOJ, SEC, banking regulators) focus on corporate compliance, voluntary self-disclosures of misconduct, risk management programs, and individual accountability is expected to intensify in 2025 under a Democratic administration considering recent large numbers of supervisory findings and historic amounts of financial remedies levied in past years related to risk management practices and controls. While also of importance to a Republican administration, related investigations and enforcement actions are anticipated to decrease.

Regulatory Insights Analysis Methodology

For each potential outcome of the upcoming election—a Democratic victory or a Republican victory—KPMG Regulatory Insights assesses areas of upcoming regulatory pressure and direction of change using:

- A 5-point scale of regulatory activity (e.g., regulatory releases, supervision/enforcement) that ranges from "decreasing regulatory activity" (green), to "neutral regulatory activity" (yellow), to "increasing regulatory activity" (red).
- An assessment of three attributes for ten unique regulatory areas:
    - **Volume (V):** Based on a combination of anticipated rulemakings (proposed/final/guidance), coverage in communications (reports/speeches/hearings), and oversight activities (supervision, enforcement)
    - **Complexity (C):** Based on factors such as the intricacies of future requirements versus existing ones, consistency of expectations across jurisdictions, and interactions with other regulations or standards
    - **Impact (I):** Based on factors such as the urgency of action required, potential implementation costs, resourcing challenges, and business risk
- A combination of the individual factors for each attribute (V, C, I) to arrive at a single weighted average indicator of regulatory activity (green, yellow, red) for each regulatory area.

The KPMG Regulatory Insights Regulatory Analysis Methodology is based on our understanding of industry practices, policies of the incumbent administration and potential challengers , and regulatory expectations taken as a whole, but does not consider potential individual actions related to specific regulations, state legislation, or Congressional actions. KPMG cannot guarantee that regulatory authorities or a future administration would agree with our analysis and understanding or that our perspectives would foreclose or limit any potential regulatory action or criticism. Further, our views herein may not identify all issues that may exist or that may become apparent in the future and may be subject to change.

Notes

[1]Loper Bright Enterprises v Raimondo, Secretary of Commerce, 603 US _____ (2024)
[2]Executive Order 14110, Safe, Secure, and Trustworthy Development and use of Artificial Intelligence
[3]NIST Artificial Intelligence Risk Management Framework (AI RMF 1.0)
[4]European Artificial Intelligence Act (Regulation (EU) 2024/1689)
[5]Colorado Artificial Intelligence Act (SB 24-205)
[6]California Executive Order (N-12-23)

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