



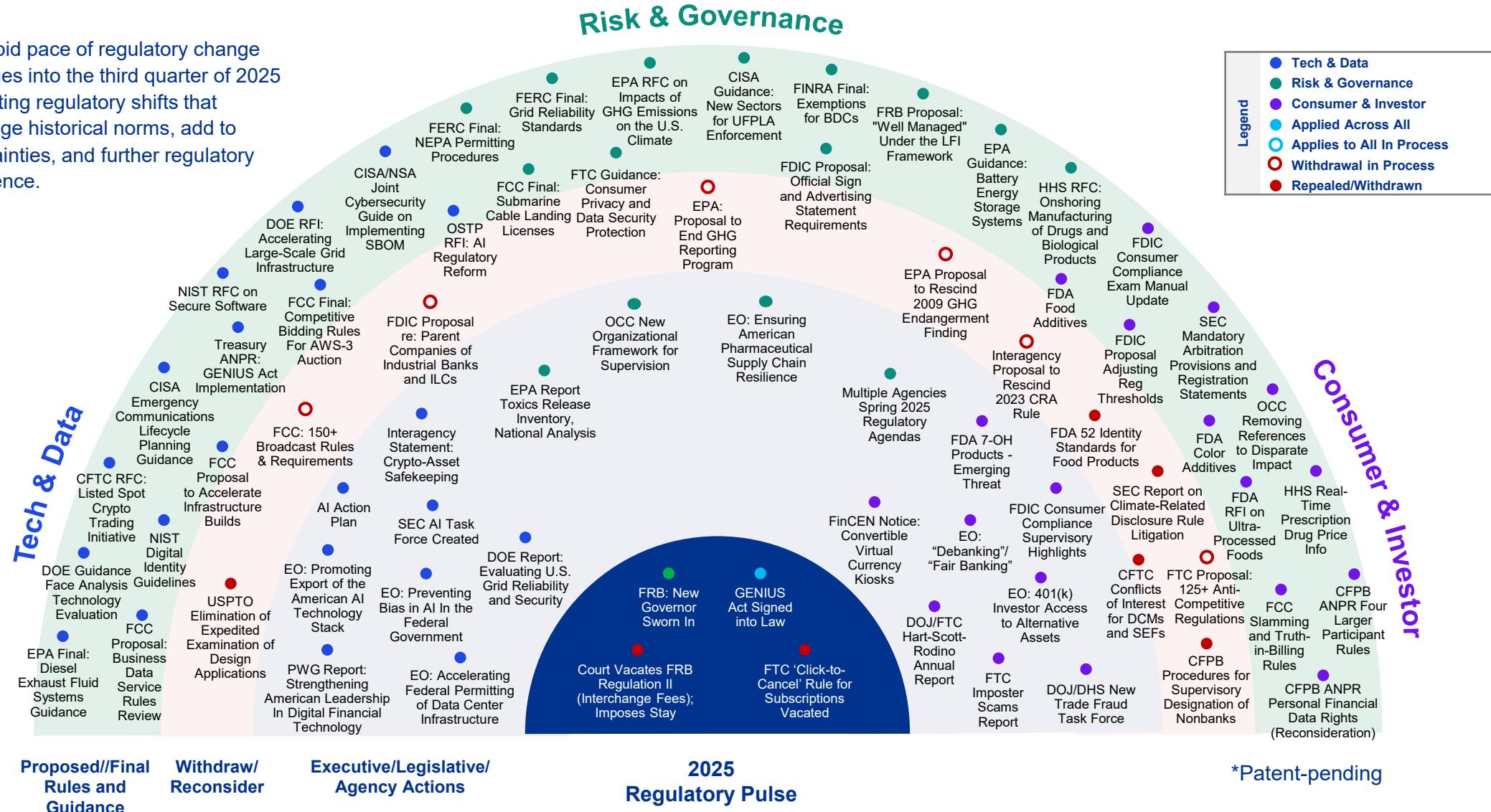
Regulatory Insights

Recap of 3rd Quarter 2025



Q3 2025: Regulatory Pulse*

The rapid pace of regulatory change continues into the third quarter of 2025 presenting regulatory shifts that challenge historical norms, add to uncertainties, and further regulatory divergence.



Q3 2025: Regulatory Alerts



Topic	KPMG Insights	Regulatory Alerts/Articles
AI	<ul style="list-style-type: none"> Shifting to Greater 'Self-Regulation': With a general shift away from a federal rules-based approach, expect a growing federal movement toward industry 'self-regulation'. Setting Domain-Specific National Standards: For specific domains/industries (e.g., healthcare, energy, agriculture), public-private collaboration to develop and adopt domain-specific national standards for AI systems. Opening the Sandboxes: To drive a "try-first" culture of exploration and adoption, anticipate the quick establishment of agency-sponsored regulatory sandboxes (or AI Centers of Excellence). Coming Scrutiny and Divergence: Given the rapid development and evolution of AI technologies, expect continued legal actions, jurisdictional regulatory divergence, and an evolution of regulatory frameworks over time. 	AI Action Plan and Executive Orders
Crypto & Digital Assets	<ul style="list-style-type: none"> Time is Now: Full legislative passage of the GENIUS Act helps establish a regulatory framework for stablecoins, with potentially more actions coming. Operational and Control Readiness: Additional regulatory clarity will bring opportunities but also a need to assess and address operational and control readiness at scale. Potential Risks: With increasing adoption, companies will need to ensure effective risk management of current and emerging crypto-specific risks. 	Crypto and Digital Assets: Final GENIUS Act and Other Actions
Cybersecurity	<ul style="list-style-type: none"> Preparedness: Assessments permit DoD to evaluate implementation of existing cybersecurity standards; anticipate potential amendments to strengthen safeguards as needed. Phased-In Approach: Intended to provide impacted entities (DoD estimates 337,000 prime contractors and subcontractors) time to understand and implement CMMC assessment requirements. Non-Compliance: Companies should proactively evaluate cybersecurity programs against the CMMC Level 1 and Level 2 assessment guides, and complete assessments as needed; non-compliance increases risk of ineligibility for awards or possible suspension, debarment, termination, or False Claims Act violations. Third Parties/Subcontractors: Ensure subcontractors and suppliers that process, store, or transmit FCI or CUI meet the same CMMC level requirements as the prime contractor, including assessments and compliance affirmations. 	Cybersecurity: DoD Final Rule on CMMC Contract Requirements
Healthcare, Consumer/ Retail	<ul style="list-style-type: none"> Broad Impacts: Although the report title and strategy are directed toward children's health, the initiatives impact multiple industries/sectors (e.g., agriculture, healthcare, technology) and will thus have potentially wide-reaching corporate as well as federal funding impacts. Wide-Ranging Initiatives: More than 120 initiatives spanning a wide variety of areas including food (e.g., labelling, additives/dyes), nutrition (e.g., dietary guidelines, labelling), technology (e.g., data sharing, AI applications, "precision agriculture"), and marketing/advertising. Accelerating Innovation: Looks to continue to development of health-focused technologies, including AI applications, through research/studies, policy reforms, incentives, and public/private collaboration. Increasing State Activity: Expect a continued increase in state legislative and regulatory activity, including labelling, food additives, ultra-processed foods, and marketing/sales practices. 	MAHA Commission Strategy Report



Q3 2025: Regulatory Alerts



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“Debanking”	<ul style="list-style-type: none"> Redefining “Fairness”: Supervisory changes likely to not only remove reputation risk in exam guidance but also potentially redact existing “fairness” definitions. Regulatory/Legislative Changes: A re-review and potential amendments may span multiple regulations and business practices (e.g., financial crime, inactivity/insufficient funds). Spanning Retail Products: Supervisory, investigation, and examination actions to span across deposits and lending products and practices. Look-backs Coming: Actions direct the agencies to re-review prior account closure and declination practices and assess whether to issue associated enforcement actions (based on FTC Section 5, CFPB section 1031, and/or ECOA). 	Executive Order: “Debanking”/“Fair Banking”
Retirement Plans & Alternative Investments	<ul style="list-style-type: none"> Expanding Investment Options: Opens retirement plans to alternative investments offerings (e.g., private equity, real estate, cryptocurrencies), which previously had been limited to institutional and accredited investors. Opening Capital: Expanded investments meant to help ‘open up’ capital into private equity markets. Best Interest: Plan sponsors will need to determine if added investments serve the best interest of participant(s). Risk and Complexity: More diverse investment choices may boost returns but will require appropriate due diligence and risk management. 	Executive Order: 401(k) Investor Access to Alternative Assets
Large Bank Ratings	<ul style="list-style-type: none"> Changes to Management Ratings: More changes expected to the management components of supervisory ratings across different frameworks (e.g., CAMELS, RFI/C(D)). Modification of “Well-Managed” Status: Intends to directly tie “well-managed” to financial risk. “Targeted Proposal”: Expect additional targeted proposals focused on a particular area or group as part of regulatory reforms and tailoring. 	FRB Rating Systems: Proposal to Modify the LFI Framework
BSA/AML/CFT	<ul style="list-style-type: none"> Reform/Modernization: Outlined changes to include emphasizing highest risk areas (e.g., customers, activities), streamlining SAR and CTR reporting processes, and encouraging innovation to improve how suspicious activity is identified and investigated; strong support for public/private partnerships and input. Continued/Expanded Exams: Regulatory examinations have shown no indication of easing. Expect the same rigorous examination approach to continue, with expanded focus in priority areas such as transnational narcotics and human trafficking, inclusive of AML programs, transaction monitoring, inter-related transactions, sanctions/secondary sanctions, etc. 	FinCEN: Recent Orders and Actions
Rulemaking Agendas	<ul style="list-style-type: none"> Robust Rulemaking List: Long listing of regulatory rulemakings across the financial services regulatory agencies. Revisions/Updates: Proposals are likely to seek public comments/information in order to help amend existing rulemakings and previously issued rulemaking proposals. Redirection: Agenda items reflect a redirection of agency priorities, including a focus on crypto/digital assets and capital formation. 	Regulatory Agendas: SEC, CFTC, FinCEN, FRB, FDIC, OCC, and CFPB

In Case You Missed It: Regulatory Alert State Series



Topic	KPMG Insights	Regulatory Alerts/Articles
AI	<ul style="list-style-type: none">More than 1000 bills introduced in 50 states in the 2025 legislative session spanning a variety of issues (e.g., studies/reports, requirements for developers and/or deployers, consumer protections) though only a small number (approximately 10 percent and primarily consumer protection-focused) have been enacted.The Administration's AI Action Plan directs agencies to revise or rescind existing AI-related regulations that "may hinder AI development or deployment," and recommends federal funding to take into consideration a state's existing AI laws.	AI Legislation
Competition	<ul style="list-style-type: none">Expansion: States have broadened their antitrust powers and oversight of mergers and acquisitions, introducing per-merger notification laws, especially healthcare transactions. Anticipate merger submissions to become more complex as companies consider state submissions and reviews in addition to federal HSR filing requirements and address questions from reviewers at both federal and state levels.Action: State AGs are expanding antitrust enforcement through multiple channels including collaborating with federal antitrust agencies (e.g., FTC, DOJ), joining multistate task forces (e.g., BRACE), introducing laws and regulations (e.g., pre-merger notification, noncompete restrictions), and building capacity (e.g., establishing antitrust units, adding staff).	Antitrust and M&A
Pharmaceuticals	<ul style="list-style-type: none">Intensity: States have intensified legislative efforts to boost transparency in the pharmaceutical industry, including updates aligning with the federal 340B Drug Pricing Program as well as reforms to Pharmacy Benefit Manager practices (e.g., rebate pass-throughs, compensation, and "fiduciary duty").Collaboration: Both federal and state government bodies are individually and together focused on potentially anti-competitive behaviors within pharmaceutical markets, including drug prices and reimbursement practices.Planning: Companies should engage in strategic and quantitative planning to effectively navigate the current legislative/regulatory environment given the efforts to reduce drug prices and increase transparency.	Drug Pricing
Consumer Protections	<ul style="list-style-type: none">Fair and Responsible: With federal policy and regulatory changes, there is growing uncertainty as to what/if a new standard will take shape or the role that states may have to help set/enforce it.Increased Lending Safeguards: Anticipate a continued state focus on lending products and services.Enforcement Efforts: State AGs are expected to intensify activity across a wider range of financial products and services and across an array of providers; Expect increased collaboration through multi-state investigations.	Financial Consumer Protections
Insurance	<ul style="list-style-type: none">State legislatures and insurance regulators are responding to rising weather-related events/risks, rising prices/costs, and advances in technology by introducing or enacting regulatory reforms that aim to enhance transparency, affordability, and consumer protections.The NAIC's 2025 initiatives are driving states to collectively focus efforts around "catastrophe resiliency" and pre-disaster mitigation, cybersecurity, and data privacy in addition to fraud prevention, market stability, and price transparency.	Property & Casualty Insurance



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“After 28 years, I have chosen to retire from KPMG. It has been my honor to have led the Regulatory Insights team for more than a decade. Although the decision is bittersweet, the work accomplished, and the relationships forged will always be a tremendous source of pride.

Thank you, Regulatory Insights subscribers, for helping to make my time here at KPMG so rewarding.”

Amy Matsuo

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