

## **Foreword**

We anticipated that 2025 would be the Year of Regulatory Shift, but the pace and volume of the regulatory changes have resulted in unanticipated business risks. And while the Administration has pushed for a 'deregulatory' agenda (both within and outside the US), regulatory change can take time and can prompt reaction in other jurisdictions.

We once again present the KPMG proprietary Regulatory Barometer\* (measuring regulatory volume, complexity and impact) with associated robust analysis/insight. What can businesses glean from this?

 Avoid Risk Complacency: Despite new Agency priorities, shifts in enforcement intensity, and selected rule recissions/withdrawals, existing regulations still stand and require ongoing adherence.

- Be Alert to New Tailoring and Frameworks: Expect continued withdrawals of proposed rules, modifications/tailoring to existing rules, and the increasing use of 'frameworks' and statements versus guidance.
- Expect Continued Investigation/Enforcement
   Shifts: Expect federal enforcement activities to focus on the "letter of the law" and 'direct harm' while states begin to increase activity.
- Expanded (and at Times Unexpected)
   Divergence: Expect the Administration to continue pressure businesses, countries, states and agencies.

We welcome the chance to assist you as you tackle the regulatory challenges ahead and seize the opportunities presented by regulatory change.

\*Patent pending



Amy Matsuo Principal & Leader KPMG Regulatory Insights amatsuo@kpmg.com



Regulatory Divergence



Trusted Al & Systems



Cybersecurity & Information Protection



Financial Crime



Fraud & Scams



Fairness & Protection



Financial & Operational Resilience



Parties & Providers

Governance

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Markets & Competition

### **About Regulatory Insights**

KPMG Regulatory Insights is the recognized thought leader for timely insight and perspective on risk and regulatory developments. Regulatory Insights provides real-time and emerging supervisory, regulatory, and enforcement trends—from alerts to in-depth analysis.

"Historic regulatory processes and norms

are being challenged, with abrupt and

voluminous regulatory shifts adding to

business uncertainty. A fundamental

question remains: will a deregulatory



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Note: Measures overall regulatory intensity (separate from tax and/or economic policy)

## **Regulatory Barometer\***



**Regulatory Volume/Complexity** 



Regulatory Impact

<sup>\*</sup>Patent pending

# **Regulatory Divergence**



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"Historic regulatory processes and norms are being challenged, with abrupt and voluminous regulatory shifts adding to business uncertainty. The growing regulatory divergence and fragmentation add another layer of complexity to establishing a clear path from strategy and operations to effective risk and compliance. This begs the question—will a deregulatory policy really equate to deregulation?"

Amy Matsuo KPMG LLP

## **Key Regulatory Signals**



### **Deregulation Focus**

Question as to whether deregulatory agenda will lead to actual deregulation.



### Shift in Enforcement Priorities

New emphasis on direct/tangible harm. Potential shifts and opening of supervisory/ enforcement process transparency (e.g., litigation, fines).



## Global and State Divergence

Efforts to press for global relaxation of tech and other regulations impacting U.S. competitiveness and/or contrary to Administration priorities, at the same time as increasing state regulatory activity.



### Reduction of Regulatory Workforce

Substantial reductions in the federal regulatory workforce signal a diminished operational regulatory capacity and likely vacuums of regulatory talent.

### Regulatory Barometer\*



7.3 Volume 7.3 Complexity

8.0 Impact



## **Regulatory Divergence**



#### Withdrawal/Vacating Rules/Guidance:

Reassessment of rules/guidance to agency withdrawals, rescissions and decisions to vacate legal actions.

#### Modifications to Rules/Guidance:

Modification of rules/guidance to align with the Administration's priorities, with tailoring, new comment periods, and/or narrowing.

#### Example:

SEC and CFPB decision to vacate legal actions; EPA actions on prior environmental regulations; EO "Regulations Beyond Agency Authority."

#### Example:

CTA BOI narrowed to only foreign entities; Rescission of SEC SAB 121; EPA actions on prior environmental regulations.

### Example:

Stated agency enforcement mission shifts (e.g., SEC, FCC, CFPB); EO "Restoring Equality of Opportunity and Meritocracy."

### **Example:**

DOJ application/ enforcement under the FCA; SEC withdrawal from numerous digital assetsrelated legal actions; FCPA enforcement of criminal organizations/drug cartels.

### Focus on Direct/Tangible Harm:

Enforcement activity emphasizing clear legal violations and direct investor or consumer harm.

New Enforcement Focus:

Adoption of new enforcement priorities in line with Administration priorities and a shift away from previous positions.

**Deregulation Focus** 

**Global and State Divergence** 



What's coming...

**Shift in Enforcement Priorities** 

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**Reduction of Regulatory Workforce** 

### **Global Deregulatory Pressures:**

Actions to counteract foreign policies, taxes or regulations deemed to be negatively impacting U.S. companies.

### Example:

Tariffs; sanctions (including secondary sanctions); restrictions and/or bans

#### **Example:**

Investigation/inspection safety; complaint/fraud regulatory portals; new approval process (FDA,

### Operational Regulatory Capacity:

Reshaping/narrowing of mission/role amidst concerns of diminished capacity in areas like approval processing.

Signals

### State Patchwork & Preemption:

Continued/expanded state patchwork of regulations with growing calls for federal preemption.

### **Example:**

Hundreds of bills for AI, cyber and privacy, and 'fair access': extended producer responsibility laws.

### **Example:**

Talent shift to states strengthening workforce in new/expanding areas (e.g., Al, cyber, energy, consumer protection).

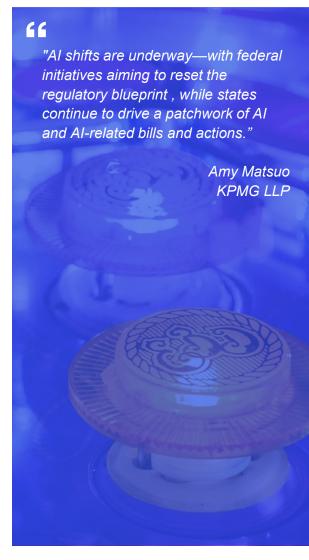
#### Vacuums of Talent:

Deficits in experienced staff and/or vital roles, impacting institutional memory, technical expertise, and potential shifts of talent.



## Trusted AI & Systems





### **Key Regulatory Signals**



## Innovation (& National Security)

Focus of AI regulations to national security concerns while trying to foster innovation and adoption.



### Privacy & Energy

Al regulatory policy will be interwoven with changes to data privacy laws as well as the underlying energy infrastructure.



### Divergence

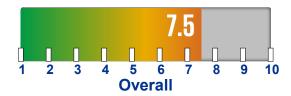
Fragmented AI regulations across states and federal levels pose risk and compliance challenges.



### **Data Protections**

Narrowing of broad consumer protections to more limited areas such as 'deepfakes', children/minor protections and use of sensitive data.

## **Regulatory Barometer\*** –



7.7 Volume 7.0 Complexity

8.0 Impact



### **Private Standards Setters:**

New directives/regulations to implement EO 14179, "Removing Barriers to AI Leadership." ensuring national security with private sector assist in "selfregulation".

### **Export Controls:**

Tightened export controls to protect strategic AI technologies; easing in some rules to promote innovation/leadership.

#### **Domestic Al Investment:**

Increased domestic Al investment through federal regulatory easing, access to funding, etc.

#### Example:

e.g., Development of the Al Action Plan: revisions to NIST role and framework.

#### Example:

CTA BOI narrowed to only foreign entities: Rescission of SEC SAB 121; EPA actions on prior environmental regulations.

#### Example:

Modifications to regulations to encourage U.S. manufacturing and infrastructure investments.

#### Example:

Limitations on sales of bulk sensitive data; application of the FTC Policy on Biometric Data; State laws addressing data privacy through consent, disclosure, failure to protect.

#### Example:

Changing energy policies/ regulations to promote data center development; State bills to repeal prohibitions on nuclear (IL, MN) and incentives to build facilities.

### **Privacy Changes:**

Privacy concerns are shifting to national security, sensitive data (such as biometric, geolocation), and deepfakes.

### **Energy Infrastructure:**

EO 14141, "Advancing Leadership in AI," supports expanding Al data centers and prioritizing domestic energy sources for infrastructure (e.g., nuclear).

### **Innovation (& National Security)**



What's coming...



**Privacy & Energy** 



**Data Protections** 

### **Disparate Federal and State Actions:**

**State-Level Fragmentation:** 

environments.

Federal policies focus on national security/innovation while state laws/regulations form a patchwork that varies in scope and scale, creating risk and compliance complexity.

Nearly 1000 Al-related bills introduced in 2025 across

all 50 states signifying a divergent regulatory

#### Example:

**Divergence** 

Talent shift to states strengthening workforce in new/expanding areas (e.g., Al, cyber, energy, consumer protection).

#### Example:

A mixture of broad AI protection laws (multi-industry application) and unique/ specific AI safety and privacy measures with varying definitions and applications.

#### **Example:**

Proposals to narrow. "landmark" CO Al Act: limited use of CO Al Act as model law: EO 14281 ending disparate impact liability.

### **Example:**

Ongoing legislative efforts in multiple states (CA, NY).

#### **Example:**

Workplace protections in CT and commercial protection in NY.

#### **Narrowing Focus:**

Prior administration directives and early state "comprehensive" Al bills putting forth broad consumer protections (including anti-bias) largely withdrawn, redacted and/or not executed.

#### **Safety Reporting Requirements:**

State bills look to address safety standards, including testing, reporting, and third-party reviews.

### **Specific Protections:**

Many state laws are targeted to address specific issues such as Al-generated images (deepfakes) and biometric data protection. At the federal level. "old rules apply".

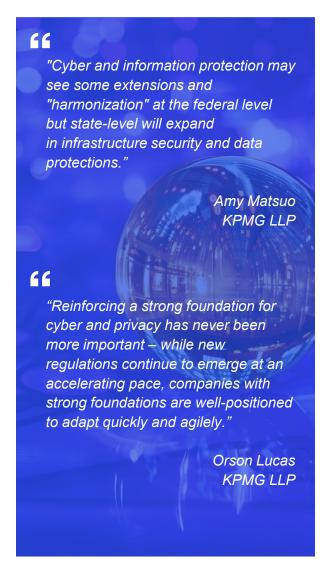




Signals

# **Cybersecurity & Information Protection**





### **Key Regulatory Signals**



### Shift in Federal Role

A general pullback of federal regulatory initiatives with more emphasis to the states; implications for state agencies and the role of public-private partnerships.



# Cybersecurity & Infrastructure Preparedness

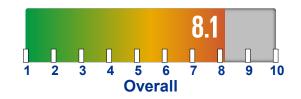
Emphasis on state and local government roles in critical infrastructure and cyber resilience.



### Data Privacy

Retention and enforcement of data protection regulations to address evolving risks, particularly data involving foreign entities.

## Regulatory Barometer\* -



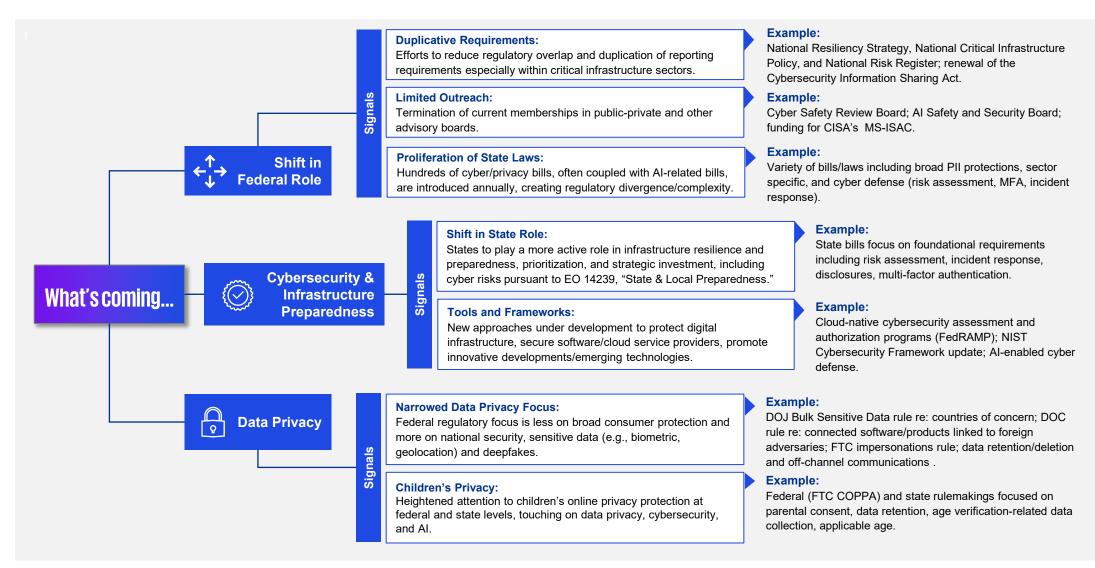
7.3 Volume 8.0 Complexity

8.7 Impact



## **Cybersecurity & Information Protection**







## **Financial Crime**



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"As the investigation/enforcement focus narrows, anticipate amended and tailored regulations and directives that focus on foreign individuals and ownership."

Amy Matsuo KPMG LLP

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"The always heightened expectations around the core functions of Financial Crimes compliance, coupled with increased focus on misconduct such as international narcotics trafficking, Sanctions evasion, and human trafficking, make it all the more critical for institutions to lean into technology and automation to strengthen their Financial Crimes compliance function."

John Caruso KPMG LLP

### **Key Regulatory Signals**



### **Regulatory Tailoring**

Tailored requirements reflect the Administration's priorities for high-risk areas, targeted applications and enhanced expectations.



### Investigations & Enforcement

Directives change investigations and enforcement priority focus (e.g., foreign bribery, cartels) but do not change the underlying regulations/laws.



## Sanctions & Secondary Sanctions

Expanded unilateral use and recission of sanctions, including secondary sanctions directed at third parties.

### Regulatory Barometer\* –



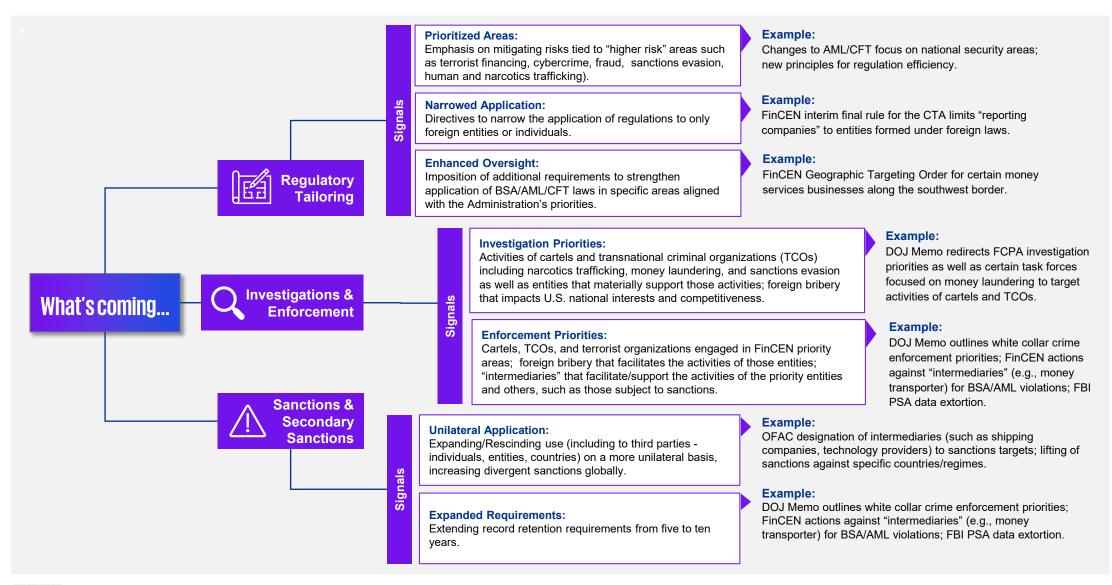
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7.3 Impact



## **Financial Crime**







## Fraud & Scams



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"Reported fraud is at an all-time high, with evolving risks from the use of Al and linkages to cyber risk, posed by potential threat actors operating 'at scale."

Amy Matsuo KPMG LLP

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"With Al-driven scams and instant payment fraud, financial institutions must prioritize consumer protection through proactive, data-informed compliance programs. The stakes are too high for reactive measures—modern fraud demands modern defenses."

Chad Polen KPMG LLP

## **Key Regulatory Signals**



#### **Fraud Prevention**

All-time high reporting confirms the need for-effective risk and compliance programs, including timely fraud identification/reporting.



### Reprioritizing Fraud Enforcements

Directives change enforcement priority focus (e.g., trade, investments, cartels) where consumer/investor harm is "direct" and "tangible."



### Gathering & Analyzing Fraud Data

Need for ongoing sharing and coordination of reporting and analysis given the speed, cross-border and scale. Raising awareness among regulators, consumers, and companies of fraud- and scams-related signals and trends.

## Regulatory Barometer\* -



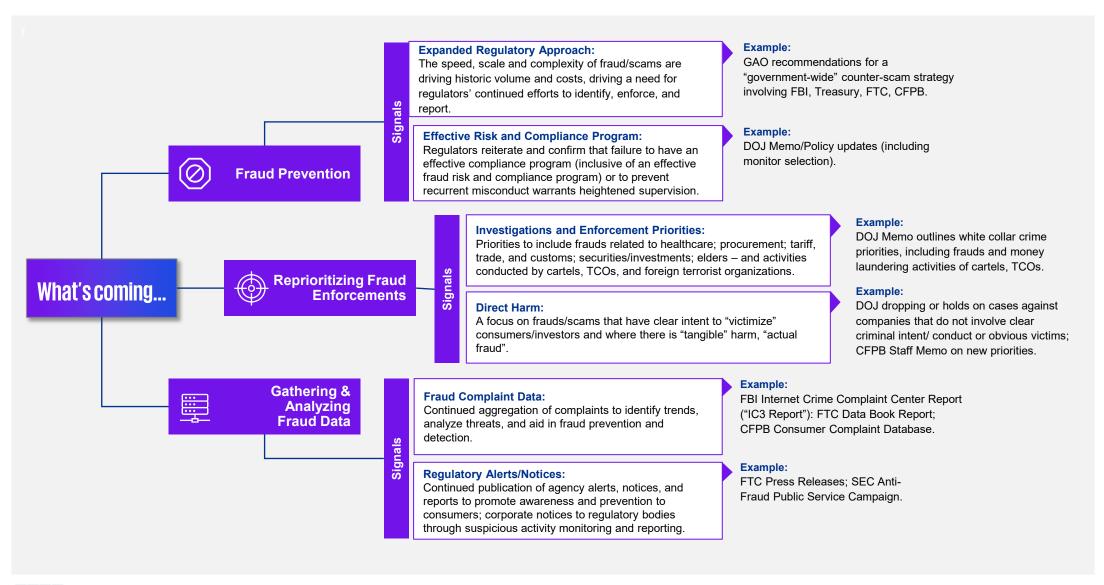
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KPMG

## Fraud & Scams

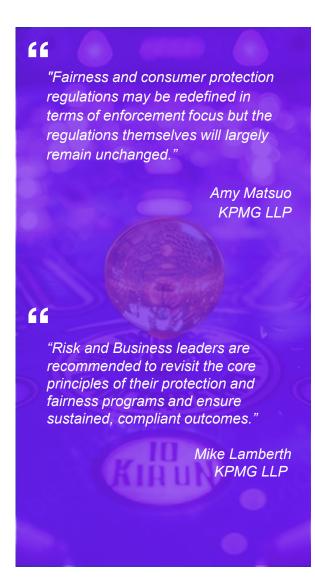






## Fairness & Protection





### **Key Regulatory Signals**



### **DEI Redefined**

Broad-based mandated regulatory elimination of "DEI" initiatives. Likely little/no changes to most existing laws/ regulations.



### "Unfair" Access & Pricing

Targeted agency focus to specific groups (e.g., servicemembers) and/or sectors.



### **Deceptive vs. Misleading**

Evolving distinctions between what may be 'deceptive' versus 'misleading' with the potential to lessen overall supervision/enforcement.



### **Direct Harm**

More narrow focus on 'direct', tangible and/or measurable consumer or investor harm (away from "disparate impact") and likely driven by specific complaints (vs. broader-based industry "sweeps").

### Regulatory Barometer\*



5.3 Volume 5.3 Complexity

5.3

Impact



## Fairness & Protection



### **Limiting Areas of Focus:**

More limited areas of focus including veterans/ servicemembers, elderly, religious and/or ethnic groups but no changes to prohibited bases in existing

#### Example:

Implementation of EOs 14188, 14202; potential for increase in "reverse discrimination" cases.

### **Example:**

Supreme court decision. Thompson v. United States, clarifies that misleading statements are not considered false under liability standards.

### **Distinction Narrowing:**

Regulatory actions draw distinctions between deceptive and misleading practices; potential for lessening of enforcement in areas such as broadbased advertising/marketing.

### **End of Programs:**

Signals

DEI-related programs and policies impacts to federal agencies and contractors; federal agencies to encourage private sector to likewise end/amend DEI programs/policies.

EO 14151, "Ending DEI Programs, Preferencing;" EO 14173, "Ending Illegal Discrimination," removes DEI considerations from federal contracts; impacts to federal grants, contracts, other funding.

### **Example:**

FTC 2026 budget.

#### Still A Focus:

The overall focus on consumer and investor protections remain core to mission of applicable regulatory agencies.

**DEI Redefined** 



What's coming...



Deceptive vs. Misleading



**Direct Harm** 

### "Unfair" Access & Pricing

#### Reassessment "Fair Access":

Focus on company practices that result in denying services to individuals/entities based on public opinion of characteristics such as political affiliation or type of business.

#### Example:

Congressional investigations on crypto firms; potential expansion of state fair access laws.

#### **Example:**

CFPB Staff Memo on new priorities; proposals to limit CFPB payments to "direct victims".

### **Proving "Tangible":**

Supervision and enforcement priorities to narrow to "tangible" harm/ "actual fraud" (versus intangible) to consumers.

### **Sector-Specific Actions:**

Narrowed focus for actions to address unfair practices in specific sectors/areas of pricing.

#### Example:

EO 14254 to-address ticket scalping/competition in live entertainment: FTC Rules on Unfair and Deceptive Fees and "Click to Cancel" Subscriptions; CFPB deprioritization of BNPL, overdraft fees.

#### **Example:**

EO 14281, "Opportunity and Meritocracy," ending use of disparate impact liability; withdrawal of related regulations, enforcement actions.

**Movement Away from Impact:** 

Directives reduce focus on disparate-impact criteria and deprioritize the use of disparate-impact liability "in all contexts".



# Financial & Operational Resiliency





Amy Matsuo KPMG LLP

"In the face of uncertainty, businesses must navigate liquidity risks with strategic foresight; this balance between cautious oversight and proactive management ensures resilience and unlocks new avenues for sustainable growth via category change."

> KB Babar KPMG LLP

figure 4.6 "Resilience is no longer optional—it is the foundation for a company's continued relevance and long-term viability in a world defined by constant change. Amid economic volatility, global divergence, regulatory shifts, and rapid advances in digital and AI technologies, companies must proactively strengthen their resilience and recovery capabilities to stay ahead."

Prince Harfouche
KPMG LLP

"With the accelerating adoption of AI and reliance on cloud services, companies must prioritize resilience frameworks that can address the unique and emerging risks posed by these technologies, alongside the complexity of sustaining and securing legacy systems, to maintain and enhance the stability, integrity, and continuity of mission-critical business processes."

David Tarabocchia KPMG LLP

### **Key Regulatory Signals**



### **Uncertainty & Disruption**

Global risks, economic shifts, evolving third party relationships and funding/aid pauses—heightening volatility in operational and financial systems.



### **Regulatory Pullback**

Narrowed oversight scope, recalibrated rules, capital/liquidity thresholds by entity size.



### **Focus on Financial Risk**

Reaffirmation of core agency missions to focus on financial risk (e.g., credit, losses/ exposure to losses).

### Regulatory Barometer\* –



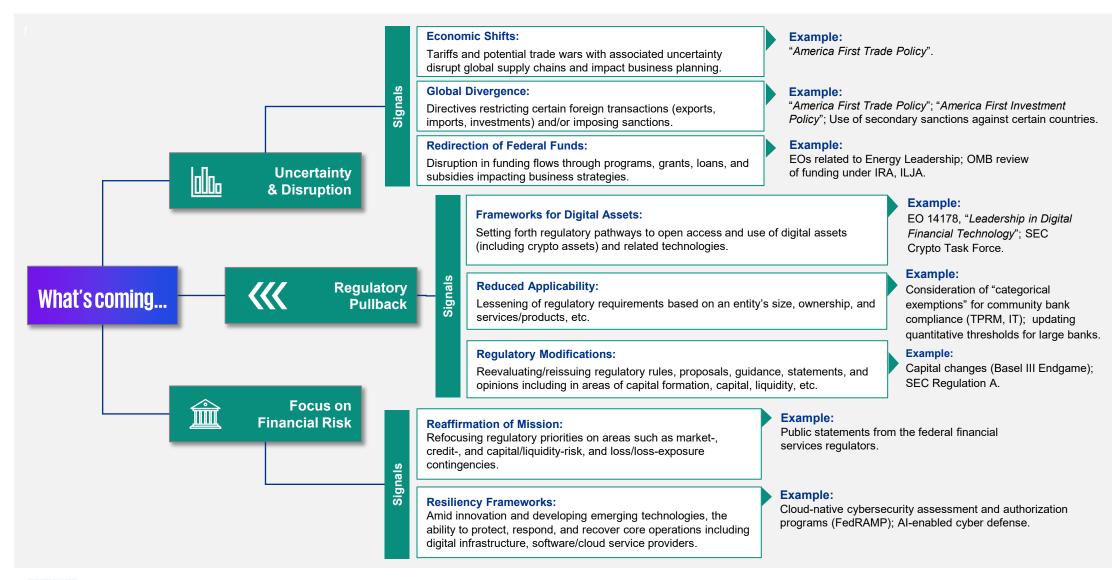
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## Financial & Operational Resiliency







## **Parties & Providers**





### **Key Regulatory Signals**



#### **Risks Remain**

Despite shifts in regulatory priorities/ focus, increasing interconnectedness and rapid innovation deployment will continue to present risks in such areas as cyber, privacy and operations.



### **Regulatory Tailoring**

Narrowing regulatory attention particularly aimed at reducing reporting duplications; continued attention to critical suppliers and activities for companies/markets/ national priorities.



### **Regulatory Divergence**

Continued divergence among federal vs. states and global related rules (e.g., privacy, sustainability, cyber); shifting use of sanctions and tariffs.

### Regulatory Barometer\* -



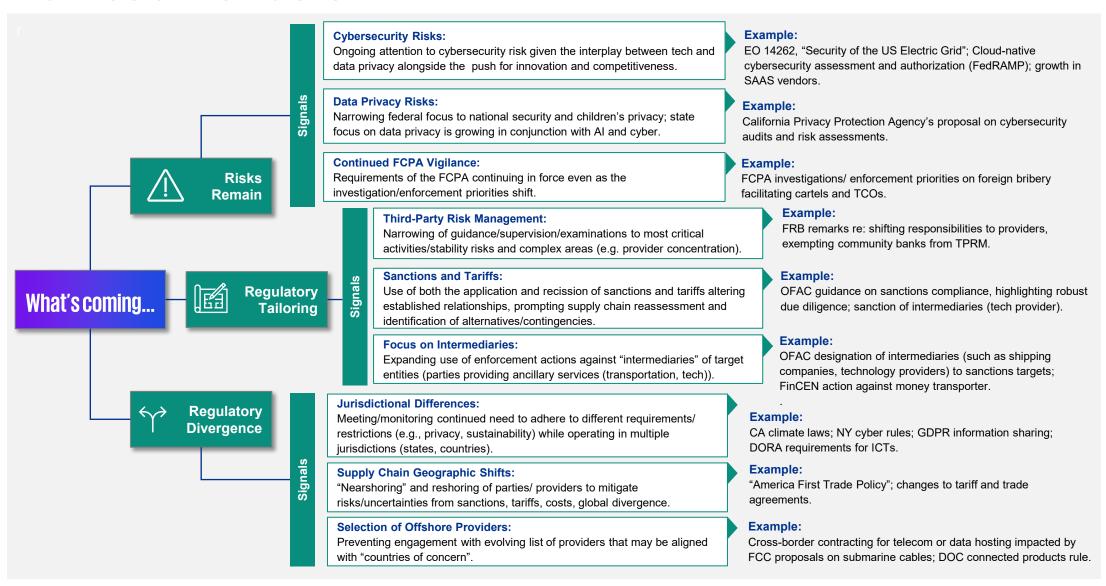
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6.6 Impact



## **Parties & Providers**







## **Governance & Controls**





"Amid a broad federal reframing of areas for governance and enforcement, it is imperative for companies to avoid risk complacency and ensure that sound risk management remains sound."

Amy Matsuo KPMG LLP

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"As financial services can expect greater disruption and disintermediation considering stated shifts in the regulatory agenda related to encouraging innovation (digital assets, AI), reducing barriers to entry and business combinations, and broadening access, optimized and agile governance models and control routines should warrant as much if not more focus as previously."

Todd Semanco KPMG LLP

### **Key Regulatory Signals**



## Disruption & Change Management

Management of risks and controls to reflect the pace and volume of policy changes and agency actions.



### Regulatory Pullback & Divergence

Pullback from nonfinancial, 'secondary' risks (e.g., climate, DEI); general shift toward the use of more 'flexible' frameworks; related ongoing federal/state divergence.



### Mitigating Potential For "Risk Complacency"

Continued importance of accountability/self-reporting, internal controls, and continued sound risk management.

### Regulatory Barometer\* —



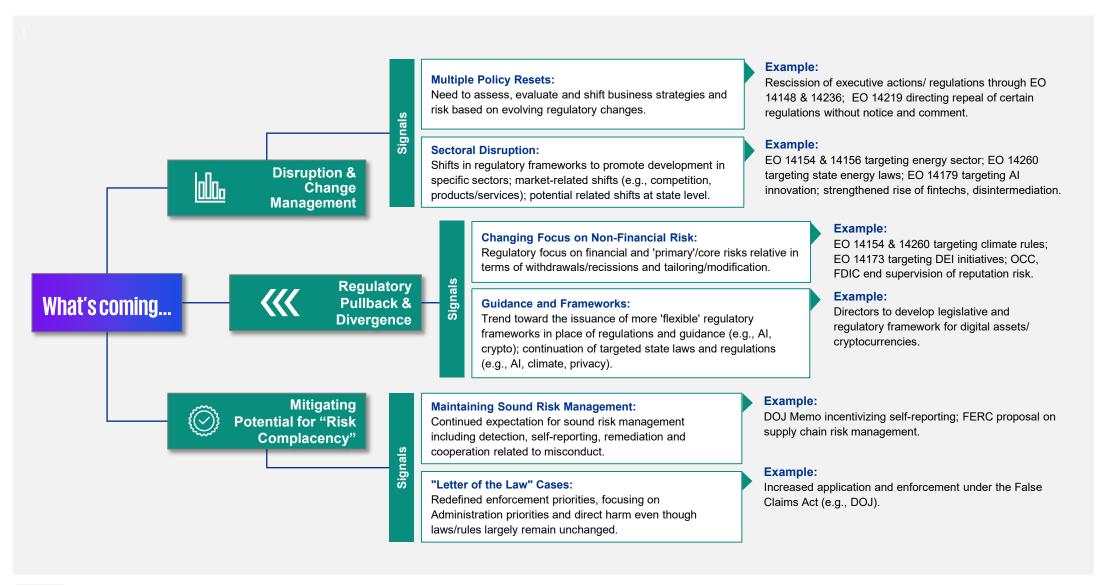
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## **Governance & Controls**

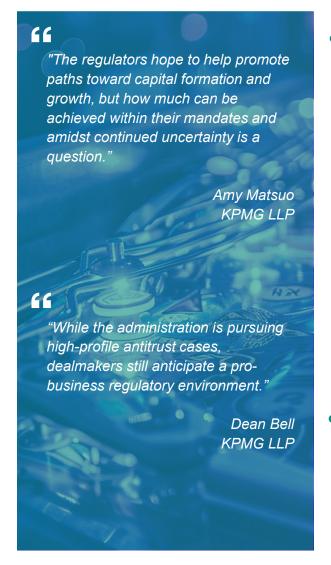






## **Markets & Competition**





### **Key Regulatory Signals**



### Capital Formation Adjustments

Changes to regulatory requirements/ processes to promote and expand opportunities to access capital markets.



### M&A and Antitrust Focus

Continuation of antitrust enforcement and application of merger guidelines; though potentially more rapid approvals anticipated in bank M&A reviews.



### Protection of Domestic Industries

Prioritizing changing national security measures, enhancing oversight of foreign entities/providers, and promoting technology innovation and manufacturing sectors.

## **Regulatory Barometer\***



6.0 Volume 5.3 Complexity

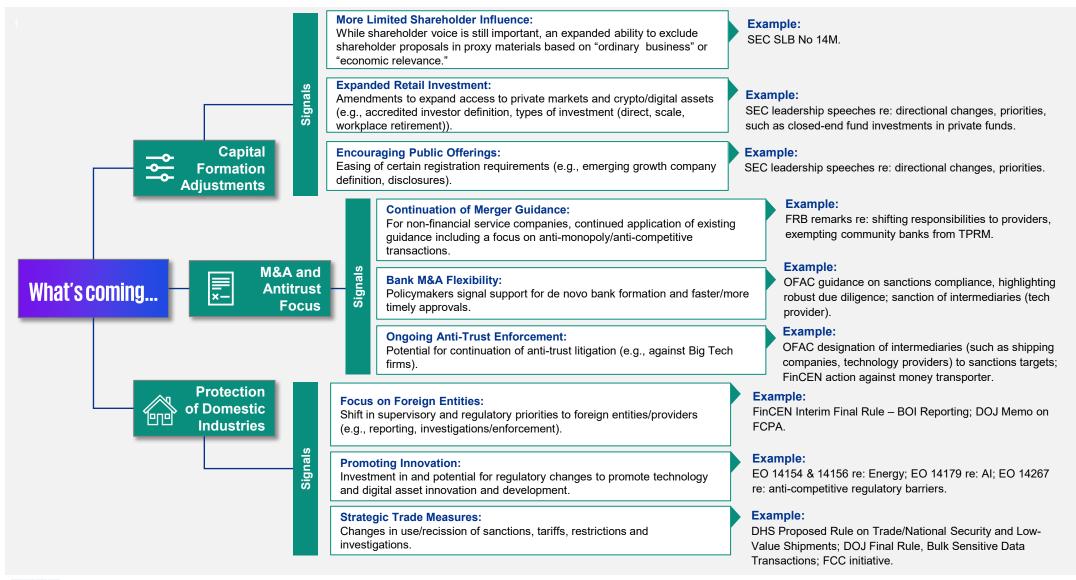
5.0 Impact



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## **Markets & Competition**







# Regulatory Barometer Methodology

The KPMG Regulatory Insights Barometer\* assesses areas of upcoming regulatory pressure and direction of change. The Barometer measures overall regulatory intensity (separate from tax and/or economic policy) and:

- Is based on a 10-point scale of regulatory intensity that ranges from "minimally increasing" (1.0) to "significantly increasing" (10.0). Assesses three attributes for each challenge area:
  - 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.
- Overall Combines the individual factors for each attribute (V, C, I) to arrive at a single weighted average indicator of regulatory intensity for each challenge area.





<sup>\*</sup> The KPMG Regulatory Insights Barometer is based on KPMG understanding of industry practices and regulatory expectations; KPMG cannot guarantee that regulatory authorities 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. Patents are pending for the KPMG Regulatory Barometer Methodology as well as visuals in the 2025 Mid-Year Report.

# Relevant Thought Leadership

KPMG <u>Regulatory Insights</u> is the thought leader hub for timely insight on risk and regulatory developments. Our perspectives enable our clients to help anticipate and manage regulatory change across the U.S. regulatory landscape. In collaboration with professionals across the firm's global regulatory practices, we provide perspectives on emerging regulatory and enforcement risks, and insight on actions as they occur.



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### **Points of View**

Insights and analyses of emerging regulatory issues impacting financial services firms.



### **Regulatory Alerts**

Quick hitting summaries of specific regulatory developments and their impact on financial services firms.





## **Contact**



Amy Matsuo
Principal and Leader
KPMG Regulatory Insights
amatsuo@kpmg.com

LinkedIn

### 01 Regulatory Intensity

Amy Matsuo amatsuo@kpmg.com LinkedIn

### 02 Trusted AI & Systems

Amy Matsuo amatsuo@kpmg.com LinkedIn

Bryan McGowan
bmcgowan@kpmg.com
LinkedIn

### 03 Cybersecurity & Information Protection

Mihai Liptak mliptak@kpmg.com LinkedIn

Orson Lucas olucas@kpmg.com LinkedIn

Matt Miller
matthewpmiller@kpmg.com
LinkedIn

### 04 Financial Crime

Dan Boylan danielboylan@kpmg.com LinkedIn

John Caruso johncaruso@kpmg.com LinkedIn

Matthieu Chabelard mchabelard@kpmg.com LinkedIn

#### 05 Fraud & Scams

Steve D'Antuono sdantuono@KPMG.com LinkedIn

Chad Polen cpolen@kpmg.com LinkedIn

### 06 Fairness & Protection

Stefan Cooper stefancooper@kpmg.com LinkedIn

Mike Lamberth
mlamberth@kpmg.com
LinkedIn

### 07 Financial & Operational Resilience

KB Babar kbabar@kpmg.com LinkedIn

Prince Harfouche
pharfouche@kpmg.com
LinkedIn

David Tarabocchia dtarabocchia@kpmg.com LinkedIn

### 08 Parties & Providers

Joey Gyengo jgyengo@kpmg.com LinkedIn

Diana Keele dkeele@kpmg.com LinkedIn

### 09 Governance & Controls

Todd Semanco tsemanco@kpmg.com LinkedIn

Tyler Williamson twilliamson@kpmg.com LinkedIn

### 10 Markets & Competition

Dean Bell
dbell@kpmg.com
LinkedIn

Mike Sullivan
mmsullivan@KPMG.com
LinkedIn





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