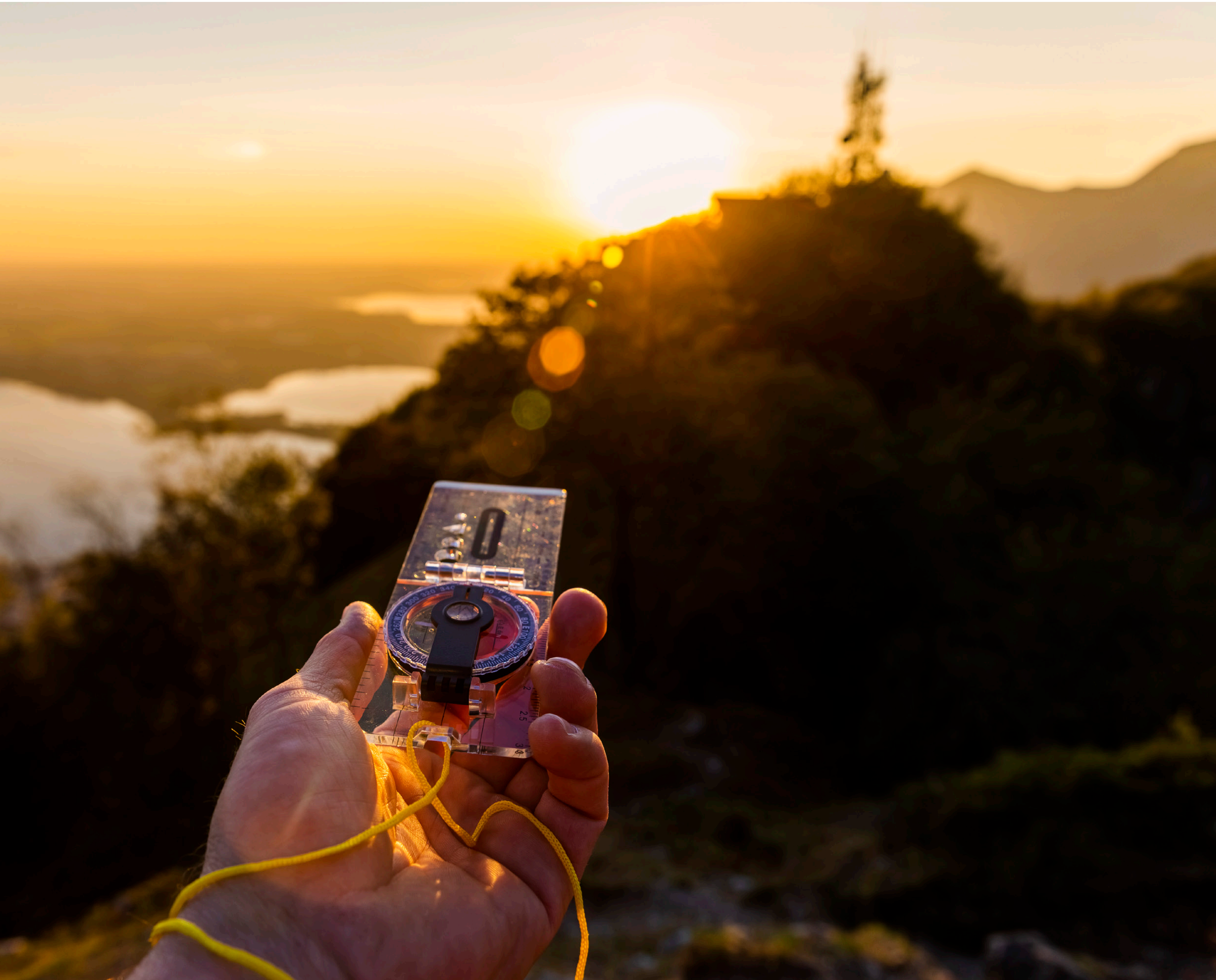
Finance regulations 2025

# Direction of travel

## Mapping the global regulatory landscape in 2025 and beyond



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# Introduction

The payments landscape is evolving fast. Recent years have brought a plethora of developments and initiatives, from the rise in real-time payments to innovation in digital currencies, not to mention the migration of payment systems and the SWIFT network to ISO 20022 XML.

But at the same time, the shifting sands of geopolitics are continuing to reshape international trade relationships – while regulatory change is set to drive further changes in the coming years.

## Seismic shift

Following the neoliberalism that dominated the early 2000s, governments are increasingly intervening in economic matters. As such, the global payments landscape in 2025 is one which will be shaped by the dynamic interplay of regulatory developments, geopolitical shifts, and technological innovation.

The last 12 months have proved a defining year for democracy, with the 2024 global elections supercycle – which saw around two billion people going to the polls – precipitating the re-election of Donald Trump in the U.S., a change in government in the UK, and the weakening of ruling parties in Europe. Germany, meanwhile, has announced a snap election in February 2025 following the collapse of its three-way coalition government.

In 2025, the world is likely to see the rise of protectionist policies and the introduction of trade tariffs in the U.S. At the same time, continuing geopolitical tensions are set to redefine international partnerships and increase the complexity of the regulatory landscape for global payments.

## Innovation and regulation

But the geopolitical landscape is only one part of the puzzle. As technological innovation continues apace, the rapid adoption of developments such as digital identities and central bank digital currency (CBDC) initiatives will push the frontiers of financial regulation, while making access to financial services more seamless and secure.

Against this backdrop, the regulatory landscape in 2025 and beyond will need to strike a balance between innovation and oversight, responding to changes in the global landscape while accommodating advances in technology, changes to customer behavior, and the evolving fraud threat.

This white paper will explore these challenges and themes in more detail, mapping the direction of travel for the global regulatory landscape, and exploring what this means for the global payments industry.

# The geopolitical landscape

## Governments around the world are looking closely at trade tariffs, with many adopting a protectionist stance that threatens to reshape global trading relationships and the payments landscape.

As the European Commission's Autumn 2024 Economic Forecast noted , "A further increase in protectionist measures by trading partners could upend global trade, weighing on the EU's highly open economy."[1]

### 'Trump tariffs' and the move to address China-made electric vehicles

In the U.S., president-elect Donald Trump has proposed raising tariffs on goods imported by U.S. businesses, making his recent victory particularly significant for international trade relationships. While a definitive policy has not yet been announced, Trump has suggested implementing a baseline tariff of 10% on all imports, and raise tariffs on goods imported from China to 60% or more.[2]

These developments could limit the global reach of payment companies based in the U.S., leading to increased costs and complexity for businesses dependent on international supply chains. WTO chief Ngozi Okonjo-Iweala[3] has said that the 10% tariff would result in a "lose-lose situation" and a "little bit of a free-for-all which would upend the stability and predictability of trade."

But Trump is not the only proponent of trade tariffs. A number of markets around the world have already turned their attention to China-made electric vehicles (EVs) in response to concerns about unfair trade practices, overcapacity and the competitive threat that cheap imports represent to domestic markets, with the EU, Canada and the U.S. introducing new tariffs on EVs produced in China. According to the EU, "unfair subsidization" has allowed EVs made in China to be sold at lower prices, resulting in "the threat of economic injury to EU battery electric vehicles producers."

These tariffs could drive up the cost of Chinese EVs, potentially slowing their adoption in these regions and encouraging investment in local EV production. As countries strive to balance climate goals with economic protectionism, this shift may also lead to increased government incentives for domestically produced EVs.

Trump's second term is also likely to see the further retreat of globalization, as well as uncertainty on the future of payment innovations. Trump has previously described the prospect of a digital dollar as "very dangerous." but the new administration is expected to be much more crypto-friendly, which could mean the introduction of a regulatory framework for digital assets like stablecoins. While this stance could slow the adoption of CBDCs it might propel crypto acceptance in the U.S.

1. Source: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_5787
2. Source: https://edition.cnn.com/2024/11/08/politics/tariffs-donald-trump-strategy/index.html
3. Source: Trump's import tariff proposal would be lose-lose, WTO chief says | Reuters

> A regulatory framework for crypto assets will bring the usage of fiat-backed stablecoins to the next level: from a mere crypto trading collateral to a new means of payment allowing for instant settlement, 24/7 availability at low fees, even for global money transfer.
>
> Bernhard Schweizer, Head of SAP Digital Currency Hub

Meanwhile, China's economic growth remains relatively muted – the IMF expects China's economy to expand by 4.8% in 2024 – with challenges including rising government debt and the ongoing property crisis. Trump's election victory is likely to hinder China's efforts to improve growth through high-tech exports, given his campaign promise to impose a 60% tariff on Chinese imports.[1] Following the U.S. election, China has approved a $1.4 trillion[2] plan to help regional governments refinance their 'hidden debt'.

### Impact of geopolitical tensions

At the same time, a number of ongoing conflicts around the world have implications for international trade. The Russia-Ukraine war has impacted agricultural exports, while the unfolding Middle East conflict could take its toll on oil prices. Meanwhile, territorial disputes in the South China Sea are posing a risk to major shipping lanes. Other potential flashpoints include tensions on the Korean Peninsula and worsening relations between Russia and Japan.

For businesses around the world, the impact of these developments is significant, particularly given the recent supply disruptions they experienced during the Covid pandemic. In an uncertain environment, many companies are mitigating their exposures to geopolitical tensions and tariffs through strategies such as reshoring, nearshoring or 'friendshoring' (i.e. moving manufacturing and sourcing to markets that are considered allies), and are diversifying their supply chains to mitigate the risk of region-specific disruptions.

As a recent article[3] by Goldman Sachs Asset Management noted of the new phase of international trade, "It's the end of globalization as we know it."

### Predictions

- Trade tariffs will play an increasingly central role in shaping trading relationships in 2025 and beyond.
- As geopolitical tensions continue, companies will take additional steps to protect their supply chains from disruption.

1. Source: https://www.bbc.co.uk/news/articles/c0qdz1jne91o
2. Source: https://www.reuters.com/world/china/china-unveils-steps-tackle-hidden-debt-local-goverments-2024-11-08/
3. https://am.gs.com/en-gb/institutions/insights/article/2024/trade-routes-realigned-from-integration-to-fragmentation

# Cross boarder coordination

## At the same time, new rules designed to protect consumers and SMEs have implications for trading arrangements.

A notable example is the EC's revision of the Late Payment Directive, which aims to tackle the imbalance in bargaining power between large companies and smaller suppliers by preventing late payment, facilitating timely payments and strengthening redress mechanisms.

There are some concerns that a one-size-fits-all approach could negatively affect pricing and competitiveness in the EU, given that longer payment terms are the norm in some industry sectors. As such, the proposed rules could affect the way that working capital requirements are balanced across the supply chain. In some cases, large corporations might respond by renegotiating prices with suppliers to reflect the need to pay invoices earlier.[1]

The finalized Basel III – also known as Basel IV – brings increased capital requirements for banks, which may in turn result in higher costs for borrowers. The rules are designed to strengthen the international banking system and "improve supervisory understanding and the quality of banking supervision worldwide."

However, different countries have different timelines for implementation. In the UK, for example, the Prudential Regulation Authority (PRA) recently announced that the implementation date for Basel 3.1 standards would be delayed to 1 January 2026.

In the US, meanwhile, there has been much controversy over the 'Basel III endgame' (B3E) proposed in July 2023, which significantly alters the regulatory capital regime for US banks. In September 2024, the Federal Reserve outlined plans to reduce Tier 1 capital requirements under B3E to a 9% increase, down from the 19% proposed last year.

1. Source: EU Late Payment Directive/Regulation: An Overview | Taulia

"Higher levels of global coordination could also yield benefits in the continuing fight against financial crime. At the global level, a lack of information sharing across borders can make it difficult to detect and prevent financial crime. Possible solutions include collaboration between public and private sectors, with governments, regulators and banks working together to share data, while balancing this with privacy concerns and the need for data protection."

Chris Garrison, Senior Director, Product Managemen, Taulia

**Predictions**

- Governments will continue their efforts to protect SMEs from late payments.
- International collaboration in the fight against financial crime will become more widespread.

# Monitoring and controlling

## In recent years, a number of countries around the world have introduced Continuous Transaction Controls (CTC).

This allow governments to monitor financial transactions in real-time and improve the efficiency of tax collection, while addressing issues around tax evasion and fraud. However, different countries have different requirements and implementation timelines. Early adopters of CTC models include countries in Latin America, where more than 15 countries have implemented e-invoicing/CTC systems. In Europe, B2B e-invoicing mandates require either a derogation from the EC, which has been obtained by countries such as Italy and Romania, or the adoption of alternative digital control models.

Upcoming developments include the introduction of e-invoicing and e-reporting rules in France, where companies with headquarters or established operations in the country will need to accept e-invoices through the CTC system from 1 September 2026. Large and medium-sized companies will need to be able to issue e-invoices by the same date, with smaller companies due to follow suit by 1 September 2027.

Meanwhile, the European Council has recently reached an agreement on its VAT in the Digital Age (ViDA) proposal, which includes changes to common VAT rules across the EU. The measures – which include digital VAT reporting obligations for cross-border transactions – are expected to be adopted between 2027 and 2035, although dates are yet to be confirmed. Adapting to the new rules will require many EU businesses to make significant changes, such as updating their current invoicing procedures and enhancing the quality of their data.

### Predictions

- Under France's new CTC mandate, business will benefit from lower invoicing costs and a reduced administrative burden.
- ViDA will modernize Europe's VAT system and help to combat VAT fraud, but will require organizations to improve their data quality.[1]

> "In order to comply with the new rules, companies will need to review the impact of the changes on their own invoicing processes, and on their suppliers. Companies will also need to ensure they have the necessary e-reporting capabilities in place, and that they are able to submit e-invoices in the prescribed formats and connect to the relevant platforms."

Chris Garrison, Senior Director, Product Managemen, Taulia

1. Source: https://www.ey.com/en_uk/insights/tax/what-vida-means-for-the-rise-of-global-e-invoicing

# Digital solutions

Newer trade powers such as Saudi Arabia and the UAE are embracing the opportunities presented by digitization. For example, UAE PASS is a national digital identity for citizens, residents and visitors in UAE. It allows individuals to access government and private sector services and sign and share documents. It can also be used by financial institutions to verify customer identity. Saudi Arabia's Absher platform likewise allows citizens and residents to access official documents and digital services.

Significantly, digital identities have the potential to reduce the risk of fraud in digital payment methods. As such, other markets are taking note: Europe is currently working on the EU Digital Identity Wallet (EUDI Wallet), which has been described as "the European Union's response to the challenges of digital identification."

According to the EC, Member States will offer at least one version of the EU Digital Identity Wallet by 2026. The wallets will be accessible to EU citizens and businesses, with a wide range of use cases[1] such as claiming prescriptions, storing education credentials, authorizing payments, opening bank accounts online and creating a secure digital signature.

For businesses, the wallets will provide an opportunity to streamline Know Your Customer (KYC) processes and simplify customer authentication. EUDI Wallets could also make it easier for customers to make online purchases, thereby enabling businesses to reduce friction in the payments process and increase revenue.

Nevertheless, digital ID remains a controversial topic in some markets due to concerns about data privacy, civil liberty and centralized control. In the UK, former prime minister Tony Blair unsuccessfully attempted to introduce compulsory ID cards as long ago as the early 2000s, passing legislation that was scrapped by the subsequent coalition government. More recently[2], he has made headlines by advocating the adoption of digital IDs as a means of controlling immigration, once again prompting concerns about privacy.

**Predictions**

- Governments across different regions will continue their efforts to develop digital identity solutions.
- Digital ID has the potential to streamline authentication and KYC and combat fraud, while making it easier to sign and share documents.
- However, the adoption of digital ID may spark controversy in some markets due to concerns about data privacy and mass surveillance.

1. Source: https://ec.europa.eu/digital-building-blocks/sites/display/EUDIGITALIDENTITYWALLET/The+many+use+cases+of+the+EU+Digital+Identity+Wallet

2. Source: https://www.bbc.co.uk/news/articles/c87rgj4e0rzo

# Corporate investment incentives

## Innovation in payments continues apace, with significant interest in developments that could transform cross-border payments and further trade digitalization.

Digital assets such as cryptocurrencies, stablecoins and NFTs have the potential to solve many of the challenges associated with traditional payments: they can enable payments to take place quickly and easily, at a lower cost, and with 24/7 availability.

While there are a number of obstacles to development, including the lack of legal framework and concerns about privacy, many markets are exploring the possibilities of digital currencies. According to the Atlantic Council tracker, 134 countries and currency unions are currently exploring CBDCs, and 44 pilots are underway, the largest of which is China's e-CNY. Various cross-border CBDC initiatives are also being explored, including Project mBridge which connects banks in China, Thailand, the UAE, Hong Kong and Saudi Arabia.

Juniper Research has predicted[1] that the volume of transactions made using CBDCs will reach 7.8 billion in 2031, up from 307.1 million in 2024. Meanwhile, over 27.5 million active users[2] are now engaging with stablecoins, with monthly transaction volumes reaching $450 billion.[3]

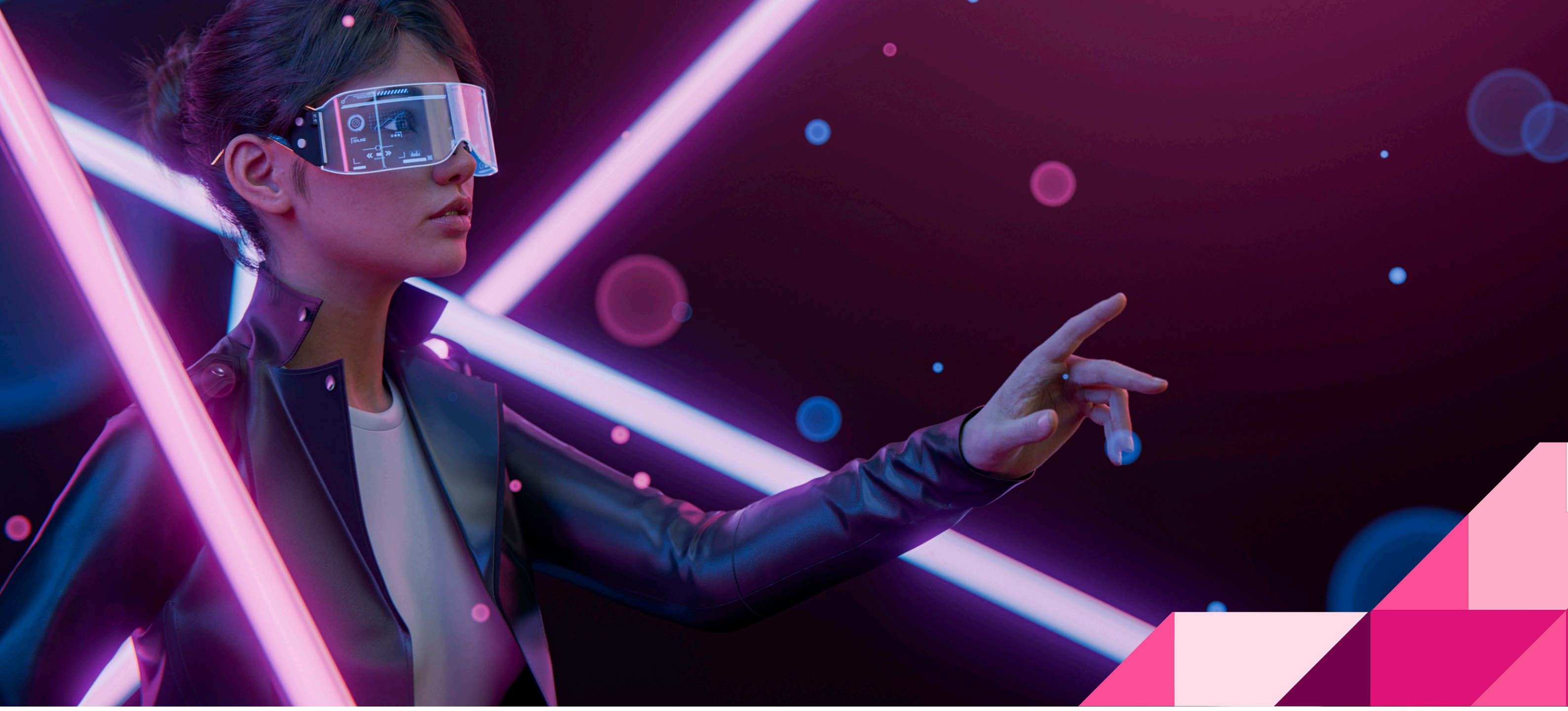
### Improving security and transparency

At the same time, regulators are taking steps to improve security and transparency within the digital assets ecosystem. Developments in this area include the EU Markets in Crypto-Assets Regulation (MiCAR) , which is being introduced to regulate activities such as the issuance, custody and administration of crypto-assets. The regulation came into effect for issuers of Asset Reference Tokens and E-Money Tokens in June 2024, and will apply to Crypto-Asset Service Providers (CASPs) on 30th December.

> “At SAP, we are looking into all forms of digital money ranging from CBDCs, commercial bank money tokens (CMBTs), to stablecoins. These new forms of money will enable new use cases for businesses and treasuries alike. Machine-to-machine micropayments or global cashpooling with stablecoins are just some examples of the possibilities the digitization of money will offer.”

Bernhard Schweizer, Head of SAP Digital Currency Hub

1. Source: https://www.juniperresearch.com/press/cbdc-transaction-volume-to-reach-78-billion-by-2031/
2. Source: https://corporate.visa.com/en/sites/visa-perspectives/trends-insights/making-sense-of-stablecoins.html
3. Source: https://www.forbes.com/sites/boazsobrado/2024/09/28/stablecoin-volumes-reach-450-billion-monthly-while-bitcoin-rises/



In the UK, notable developments include the Financial Services and Markets Act 2023 (Digital Securities Sandbox), which came into force on 8th January 2024. The regulations are intended to allow firms and regulators to test the use of new technology. According to the Payment Services Regulator (PSR), the act "advances payments regulation and better reflects the future of payments, helping ensure that we have the tools we need to effectively regulate a complex, ever-changing sector."

To support open banking and level the playing field between banks and non-banks, the EC has also issued a package of proposals for financial data access and payments, including proposals to modernize the revised Payment Services Directive (PSD2) with the introduction of PSD3, and create a Payment Services Regulation (PSR) including a package of measures covering the conduct of payment services.

> "These proposals would transform the payments landscape in a number of ways, including by mitigating payment fraud, improving consumer rights, improving open banking, and levelling the playing field between banks and non-banks."
>
> Wasif Raza, Managing Director, Global Head of Distribution, Taulia

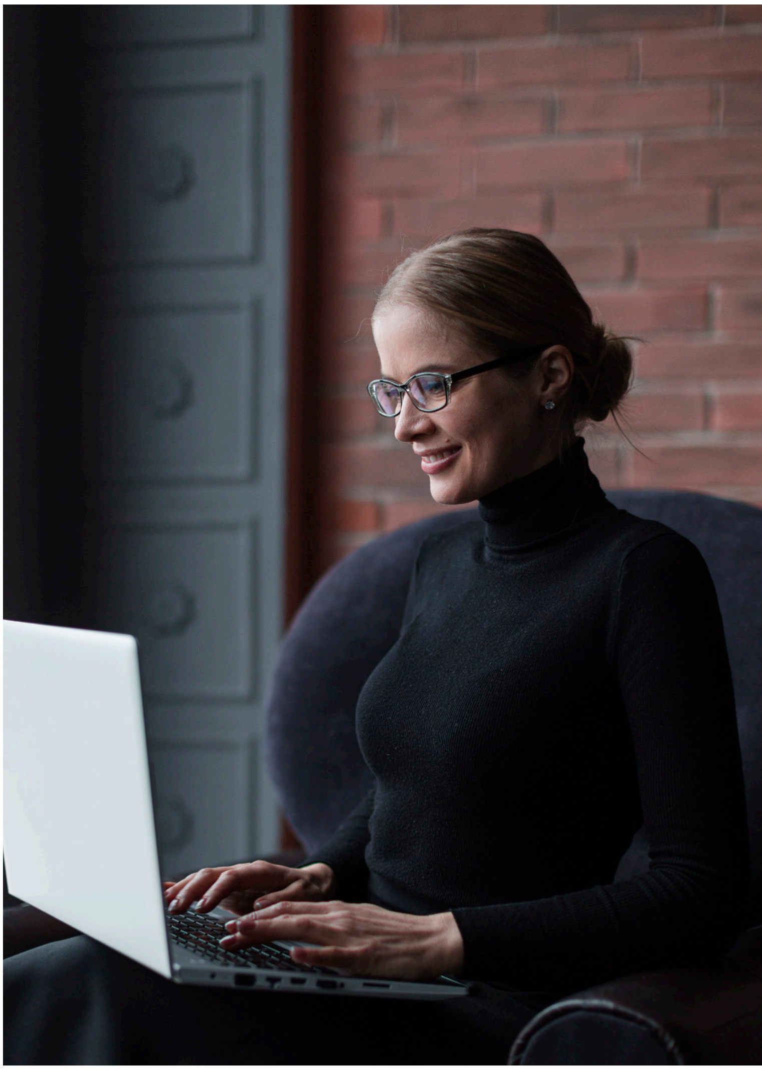
## Streamlining global trade

Where global trade is concerned, the industry has been working for some time to digitize paper-based processes. Significant developments include Singapore's Electronic Transactions (Amendment) Bill and The UK Electronic Trade Documents Act (ETDA), which are based on the UNCITRAL Model Law on Electronic Transferable Records (MLETR) and allow electronic transferable records to replace physical documents. The adoption of the ETDA is particularly significant given that 80% of all bills of lading and 60% of global trade finance is governed by English law.

According to ICC United Kingdom[1], digitalizing commercial trade documents will generate £224 billion in efficiency savings and reduce trade transaction costs by 80%, as well as delivering £25 billion in SME trade growth.

> "The rise of electronic trade documents could bring multiple advantages for businesses that have long struggled with the costs and inefficiencies associated with paper documents. Replacing paper documents with digital alternatives could reduce transaction costs, increase the efficiency of trade, and improve security."

Wasif Raza, Managing Director, Global Head of Distribution, Taulia



### Predictions

- CBDC transaction volumes will grow rapidly in the coming years, with a focus on interoperability between different CBDCs.
- Security will be an important focus as new regulations are introduced.
- Efforts to digitize trade documents will continue, with the potential to address longstanding challenges around cost and efficiency.

1. Source: https://iccwbo.uk/wp-content/uploads/2024/03/ICC-United-Kingdom-Trade-Finance-Programme.pdf

# Real-time payments

## On another note, the topic of real-time cross border payments is increasingly becoming a focus.

According to PwC's Payments 2025 & Beyond report, 42% of respondents strongly expect an acceleration of cross-border, cross-currency instant and B2B payments in the next five years. This growth is driven by both businesses and consumers who increasingly expect frictionless, immediate transactions across borders, facilitated by a seamless payments infrastructure.

In Europe, the roll-out of instant payments is being accelerated by the Instant Payments Regulation, which entered into force in April 2024. European banks and payment services providers (PSPs) need to be able to receive instant payments from 9th January 2025, and able to send instant payments from 9th October 2025. The optional One-Leg Out Instant Credit Transfer (OCT Inst) scheme, which was launched in November 2023, applies to international instant credit transfers in which only one of the parties is part of the SEPA zone.

Also significant is the BIS (Bank for International Settlements) Nexus initiative in APAC, which links domestic instant payment systems in the APAR region, which links domestic instant payment systems to facilitate faster, more efficient cross-border transactions. Through Nexus, countries in the region aim to standardize protocols, reduce transaction costs, and minimize the delays often associated with traditional correspondent banking networks. This movement is further supported by ongoing advancements in blockchain and distributed ledger technology, which promise to enhance the transparency and speed of cross-border payments while also reducing compliance hurdles.

As these developments unfold, they are likely to significantly impact global trade, financial inclusion, and even the role of central banks, positioning real-time cross-border payments as a critical component of the future payments ecosystem.

### Predictions

- Demand for real-time cross-border payments will increase, driven by factors such as customer expectations.
- Regulators will support real-time cross-border payments in a variety of ways, including efforts to link domestic payment systems.

1. Source: https://www.ey.com/en_uk/insights/tax/what-vida-means-for-the-rise-of-global-e-invoicing

# Conclusion

## The outlook for the next five years is fraught with uncertainties, as wide-scale technological advancement goes head-to-head with rising geopolitical tensions.

With US hegemony waning, the coming years will likely bring varying levels of friction between major political powers, with a number of different hotspots coming into focus. This may lead to governments intervening in global trading relationships in order to mitigate the risk of disruption to global supply chains. At the same time, technological innovation is set to continue, giving rise to a variety of regulatory changes.

As such, regulation will come in many shapes and sizes in the coming years, from new e-invoicing rules to the rise of stablecoins and CBDCs. For businesses around the world, these developments will have very real consequences. One the one hand, nascent payment methods and digital trade documents could make it quicker, easier and cheaper for companies to do business with their counterparties. But at the same time, trade tariffs and geopolitical pressures could lead to higher costs, putting more pressure on working capital and prompting firms to review their trading relationships.

### Navigating supply chain disruption

Of course, c ompanies around the world have already experienced prolonged periods of disruption in recent years, with recent GlobalData analysis describing supply chain disruption since 2020 as 'unprecedented'. And the challenges continue, with the latest McKinsey Global Supply Chain Leader Survey[1] finding that nine out of ten respondents have encountered supply chain challenges in 2024.

In particular, soaring inflation has ramped up raw material and shipping costs, while geopolitical tensions have led to shortages, transportation challenges and higher commodity prices. Companies have also experienced labor shortages across their supply chains, particularly in areas such as logistics and transportation. These experiences have fundamentally reshaped the way in which organizations view and manage their supply chains.

In order to navigate these challenges, businesses need to be more adaptable and resilient than ever before. What that looks like in practice will depend on the needs and goals of the individual company. For example, some may focus on building lean supply chains with minimal inventory and holding costs, while others may opt for resilient supply chains with high levels of safety stock.

Whichever strategy the company chooses to adopt, there is much to gain by harnessing digital solutions in order to manage future regulatory change, build more agile supply chains, streamline processes, and forecast future flows.

1. https://www.mckinsey.com/capabilities/operations/our-insights/supply-chain-risk-survey

# Conclusion from Danielle Weinblatt, CPO

As the business landscape continues to evolve, companies are looking for payment products that can help them meet the challenges of today's environment head-on.

Businesses and their suppliers continue to navigate issues ranging from supply chain disruption to geopolitical pressures – and, of course, the uncertainty that comes with future regulatory change. In this environment, there's a greater need than ever for payment solutions that provide more flexibility and convenience for both buyers and suppliers.

Embedded finance – in other words, the enablement of financial services inside non-financial experiences – has much to offer when it comes to facilitating trade and driving efficiency. In particular, solutions like virtual cards enable buyers and suppliers to manage their cash flows more effectively, improve security, simplify reconciliation and increase visibility over transactions.

By paying suppliers using virtual cards, businesses can bolster the resilience of their supply chains, increase certainty over the timings of payments, and improve supplier relationships – all while reducing the need for manual processing and reconciliation.

Taulia Virtual Cards is the only virtual card solution to offer comprehensive integration with Oracle and SAP, with a roadmap for embedded functionality in SAP Ariba. As such, our payment solution has a key role to play in enabling buyers to optimize cash flow and mitigate risk – all while helping suppliers manage their cash flows more effectively in an uncertain environment.

**Danielle Weinblatt**
Chief Product Officer, Taulia

Contact us here to find out more about how Taulia can help you navigate new payment regulations in 2025 and beyond