

CIRCOLARE INFORMATIVA 12/24

Milano, 8 febbraio 2024

OGGETTO: EUF Monthly Monitoring Report - Gennaio 2024

Si trasmette agli Associati il rapporto mensile predisposto da Euralia per l'EU Federation for the Factoring and Commercial Finance Industry (EUF). Il Monthly Monitoring Report (MMR) descrive lo stato di avanzamento dei principali processi legislativi in corso presso gli organismi dell'Unione Europea con particolare attenzione alle tematiche di interesse per il settore del factoring.

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Consultation

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18 January 2024 - EBA opens consultation on draft guidelines on sustainability risk management

On 18 January 2024, the European Banking Authority (EBA), [published](#) its draft guidelines on sustainability risk management under the Capital Requirements Directive (CRD).

EBA considers that credit institutions must, after assessing the materiality of the sustainability risks they face, be able to quantify them and estimate the proportion of their portfolio that could be impacted by climate change.

The EBA thus stipulates that banks' assessment of the materiality of risks must include at least the following:

- the consideration and use of both qualitative and quantitative elements and data;
- the assessment of the impact of ESG risks on the most significant activities, services and products;
- with regard to environmental risks, the assessment of both transition and physical risk drivers,

Credit institutions must therefore integrate methodologies for mitigating these risks in the short, medium and long term into their risk management processes, and implement appropriate risk management tools. EBA recommends that banks integrate sustainability risks into their regular processes, such as internal control and the definition of "risk appetite".

As part of banks' sustainability risk assessment, EBA recommends that banking institutions collect a range of data from their counterparties in order to accurately assess the ESG risks to which they are exposed:

For environmental risks:

- geographical location of key assets and exposure to environmental hazards
- current and forecasted greenhouse gas (GHG) scope 1, 2 and 3 emissions
- material impacts on the environment, including climate change and biodiversity, and related mitigation or adaptation policies,
- dependency on fossil fuels,
- energy and water demand and/or consumption,
- energy performance certificates and score for real estate exposures,
- adherence to voluntary or mandatory climate and environmental reporting,
- litigation risk including imminent, pending or completed litigation case related to environmental issues,
- forward-looking adaptive capacity, including transition plans prepared by non-financial corporates

For social and governance risks:

- compliance with social standards, such as the fundamental conventions of the International Labor Organization or the World Bank;
- governance practices;
- adherence to voluntary or mandatory social and governance reports;
- negative impact on local communities, including due diligence policies to prevent such impact;
- litigation risks, including imminent, ongoing or completed litigation related to social or governance issues, and compliance with their due diligence requirements.

While this list only applies to large corporate counterparties, banks are encouraged to draw on it when assessing their other counterparties.

The draft guideline also sets out how the transition plans defined in the CRD are to be applied. However, EBA stresses that the aim of these transition plans is not to force banking institutions to divest from sectors exposed to fossil fuels, but rather to anticipate and adapt to the challenges of the green transition.

Next steps:

EBA plans to adopt the guidelines at the end of 2024. The deadline for responses to the consultation is April 18, 2024.

On 21 February the EBA is [organizing](#) a public hearing. Stakeholders wishing to attend can register by following the link below.

Banking regulation

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16 January 2024 – The European Parliament adopts its report on the Banking Union

On January 16, 2024, the European Parliament [adopted](#) its report on the Banking Union in plenary session.

MEPs called for "*the completion of the Banking Union*", regretting that the 3rd pillar remains unresolved.

MEPs reiterated their call to encourage bank consolidation at European level, while mitigating the risks of concentration. Furthermore, with interest rates differing widely from one Member State to another, MEPs want the EU institutions to consider "*measures to improve consumer choice and competition, and to ease the burden on mortgage holders and SMEs in Member States with higher lending rates, to ensure that all citizens and businesses can access the capital they need at fair and competitive rates*".

MEPs also acknowledge the lack of progress on the proposal for a directive on an accelerated out-of-court procedure for the recovery of collateral, aimed at providing banks with a mechanism for accelerating the recovery of the value of secured loans by means of out-of-court enforcement proceedings.

Finally, in view of the growth of the non-banking financial sector, the Parliament calls for "*strengthening the resilience of non-banking financial intermediaries and establishing a level playing field with the banking sector, in particular by creating specific regulatory and supervisory instruments to prevent a liquidity crisis*".

As a reminder, the report on the Banking Union is a report for opinion, and thus, it is non-binding.

Shadow Banking

24 January 2024 - European Commission publishes report on addressing systemic risks related to non-bank financial intermediaries (NBFIs)

On 24 January 2024, the European Commission [published](#) a report under the Capital Requirements Regulation (CRR), assessing the macroprudential framework. The report aims to take stock of the effects of the pandemic, the macroeconomic consequences of the growth of NBFIs, and the banking crisis of 2023.

Assessment of the functioning of the prudential framework

The Commission considers that the banking prudential framework has proved effective in preventing and monitoring risks that could affect financial stability. Nevertheless, the Commission wishes to continue working on a number of points, in particular:

- Monitor the reduction of capital buffers in the event of a systemic shock, in order to support banks' lending capacity to the economy while preserving financial stability;
- Promote greater consistency in the use of macroprudential tools by member states;
- Assess the capacity of the prudential framework to respond to both conventional and emerging risks.

The applicability of the macroprudential framework to non-bank financial intermediaries

According to the European Systemic Risk Board (ESRB), NBFIs, which include asset managers, supply chain finance companies and insurers, account for 39% of European financial sector assets. The Commission recognizes their key role in reducing dependence on bank financing and supporting innovation.

The Commission believes, however, that rapid growth in these sectors could, over time, give rise to new risks and challenges for financial stability. The Commission also recognizes that the interconnection between the banking sector and NBFIs has increased the risk of contagion in the event of a financial crisis. The report welcomes the international work being carried out in this area, particularly in the wake of the Archegos and Greensill Capital cases. The report points to four main vulnerabilities for NBFIs:

- Structural inadequacy of liquidity;
- The significant increase in the use of leverage by NBFIs;
- The interconnection between the banking sector and NBFIs;
- Lack of coherence and coordination between different European macroprudential frameworks.

Next steps

In order to address these main points, the Commission plans to conduct a targeted consultation in 2024 on macroprudential policies addressed to NBFIs in order to identify the main gaps.

Banking supervision

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9 January 2024 - The European Banking Authority authorizes the Bank of Italy to grant preferential prudential treatment for covered bonds

On 9 January 2024, the European Banking Authority [published](#) its opinion on the Bank of Italy's decision to introduce a partial derogation from Article 129 (1)(c) of the Capital Requirements Regulation (CRR), which specifies the eligibility conditions for covered bonds with regard to preferential risk-weighting treatments.

In view of the potential concentration issues in Italy, EBA considers that the application of preferential prudential treatment to covered bonds is justified.

Based on the current classification of Italian credit institutions according to assigned credit quality steps (CQS), the current composition of the Italian covered bond market and the type and nature of exposures to credit institutions that covered bonds regularly assume justify for EBA the adoption of such a derogatory measure by the National Bank. In its opinion, EBA states that Italy faces a major problem of potential concentration arising from the application of the CQS1-CQS2 requirement relating to credit quality classification.

Taxation incl. VAT and Legal Affairs

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Late payment

19 January 2024 - The EU Commission and the ECB publish their Survey on Access to Finance Enterprises (SAFE)

On 19 January 2024, **the European Central Bank and the European Commission have published their 2023 analytical report of their Survey on Access to Finance Enterprises (SAFE)**. Previous versions are [available](#) on the Commission website.

The study examines the financial and operational landscape of the SMEs in the European Union. It highlights their reliance on debt financing, economic challenges, growth prospects, and operational issues. A substantial majority of SMEs continue to depend on traditional debt financing methods such as leasing, credits lines, and bank loans with many opting for internal funds over new financing. The economic climate is characterized by a deteriorating outlook, increasing interests' rates, and stricter collateral requirements, leading to a heightened demand for financial resources amid lower confidence about the possibility to acquire those resources.

According to the study, **SMEs show a recovery in turnover expectations but continue to have limited optimism for substantial growth**. It is worth to notice that there is an expected net deterioration in the availability of most financing types, with a slight improvement in equity capital. The study highlights that operational challenges are significant, with SMEs facing rising labour and material costs, increased interest expenses and declining profitability. Shortages of experienced staff, difficulties with acquiring new customers and the **difficulties caused by late payments are prevalent**. The study concluded that SMEs face considerable challenges in maintaining growth and resilience amid tightening financial constraints and operational hurdles.

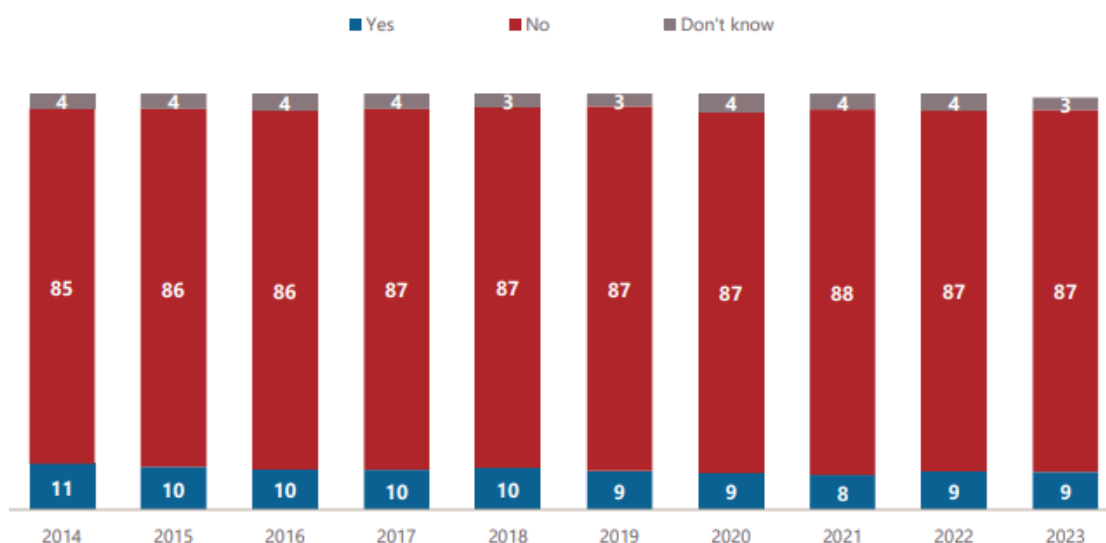
1. About Factoring :

- 9% of SMEs say factoring is a relevant source of financing for their enterprise, which is table compared to previous year, and 6% have used it in the past six months. The proportion of SMEs seeing this source of financing as relevant has remained essentially stable in the long term.

Q4r Are the following sources of financing relevant to your firm, that is, have you used them in the past or considered using them in the future?

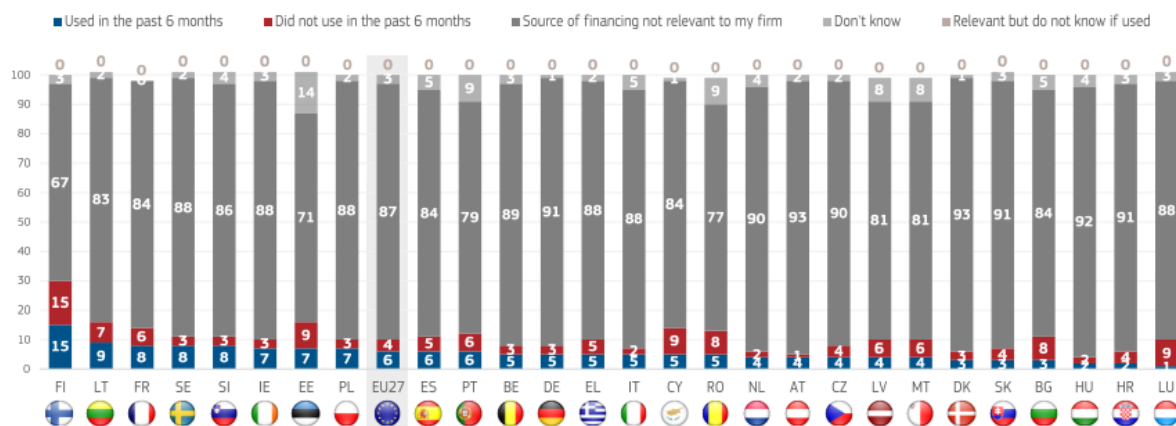
Factoring

(% - EU)



- At the country level, Finland (15%) stands out for particularly large minority of SMEs using factoring as a source of financing. In all countries, **more than two thirds (67%) of SMEs say that factoring is not relevant for their enterprise** which shows the need to increase factoring acknowledgement.

Q4(2)_r Have you obtained such sources of financing in the past 6 months?
(% - Factoring)



- **SMEs in the industry sector (11%) are more likely than those in other sectors (4-6%) to have used factoring**, the same applies to SMEs with 250+ employees compared with those which have between 1 and 9 employees (19% vs 2%), to innovative SMEs versus non-innovative SMEs (7% vs 4%) and to exporters versus non-exporters (9% vs 3%). “Gazelles” (high growth companies) are less likely than other high-growth enterprises to have used factoring (4% vs 6%).

Q4(2)_r Have you obtained such sources of financing in the past 6 months? - Factoring
(% - EU)

	Used in the past 6 months	Did not use in the past 6 months	Source of financing not relevant to my firm	Don't Know	Relevant but do not know if used
EU27	6	4	87	3	0
Sector					
Industry	11	5	81	3	0
Construction	5	5	87	3	0
Trade	6	4	87	3	0
Services	4	3	89	4	0
Size: employees					
1--9	2	3	91	4	0
10--49	6	4	86	4	0
50--249	12	4	81	3	0
250+	19	5	74	2	0
Innovativeness					
Innovative	7	5	85	3	0
Non-innovative	4	3	90	3	0
Growth					
Gazelle	4	4	85	7	0
High-growth	6	5	85	3	0
Exporting vs. non-exporting					
Exporters	9	5	84	3	0
Non-exporters	3	3	90	3	0

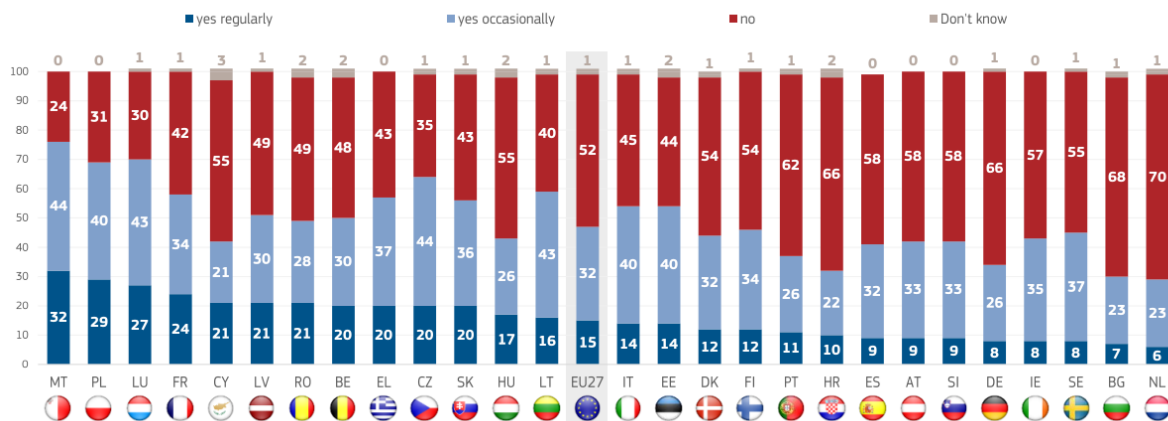
2. Late payments

- Regarding late payments (p119) it is interesting to notice that **52% of EU companies do not face late payment issues**, and that there are strong divergences between Member States.

QA2 Has your company experienced problems due to late payments from any private or public entities in the past six months?
(% - EU)

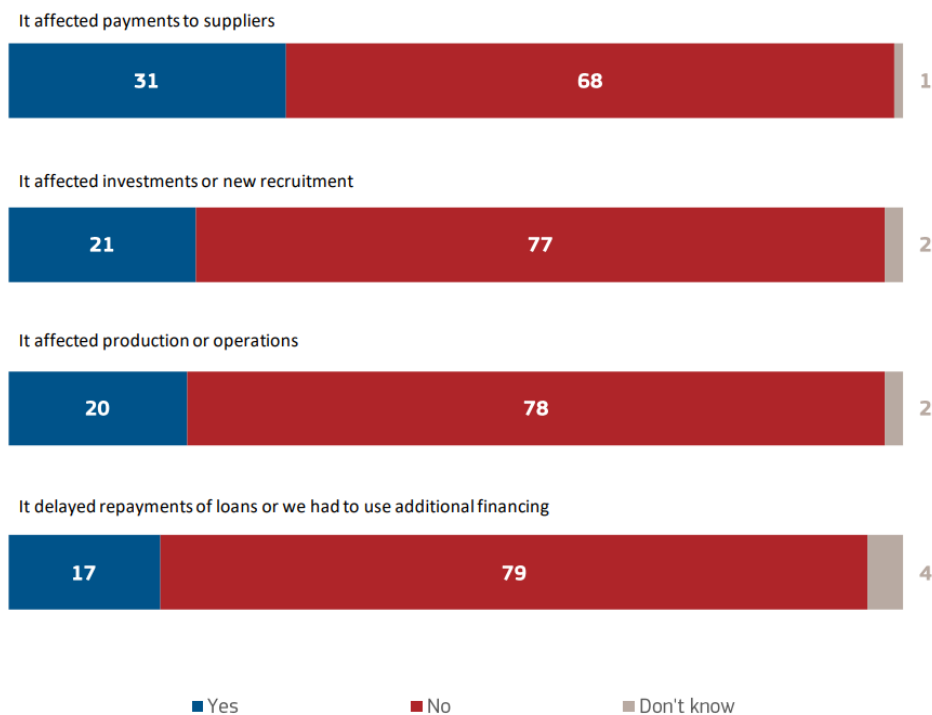
	yes regularly	yes occasionally	no	Don't Know
EU27	15	32	52	1
Sector				
Industry	13	37	49	1
Construction	18	37	44	1
Trade	14	32	53	1
Services	14	30	55	1
Size: employees				
1--9	14	30	55	1
10--49	15	34	50	1
50--249	14	36	49	1
250+	15	39	45	1
Innovativeness				
Innovative	18	36	46	1
Non-innovative	11	30	58	0
Growth				
Gazelle	17	18	65	0
High-growth	18	31	51	0
Exporting vs. non-exporting				
Exporters	15	36	48	1
Non-exporters	14	30	55	1

QA2 Has your company experienced problems due to late payments from any private or public entities in the past six months?
(%)



➤ Late payments hinder in particular payments to suppliers, survey found.

QA3. What were the consequences of those late payments?
(% – EU)



Next steps :

On 13 March 2024, the Belgian Presidency will host a conference on SMEs and access to finance,

17 January 2024 - LPR: the European Economic and Social Committee publishes its opinion on the legislative proposal

On 17 January 2024 the European Economic and Social Committee (EESC) [published](#) its opinion on the Commission's proposal to combat late payment (LPR).

The Committee calls on public authorities to set an example when it comes to payment times, and deplores the fact that payment times are higher for public authorities (52 days on average) than for B2B transactions (41 days on average). It therefore supports the introduction of maximum payment terms of 30 days for transactions where public authorities are debtors.

While the Committee welcomes the proposal to create independent authorities to enforce the LPR regulation, it warns against the numerous constraints that would apply to ensure that information is treated confidentially and without imposing new reporting obligations on companies.

The Committee believes that, unlike large companies, **SMEs do not have easy access to bank credit, and some use late payment as a tool for temporary financing.**

The Committee believes that the Commission is right to consider revising the directive, but that the options chosen need to be carefully thought through, particularly those that could affect private contract law. According to the EESC, the provisions of the regulation could deprive SMEs of the flexibility they need. The Committee adds that, given the heterogeneity of payment cultures between Member States, a revision of the current directive might have been more appropriate. The Committee regrets that the Commission has not explored this possibility further.

The EESC warns that the introduction of strict payment deadlines could lead companies to seek partners in third countries rather than in Europe.

The Committee considers that Article 9 is impossible to apply from a legal point of view. In addition, the EESC is not in favor of not allowing the parties to agree on a payment term different from that stipulated in the regulation. In conclusion, the Committee is in favor of freedom of contract.

As a reminder, the Parliament and the Council are not obliged to follow the opinion of the European Economic and Social Committee (EESC).

8 January 2024 - LPR: the Parliament publishes its amendments

On 8 and 9 January 2024, the amendments on the regulation [proposal](#) combatting late payments (LPR) have been published ([amendments](#) from article 1 to 4 and [amendments](#) from article 5 to 20) by the Committee for Economic and Monetary Affairs (ECON) of the EU Parliament.

Following the publication of the draft report on the Late Payment Regulation (LPR) proposal MEPs had until the 12 December 2023 to table their amendments.

1. Amendments on recitals and on article 1 to 4

Furthermore, you will observe reading the amendments' summary on payments terms that approaches and positions between MEPs, and even inside political groups, vary vastly. Thus, different policies are on the table ranging from a strict 30-days payment term to a payment term up to 120 days depending on the size, the sector and the nature of the undertakings.

Please find hereafter a summary of the main amendments tabled by MEPs on article 3 to 5 and of possible interest for EUF :

- Payment terms :
 - Extended payment terms
 - up to 60 days : Antonius MANDERS (EPP, NL), EPP shadow rapporteur, proposes (AM 49, 161) to introduce an amendment in view of allowing payment periods to be extended up to 60 days for B2B transactions in which the debtor is not a large undertaking.
 - up to 120 days: EPP MEPs such as Andreas SCHWAB (EPP, DE), Christian DOLESCHAL (EPP, DE) and Lara COMI (EPP, IT) (AM 33) or such as Laurence SAILLET (EPP, FR), Geoffroy DIDIER (EPP, FR) (AM 150) propose to maintain the 30 days mandatory payment term for public entities but to allow longer payment term, up to 60 days, in case of B2B transactions. Some EPP MEPs (AM 33, 157) go further and propose that in some circumstances if there is no gross inequity or unfairness that payment terms can be extended up to 120 days. EPP MEPs consider (AM 174) that *"gross unfairness exists if the deviation from the standard period of 60 days occurs without an objective reason and violates the principles of good faith and honesty"*.
 - Depending on the agreed terms : Eugen JURZYCA (ECR, SK) ECR shadow rapporteur proposes a similar amendment (AM 40) maintaining a 30-days payment term for public entities, and a 60-days payment terms for B2B transactions, unless contractually agreed otherwise by companies. Renew MEPs propose (AM 148) that, *"a longer period may only be agreed expressly and provided it is not grossly unfair to the creditor"*.
 - Specific payment terms : Overall, a certain number of MEPs from all groups propose to introduce different provisions depending on the size (large undertaking or SME), the nature (private or public authority) or the sector of the debtor and/or creditor.
 - 30-days payment term for public authorities and/or large undertakings : Geoffroy DIDIER (EPP, FR), Anne SANDER (EPP, FR) (AM 41) and Renew MEPs such as Stéphanie YON-COURTIN (Renew, FR), Dita CHARANZOVA (Renew, CZ) (AM 45, 142) propose to maintain the 30-days payment term only for G2B transactions and B2B transactions where the debtor is a large undertaking. Cristel SCHALDEMOSE (S&D, DK) proposes (AM 139) to limit article 3 and the 30-days payment term to G2B transaction when the debtor is a public authority.
 - Sectorial exemption : Deirdre CLUNE (EPP, IE) and Maria GRAPINI (S&D, RO) and some EPP MEPs propose to introduce sectorial exclusions for some types of goods (e.g slow moving and cultural products). Sandro GOZI (Renew, FR) propose (AM 164) that if the creditor is a micro, small or medium-sized enterprise and the debtor is not a large undertaking or a contracting authority then longer payment terms can be set at national level for specific sectors.
 - Size exemption : Antonius MANDERS (EPP, NL) (AM 34, 98), EPP shadow rapporteur, proposes to exclude transactions between large undertakings from the regulation scope. S&D MEPs (AM 159) also propose that for SMEs the payment period should be set to 60 days during the first year of application of the regulation.

- Article 3a on payments periods between undertakings : Martina DLABAJOVÁ (Renew, CZ), Dita CHARANZOVA (Renew, CZ), Tom VANDENKENDELAERE (EPP, BE), and Cristel SCHALDEMOSE (S&D, DK) introduce (AM 203, 204, 205) a new and specific article on payment periods between undertakings and reduce article 3 scope to B2G transactions.
 - National Law : EPP MEPs, Renew MEPs such as Stéphanie YON-COURTIN (Renew, FR), Dita CHARANZOVA (Renew, CZ) and ID MEPs, (AM 56, 57, 58) also propose that *“this Regulation should be without prejudice to shorter or longer periods which may be provided for in national law”*. Anne SANDER (EPP, FR), Geoffroy DIDIER (EPP, FR) and Stéphanie YON-COURTIN (Renew, FR) propose (AM 190, 192) that national law, *“by industry agreement”*, may provide longer payment in specific economic sectors.
- **Ban of assignment** : Antonius MANDERS (EPP, NL) propose (AM 69) to reaffirm that where a clause “assigning credit to a third party is not in conformity with this Regulation, it should be null and void”.
 - **Access to financing services** : Antonius MANDERS (EPP, NL) propose (AM 86) to include *“financing services”* in recital 29 whereas Eugen JURZYCA (AM 87) propose to include (AM 87) *“invoice management”* in article 29. **Laurence SAILLET (EPP, FR) and Geoffroy DIDIER (EPP, FR) explicitly refer (Am 88) to factoring in recital 29.** Pablo ARIAS ECHEVERRÍA (EPP, ES) proposes (AM 162) that *“by way of derogation from paragraph 1, Member States may allow longer payment periods for products previously identified in conjunction with the relevant economic operators and bodies, taking into account their characteristics, such as the rate at which they are turned over. Where the payment periods for these products exceed 30 days, they shall be accompanied by financial compensation for the creditor that is equivalent to the deferral, mechanisms for discounting invoices and/or, where applicable, financial guarantees or instruments for securing payment. Such compensation, mechanisms and guarantees shall be proportionate to the payment period covered”*. On the other hand, Claude GRUFFAT (Greens/EFA, FR) Greens shadow rapporteur, considers that recurring to external financing *“compromises creditor profitability”* (AM 27).
 - **Enforcement authorities** : EPP MEPs such as Andreas SCHWAB (EPP, DE), Christian DOLESCHAL (EPP, DE) and Lara COMI (EPP, IT) propose to delete the creation of enforcement authorities and rather support strengthening late payment court procedures to ensure faster and more reliable claim recovery.
 - **Article 4 regarding public procurement** : Antonius MANDERS (EPP, NL), EPP MEPs and Renew MEPs propose to delete article 4. On the other hand, S&D, Greens, ECR and ID MEPs propose to strengthen the role of public authorities in discouraging late payers to be awarded public contracts.

2. Amendments on article 5 to 20

The amendments tabled include:

- **Factoring**: Laurence SAILLET (EPP, FR), Geoffroy DIDIER (EPP, FR) (AM 381) and Tsevetelina PENKOVA (S&D, BG) S&D shadow rapporteur, Rene REPASI (S&D, DE) and Laura BALLARIN CEREZA (S&D, ES) (AM 385) **propose to explicitly include “factoring” in article 17.** Likewise, Antonius MANDERS broadly mentions *“financing services”* in article 17 (AM 383). The Greens propose to include *“any other initiatives that tackle late payment”*. Lara COMI (EPP, IT) proposes to introduce a new paragraph in article 16 stating that *“Member States shall consider mandatory forms of adequate compensation, such as offsetting, and other supporting measures, such as, for example, guarantee funds for SMEs and*

factoring for companies owed money by a public authority, so that they are not forced to go bankrupt because of it”.

- **Ban of assignments** : Antonius MANDERS (EPP, NL) EPP shadow rapporteur proposes to ban “*clauses excluding or limiting the right of the creditor to assign credit to a third party*” (AM 276). Similarly, Adam BIELAN (ECR, PL) proposes to forbid clauses “*prohibiting or limiting the assignment of receivables to a relevant financial institution*” (AM 276), close amendments were also tabled by Italian ID MEPs. The ban of assignment was also proposed by rapporteur Roza THUN in its report.
- **Interest for late payments**: several MEPs from the EPP, the ECR and the ID group propose to delete the requirement for the creditor to claim interest payment on late payment. Antonius MANDERS (EPP, NL) proposes to maintain the provisions regarding the requirement to claim interest on late payments only if the debtor is a public entity or a large undertaking or if it is grossly unfair to the creditor.
- **Payment transparency**: Eugen JURZYCA (ECR, SK) ECR shadow rapporteur proposes that Public authorities and large undertaking publish information on their payment practices, including average payment periods for “*settling invoices and to receive payment for invoices*”. Additionally, Claude GRUFFAT (Greens/EFA, FR) shadow rapporteur of the Greens political group proposes to require all non-SMEs companies and public authorities to annually provide Member States and the EU Payment Observatory with the total amount of invoice paid, received and the average invoice paying time.
- **Enforcement authorities** : several EPP MEPS propose to delete the provisions requiring Member States to designate enforcement authorities (AM 302, 303). Renew MEPs also propose to delete article 14 related to the powers of enforcement authorities (AM 338).
- **EU Payment Observatory**: the S&D Group proposes (AM 388) that the EU Commission sets up a EU Payment Observatory with the mission to: 1/ monitor payment practices and identify harmful practices with the view of providing advice to the EU Commission; 2/ issue opinions related to the implementation of the Regulation; 3/ include stakeholders in the Observatory board.
- **LPR Report**: EPP and ECR group propose that the Commission publishes a report on the implementation of the Regulation 4 years after the entry into force of the text, whereas the S&D group and the Greens propose that the report is published 3 years after the LPR enters into force.
- **LPR application**: the Greens/EFA group proposes that the LPD continues to apply 24 months after the Regulation enters into force in the case where micro undertakings are debtors. The EPP, ECR and ID groups propose that regulation applies 24 months after the LPR date of entry into force.

Next steps :

The vote in the IMCO commission is set for 22 February 2024. The indicative vote in plenary is scheduled for April 11, 2024. The Council has not yet adopted its position on the text.

MEPs will have a political meeting to find a compromise regarding article 3 on 12 February.

VAT in the digital age

10 January 2024 - Business Europe calls for the introduction of a common e-invoicing framework

On 10 January 2024, BusinessEurope President Markus J. BEYRER [published](#) a letter addressed to Belgian Finance Minister Vincent van PETEGHEM, calling on him to adopt a European e-invoicing framework.

The president of BusinessEurope is concerned about the negotiations ongoing in the Council on the legislative package for VAT in the digital age (ViDA), and the tendency of each member state to want to develop its own national e-invoicing model.

As a result, BusinessEurope is asking member states and the Belgian Presidency to ensure that national models remain interoperable, so as to avoid imposing additional administrative burdens on businesses.

Finally, Markus J. BEYRER would like the Council to introduce a transition period during which national systems will have the opportunity to converge towards the new European e-invoicing framework.

Next steps:

The Council plans to adopt its position on the ViDA package at the ECOFIN Council meeting on 14 May 2024.

Sustainable Finance

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24 January 2024 - CSDD : Colegislators adopt the definitive provisions on the text

On 24 January 2024, Colegislators [adopted](#) their final compromise on CSDD. The 4-column table contains the provisions agreed in trilogues by Colegislators regarding the CSDD directive.

Regarding EUF discussion on the exclusion of financial services from the scope of the CSDD directive, this compromise proposals states in recital 19 : *“the definition of chain of activities should not include the activities of company’s downstream business partners related to the services of the company. For regulated financial undertakings **the definition of the term ‘chain of activities’ should not include downstream business partners that are receiving their services and products.**”*

Thus, only the *“upstream part of their chain of activities”* of Financial undertakings is covered by the directive.

Recital 36b also specifies that *“the specificities of financial services need to be acknowledged.”*

Lastly, in recital 70 the draft directive would require the Commission to submit a report -no later than 2 years after the directive entry into force- examining the necessity to lay down additional sustainability due diligence requirements for financial undertakings. If deemed appropriate the report would be accompanied by a legislative proposal.

Next steps :

Axel VOSS (EPP, DE), EPP shadow rapporteur, announced that the CSDD directive will be voted upon on 9 February in COREPER I (within the EU Council) and on 13 February in the JURI committee. A final vote in plenary is expected to take place in April. According to some sources, Italy and Germany could be abstaining in the Council. This means that the final text could be rejected by the Council if less than 15 Member States representing at least 65% of EU population support the text.

23 January 2024 - European Central Bank publishes report on the risks of misaligning bank financing with EU climate targets

On 23 January 2024, the European Central Bank (ECB) [published](#) a report on the risks of misaligning bank financing with EU climate targets.

The report outlines the risks for financial institutions if they fail to take climate transition objectives into account, which can be summarized as follows:

- The risks associated with the transition to a low-carbon economy can have a significant effect on a financial institution's credit portfolio. Indeed, companies in energy-intensive sectors could see their competitiveness reduced if they fail to adapt to the transition, leading to default risks for financial institutions. Furthermore, a company's reduced competitiveness in the market may result from higher carbon prices, greater dependence on energy prices, asset abandonment, stricter environmental regulations and changing consumer preferences, ultimately leading to increased default risk.
- If the transition to a decarbonized economy becomes disorderly, it will be increasingly necessary to quantify transition risks in banks' credit portfolios. Alignment assessment measures the difference between a company's production projections and the targets set within a decarbonization pathway. When a company is misaligned, it is adjusting its production more slowly than required by the decarbonization pathway.
- The report establishes that the eurozone banking sector shows significant misalignment and may therefore be subject to increased transition risks, with around 70% of banks also subject to high reputational and litigation risks.
- The report highlights the underlying factors contributing to the high transition risk in credit portfolios, which stems largely from financing counterparties that are either too slow to phase out their carbon-intensive production capacity, or too slow to develop their renewable energy production capacity.

Other topics

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30 January 2024 - MEP Markus PIEPER appointed EU SME Envoy

On 30 January 2024, the European Commission [appointed](#) German MEP Markus PIEPER (EPP) as EU SME Envoy, with responsibility for representing SMEs both inside and outside the EU.

Markus PIEPER has been a member of the EPP group for twenty years, and a member of the Budgetary Control (BUDG) and Industry, Research and Energy (ITRE) committees.

In line with the SME aid package to be presented in September 2023, he will be in direct contact with the President of the European Commission, Ursula von der Leyen, and the Internal Market Commissioner, Thierry Breton, to ensure that the interests of SMEs are taken into account upstream of the development of European initiatives.

He will also take part in meetings of the Regulatory Scrutiny Committee, which is responsible for assessing the Commission's impact assessments, and is thus in a position to veto legislative proposals.

Bear in mind that the date of effect of his appointment will be determined later.

29 January 2024 - MEP Othmar KARAS presents his draft report on easing reporting obligations in the financial sector

On 29 January 2024, the members of the ECON Committee adopted their position with 33 votes in favor and 1 against (see the final [adopted](#) report). On the Commission's proposal to streamline and lighten reporting obligations in financial services.

On 11 January 2024, members of the Committee on Economic and Monetary Affairs (ECON) discussed the draft report presented by Othmar KARAS (EPP; Austria) on targeted proposals to streamline mandatory reporting requirements in several European financial services regulations.

Based on the European Commission's proposal for a regulation, 5 regulations in all are targeted by this text, which proposes to lighten the reporting requirements imposed on companies and players in the EU financial sector.

In particular, this proposal to reduce reporting obligations in the financial sector aims to promote the exchange of information between European financial market supervisory authorities (ESMA, EBA, EIOPA), as well as with the European Systemic Risk Board (ESRB), and to reduce the administrative burden on companies.

EPP rapporteur Othmar KARAS, who intends to avoid "over-regulation" of Europe's financial markets, felt that the co-legislators needed to "put an end to bureaucratization". He also welcomed the "broad consensus" emerging from the 60 or so amendments submitted by MEPs to his draft report.

Speaking on behalf of his parliamentary group in committee, Alfred SANT (S&D; Malta) supported the proposal, believing it would avoid duplication. He pointed out, however, that this would not be enough to satisfy the ambition of establishing a broad-based Capital Markets Union (CMU), which is intended to stimulate private investment and access to capital for small and medium-sized enterprises.

As a reminder, in October 2023 the European Commission presented this initiative amending several existing regulations, as part of a more global ambition to reduce reporting standards and burdens in several key sectors of the European economy by 25%. The co-legislators will be asked to take a decision under the ordinary legislative procedure.

Next steps:

Rapporteur Othmar KARAS hopes that the trilogues will be concluded before the end of Belgian Presidency of the EU Council. He also estimated that the Parliament would be ready to negotiate with the Council as early as mid-February.

EU Elections

25 January 2024 - BETTER FINANCE publishes its Manifesto ahead of the 2024 European elections.

On 25 January 2024, BETTER FINANCE the European Federation of Investors and Financial Services Users [published](#) its Manifesto ahead of the European elections to be held from 6 to 9 June 2024.

BETTER FINANCE highlights 7 priorities that the Federation considers key for the Commission's next term of office:

- Ensuring consumer access to independent financial advice;
- Facilitate consumer access to understandable, low-cost pan-European financial products;
- Address the risk of failure to provide adequate pensions for EU citizens;
- Facilitate collective redress;
- Support the green transition by offering investment products that have a real impact;
- Lead a digital transition that puts the consumer at the center of priorities;
- Strengthen consumer participation and consultation as part of the European democratic process.

It is interesting to note that among the concrete proposals put forward by BETTER FINANCE, the Federation no longer proposes a complete ban on commissions, but rather calls for them to be better supervised and restricted in the case of certain types of distribution (independent advice).

With regard to ways of facilitating the green transition, BETTER FINANCE calls for the introduction of a warning on "ESG" products with policies excluding certain assets. Indeed, BETTERFINANCE would like consumers to be informed that exclusion policies have no effect on the green transition and may even have a negative effect, since they do not support the transition of "brown" assets (i.e. *for ESG compliant products (in relation to the sustainability preferences of clients), policy makers should consider adding a warning sign which mentions that exclusion approach has no impact on ESG and may be counterproductive to the environmental transition (the necessary "greening" of the brown economy)*).

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