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Consultations

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18 June 2024 - DG FISMA consultation on the use of artificial intelligence in the financial sector

On 18 June 2024, the European Commission, and more specifically the Directorate-General for Financial Services, Financial Stability and Capital Markets Union (DG FISMA), [opened](#) a targeted consultation on the use of artificial intelligence (AI) systems in the financial sector.

This targeted consultation is aimed in particular at financial companies that provide or deploy artificial intelligence systems in-house, as well as at consumer associations.

Feedback from the consultation will enable the Commission to assess market developments and AI-related risks, as well as to implement the Regulation on AI in the financial sector

The consultation focuses around a questionnaire with three parts:

- a first part with generalist questions on the degree of development of AI in the financial sector;
- a second part with questions on specific use cases for AI in finance;
- a third part on the application of the AI regulation to the financial sector.

Next steps:

The consultation is open until 13 September 2024.

3 July 2024 - The Joint Bank Reporting Committee launches a call for expression of interest to set up its Reporting Contact Group

On 3 July 2024, the Joint Bank Reporting Committee (JBRC), [jointly set up by the European Banking Authority \(EBA\) and the European Central Bank \(ECB\)](#), [launched](#) a public call for expression of interest to set up the Reporting Contact Group (RCG).

The RCG will bring together stakeholders with expertise on banks' regulatory reporting with the aim to serve as a regular **channel for cooperation and exchange of views and best practices with authorities**.

Stakeholders interested may apply to the JBRC, and it may be appropriate that EUF sends a representative to such stakeholder group to participate to regular exchanges.

Next steps :

The deadline for application is 1 August 2024. The first meeting will take place in September/October 2024.

Banking regulation

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19 June 2024 - EU Council negotiating mandate on CMDI revision adopted

On 19 June 2024, the Council of the European Union validated its negotiating mandates on the revision of the Crisis Management and Deposit Guarantee (CMDI) framework applicable to banks:

- [Directive amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action \(BRRD\).](#)
- [Regulation amending Regulation \(EU\) No 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action \(SRMR\).](#)
- [Directive Directive 2014/49/EU as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency \(DGS\).](#)

The aim of this legislative package is to adapt and strengthen the current EU framework for banking crisis management and deposit insurance (CMDI framework), paying particular attention to medium-sized and small banks. The Commission proposed the package in view of the failures of many medium-sized and small banks, which have had to be managed with solutions outside the resolution framework. These solutions have sometimes involved using taxpayers' money rather than the internal resources that banks are required to build up, or private safety nets financed by the industry.

For the record, the European Parliament [adopted](#) its position in plenary session on 24 April 2024.

The negotiating mandates include the following elements:

- A public interest assessment to be carried out in two stages:
 - Determining whether one of the objectives of resolution would be threatened in the event of insolvency.
 - If this is the case, then it should only be possible to initiate normal insolvency proceedings if such proceedings would achieve the objectives of resolution more effectively than resolution proceedings, otherwise resolution proceedings must be triggered.
- Additional guarantees concerning the use of funds from the National Deposit Guarantee Schemes (NDGS) or the Single Resolution Fund (SRF) to avoid unintended consequences or the risk of moral hazard.
- Appropriate burden sharing between the SGD and the FRU, when the latter is operated within the banking union.
- Stricter requirements and limitations on the use of gap-filling for banks with balance sheets of between €30 and €80 billion.
- The deletion of the "equality of rank" proposed by the Commission, which would grant all depositors the same privileged rank in the event of a bank's insolvency, and the reintroduction of a "super-preference status" for depositors protected by SDGs.
- The introduction of specific provisions aimed at preserving an operational framework for institutional protection schemes (IPS) designed to implement preventive measures.

The Commissioner for Financial Services, Financial Stability and Capital Markets, Mairead McGuinness, reacted to this mandate at the Ecofin Council meeting on 21 June. She said she feared "*that this compromise will be*

detrimental to the future of the Banking Union, as it will not strengthen harmonization, but rather renationalize the way in which crisis management and bank deposit guarantees are implemented in the EU." In her view, this agreement encourages the use of national tools outside the harmonized resolution framework, and will not allow more banks to be resolved, as it limits access to safety nets.

Next steps

Now that the two co-legislators have validated their respective mandates, trilogue negotiations can begin once the parliamentary committees have been set up and Parliament has resumed its work.

CRR/CRD

24 June 2024 - Revised banking package: the European Banking Authority presents revised regulatory technical standards for the standardized approach to credit risk

On 24 June 2024, the European Banking Authority [presented](#) a new amended version of the regulatory technical standards (RTS) on the standard approach to be adopted for counterparty credit risk. The recently published revised Capital Requirements Regulation (CRR) extends EBA's mandate to specify the formula for calculating the prudential delta of options under the Standardised Approach for credit risk.

The aim of the [draft amending RTS](#) is to establish a harmonized methodology for calculating the prudential delta adjustment applied to options under the SA-CCR when commodity prices are negative. From an operational point of view, this would provide institutions with a practical solution for calculating the prudential delta adjustment in a context of negative commodity prices.

In line with developments in international and European regulations, EBA has now clarified the calculation formula that institutions must use to calculate the prudential delta

- interest-rate options compatible with market conditions in which interest rates may be negative;
- options in commodity risk categories (notably electricity) compatible with market conditions in which commodity prices may be negative. The prudential volatility adapted to these formulas should also be specified.

Next steps:

The legal deadline for submission of the draft RTS to the European Commission is July 10, 2025. Regulatory technical standards are submitted to the Commission for approval, then examined by the European Parliament and the Council before being published in the Official Journal of the European Union.

Revised banking package: the European Banking Authority specifies the disclosure requirements and procedures concerning the output floor and credit risk

On 21 June 2024, the European Banking Authority [published](#) draft implementing technical standards (ITS) on institutions' reporting obligations under Pillar 3 of the Basel Accords, introduced by the revised Capital Requirements Regulation (CRR 3). The revised technical execution standards aim to ensure that market

participants have consistent and sufficiently comparable information to assess institutions' risk profiles, and ultimately strengthen market discipline.

The draft technical implementation standards (ITS) proposed by the EBA are intended to provide a framework for the publication of the disclosure requirements, set out in the amended CRR 3 regulation, on :

- the output floor,
- credit risk,
- market risk,
- CVA (Credit Valuation Adjustment) risk and
- operational risk.

To facilitate comparability of information, the proposed ITS standards seek to maintain consistency of disclosure formats with international standards in this area.

Next steps:

EBA plans to complete the draft ITS on disclosure requirements, adding in particular to this first version the extension of transparency requirements on ESG risks to all institutions, as well as new disclosure requirements on shadow banking activities.

21 June 2024 : the EBA publishes the draft ITS on public disclosures by institutions under CRR 3

On 21 June 2024, the EBA [published](#) the draft implementing technical standards (ITS) on public disclosures by institutions that implement the changes in the Pillar 3 disclosure framework introduced by the CRR3 regulation.

These draft ITS will ensure that market participants have sufficient comparable information to assess the risk profiles of institutions and understand compliance with CRR 3 requirements, further promoting market discipline.

Next steps :

The EU Commission will now have to adopt the draft ITS. It will be subject to scrutiny by EU colegislators before being formally adopted and published in the EU Official Journal.

21 June 2024 : the EBA publishes the draft ITS on public disclosures by institutions under CRR 3

On 21 June 2024, the EBA [published](#) the draft implementing technical standards (ITS) on public disclosures by institutions that implement the changes in the Pillar 3 disclosure framework introduced by the CRR3 regulation. These draft ITS will ensure that market participants have sufficient comparable information to assess the risk profiles of institutions and understand compliance with CRR 3 requirements, further promoting market discipline.

Next steps :

The EU Commission will now have to adopt the draft ITS. It will be subject to scrutiny by EU colegislators before being formally adopted and published in the EU Official Journal.

19 June 2024 - CRR/CRD publication in the Official Journal of the European Union

On 19 June 2024, [CRR 3 regulation](#) and the [CRD6 directive](#) have been published in the Official Journal of the European Union. The regulation is expected to enter into force on 1 January 2025, but some provisions will start applying on 9 July 2024.

Member States will now have to transpose the CRD6 requirements into national law by 10 January 2026.

This formally ends the legislative process for the CRR3 and CRD6 proposals.

Banking supervision

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24 June 2024 - the EBA publishes its draft RTS with regard to the standardised approach for counterparty credit risk (SA-CCR)

On 24 June 2024, the European Banking Authority (EBA) [published](#) the draft regulatory Technical Standards (RTS) amending the existing RTS on the **standardised approach for counterparty credit risk (SA-CCR)**.

These draft RTS have been adopted under the CRR3 regulation and aim to specify the formula to “*calculate the supervisory delta of options under the SA-CCR framework*”.

Next steps :

The EU Commission will now have to adopt the draft RTS. The draft delegated act will be subject to scrutiny by EU colegislators before being formally adopted and published in the EU Official Journal.

7 June 2024 - Publication of the ESA annual report

On 7 June 2024, the Joint Committee of Supervisory Authorities (EBA, ESMA, EIOPA) [published](#) its annual report, reporting on the supervisory activities of the ESAs for the year 2023, on cross-sector topics such as sustainable finance, digitalization, consumer protection, securitization, financial conglomerates, implementation of the European Single Access Point and clearing activities.

As a reminder, the mission of the ESA Committee is to coordinate and facilitate discussions and the exchange of information between the three ESAs, the European Commission and the European Systemic Risk Board (ESRB). The committee also monitors emerging risks that could affect financial market participants and the financial system as a whole.

5 June 2024 - EBA publishes plan to implement Data Point Model 2.0

On 5 June 2024, the European Banking Authority (EBA) [published](#) its implementation plan for Data Point Model (DPM) 2.0 as part of its 4.0 reporting framework.

DPM 2.0 will bring several benefits: better integration with more granular reporting, an improved version of data definitions and better definition of data relationships.

To ease the transition from DPM 1.0, EBA is considering a transition period for DPM 2.0 until December 2025.

The technical package for version 4.0 of the framework will be published in December 2024, and a preliminary version will be available in October. In addition, a new semantic glossary will be introduced with version 4.0 so that all existing frameworks are redefined to align with this new glossary. Reports will be modified progressively in subsequent versions, and the old DPM semantic data dictionary (including the old glossary) will be phased out from December 2025.

The new XBRL 2.0 taxonomy architecture will be integrated into reports from version 4.0, with a preliminary version of the taxonomy (not usable) available from version 3.5. At the reference date of 31 December 2025, only the XBRL-CSV reporting format will be accepted by EBA.

AML/CFT rules

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19 June 2024 - Publication in the Official Journal of the European Union of the package to combat money laundering and terrorist financing in the EU

On 19 June 2024, part of the AML/CFT package was published in the Official Journal of the European Union.

- [The regulation establishing the AML/CFT Authority will enter into force on 26 June 2024.](#) It will apply from 1 July 2025.
- [The regulation on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing will enter into force on 9 July 2024](#) and will apply from 10 July 2027 (or 2029 for certain clauses).
- [The Directive on the mechanisms to be put in place by Member States to prevent the use of the financial system for the purpose of money laundering or terrorist financing will enter into force on 9 July 2024.](#)

On 26 June the European Banking Supervisory Authority (EBA) [published](#) a brochure welcoming the forthcoming entry into force of the package and outlining its preparations for the transition to the new AML/CFT framework:

- EBA will publish its common methodology for EU supervisors to assess the money laundering and terrorist financing risk of individual financial institutions, as well as the methodology AMLA will use to select directly supervised institutions, in October 2025.
- EBA will transmit information on money laundering and terrorist financing risks to the AMLA.
- EBA will have the task of acting during the transitional phase of entry into force of the text by :
 - Promoting an effective approach to managing common challenges in the fight against financial crime
 - Implementing the first EU guidelines on compliance with restrictive measures.
 - Ensuring that the risk of money laundering and terrorist financing is taken into account throughout the financial sector.
- EBA is contributing to the transition to AMLA by helping the relevant national authorities to prepare, notably through the creation of a forum of anti-money laundering supervisors.

Taxation incl. VAT and Legal Affairs

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June 2024 - The Belgian Presidency presents a progress report on negotiations on tax issues before handing over to the Hungarian Presidency.

The Belgian Presidency of the Council of the EU has [presented](#) a progress report providing an update on current negotiations on European initiatives in the field of taxation.

1. Proposal for an "Unshell" directive laying down rules to prevent the abuse of shell entities for tax purposes

Technical analysis of the proposal began in the first half of 2022, during which delegations held discussions on the basis of compromise texts and briefing notes drawn up by successive presidencies.

The most debated issues were as follows:

- tax consequences of the directive,
- links with national anti-abuse legislation,
- excluded entities,
- minimum substance,
- reversal of presumption and reduction of administrative burden,
- tax residence certificate and
- exchange of information.

The "Taxation" working group provided guidance for further work on the outstanding issues. In principle, most delegations supported the aims of the proposal, but felt that significant further technical work would be required before agreement could be reached.

2. Proposal for a directive on head office taxation

Under the Belgian Presidency of the Council of the EU, the Commission presented delegations with a summary of the conclusions of the informal group of experts from several Member States, which analyzed the administrative challenges that this proposal could potentially entail for tax authorities.

It should be noted that all national delegations support the general objective of facilitating the cross-border activities of SMEs. While some Member States see scope for further technical discussions, it is important to note that a large number of delegations have expressed serious concerns about several aspects of the Commission's proposal, in particular the challenges in terms of administrative or aggressive tax planning that the directive, as proposed by the Commission, could create for tax authorities, concerns about the potential effect on Member States' tax revenues, about risks to the competitiveness of domestic markets (SMEs in the "home" country that choose not, or cannot, expand across borders), as well as more general arguments relating to the burden on national tax systems and fiscal sovereignty.

A number of member states feel that a more general policy discussion on this issue should take place before further technical progress can be made, notably on the political choices that should be made with a view to adopting such a directive.

As part of a more general discussion on the priorities for the next EU legislative cycle in the field of taxation, many delegations recalled, with reference to several of the above-mentioned Council conclusions, the need to focus above all on the objectives of combating tax evasion and tax fraud and making taxation simple and effective, thereby limiting the administrative burden for individuals, businesses and tax administrations. In this context, some delegations felt that initiatives aimed at tidying up existing EU legislation and administrative procedures would be particularly welcome.

3. Proposal for a BEFIT directive on a framework for the taxation of corporate income in Europe

Member States have supported the general aims of simplifying EU corporate tax rules and reducing the administrative burden on businesses and tax authorities. Nevertheless, many concerns have been expressed as to whether the directive, as proposed by the Commission, would fully achieve these objectives: concerns have been expressed, on the one hand, about the operation of the proposed directive with national corporate tax rules, Pillar Two rules and the EU acquis in the field of taxation (such as anti-abuse measures and the Directive on minimum effective taxation) and, on the other, about the scope and determination of the preliminary tax result of groups falling within the scope of the proposal.

Given the nature of the concerns expressed, with some Member States also calling for a political debate, the technical analysis of the Commission's proposal could continue with the aim of preparing a discussion on the strategic choices to be made with regard to the Commission's proposal.

4. "VAT in the digital age" package

The Belgian Presidency considers that "considerable" progress has been made on the "VAT in the digital age" package. The Council held an orientation debate on the proposals, which were prepared by the High Level Group on 1 June 2023. Several ministers called for flexibility on national digital reporting frameworks in order to reach agreement.

In particular, the Belgian Presidency pursued work on digital reporting obligations and e-invoicing, with the Commission's proposal complemented by a national-level framework guaranteeing the quality of data included in e-invoices, with some flexibility for the implementation of this framework.

- Member States have also been given the option of exempting customers from data communication.² The deadline for implementation of the intra-EU electronic invoicing system and the system of digital reporting obligations has been postponed by two and a half years (July 2030), as they will require significant IT investment.
- Member States that have already introduced a national transaction-based reporting obligation have been given additional time to comply with the national e-invoicing and reporting provisions.

With regard to single VAT registration, the Council did not retain all the new elements proposed by the Commission. The extension of the "deemed supplier" provision (whereby platforms that facilitate transactions become responsible for collecting VAT instead of the underlying suppliers) to all goods supplied via platforms as well as to transfers of own goods was not supported. In addition, on the grounds of future implementation problems, delegations did not agree to make one-stop shopping compulsory for imports. An alternative solution to encourage the use of the single window for imports is to be considered as part of the VAT-related aspects of the reform of the Union's Customs Code, which is also currently being examined by the Council.

Next steps:

In its program, Hungary, whose task will be to continue negotiations on current dossiers, identifies two priorities in the tax field: the fight against tax evasion and legal certainty for taxpayers.

With regard to the "VAT in the digital age" package, the Hungarian presidency will have to work towards reaching a unanimous agreement, with Estonia currently holding up adoption of the provisions.

5 June 2024 - The Belgian Presidency presents its progress report on the proposed Insolvency Directive

On 5 June 2024, the Belgian Presidency [presented](#) its progress report on the proposal for a directive harmonizing certain aspects of insolvency law.

In its report, the Belgian Presidency reviews the progress of negotiations in the Council of the EU to find a compromise position on the legislative proposal. The Presidency stresses that most Member States are in favor of strengthening the harmonization of insolvency rules between Member States, in particular with a view to "establishing a genuine Capital Markets Union". Nevertheless, the Presidency stresses the complexity of the proposal, in particular its effects on numerous areas of national law.

The Presidency reviews the proposal title by title:

- **[Title I on general provisions:](#)** the Presidency stresses that the proposed amendments are limited, but should evolve in the light of changes made in other parts of the proposal.
- **[Title II on revocatory actions:](#)** the aim of this title is to protect the insolvency estate against the unlawful withdrawal of assets prior to the opening of insolvency proceedings, and to bring these assets back into the insolvency estate for the benefit of creditors. The Presidency points out that Member States have expressed significant concerns about the lack of flexibility provided for in the text. In response, amendments have been proposed to enable Member States "to provide for better protection of creditors' assets in their national legislation".

- **Title III on tracing assets belonging to the insolvency estate**: this title aims to require Member States to designate courts empowered to access and search the centralized national register of bank accounts containing relevant information on assets that belong or should belong to the insolvency estate. According to the progress report, Member States fear that the administrative overload imposed by such procedures would be counterproductive. The Presidency therefore proposes to make these provisions more general and to remove certain "bureaucratic" measures.
- **Title IV on the pre-pack proceedings**: this title aims to introduce a more efficient procedure governing the recovery of value for creditors. The Presidency notes that most Member States support the provisions of this title, but express concerns about the coexistence of the proposed provisions with existing national insolvency regimes, the level of creditor protection and the link with contractual freedom. It has therefore been proposed to clarify the functioning of the pre-pack proceedings and to offer Member States greater flexibility in its implementation.
- **Title V on the obligation of directors to apply for the opening of insolvency proceedings and their civil liability**: the aim of this title is to impose an obligation on directors to apply to the courts for the opening of insolvency proceedings no later than three months after becoming aware of a company's insolvency. The progress report points out that some Member States are concerned about the loss of competitiveness that such provisions would entail. The Presidency has therefore proposed a more flexible formulation of the text, specifying in which situations the obligation applies and how to comply with it.
- **Title VI on the liquidation of insolvent micro-enterprises**: this title introduces rules designed to set up a streamlined liquidation procedure tailored to micro-enterprises. It concentrates with most of the objections of Member States:
 - According to the Presidency, Member States fear that such a scheme would have a significant impact on existing national insolvency regimes.
 - Similarly, several Member States remain committed to the appointment of a liquidator, even for micro-business bankruptcies.
- **Title VII on the creditors' committee**: this title aims to strengthen the position of creditors in insolvency proceedings by laying down rules on the appointment of committee members and its composition. At the request of certain Member States, the Belgian Presidency has revised certain provisions in order to introduce greater flexibility in the constitution of creditors' committees.

In conclusion, the progress report stresses that the complexity of the text requires step-by-step progress. The Presidency considers that a compromise on Titles II and III should be reached rapidly, while Title IV remains a source of concern for many delegations. Title VI, meanwhile, is "a major area of concern which could pose difficulties in reaching rapid agreement on the directive", according to the progress report.

Next steps:

At present, neither the Council nor the Parliament has adopted its position on the text.

Late Payment Regulation

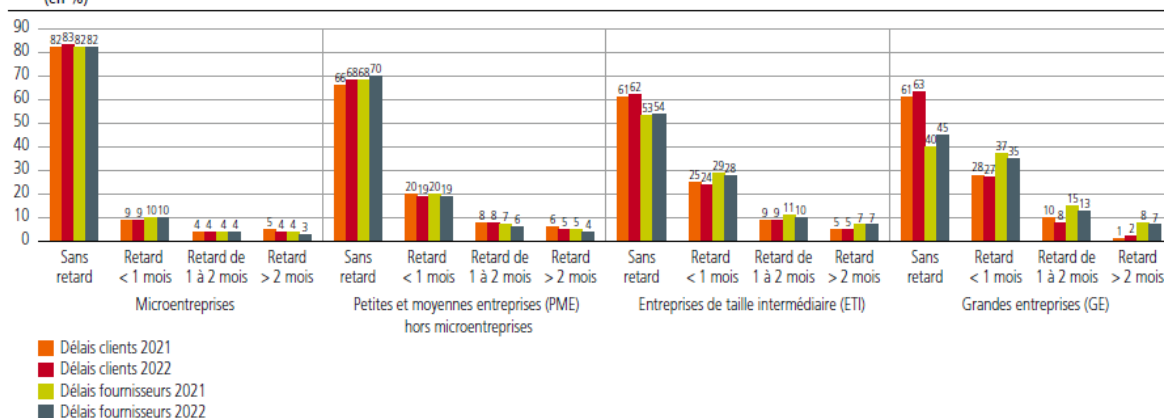
17 June 2024 - French Payment Term Observatory and the French Central Bank warn against the impact of the LPR on the French economy

On 17 June 2024, the French Payment Term Observatory and the French Central Bank published its annual report with regard to payment term from French businesses for the year 2023.

The report highlights the main figures of payment terms in France in 2023 (see graphic hereafter, in French):

- B2B transactions: for undertakings excluding microenterprises was 51 days and that it fell to 35 days for microenterprises. The report estimates that late payments were responsible of a total of 15bn euros treasury deficit for SMEs.
- B2G : on average national public authorities paid under 14,5 days while it amounted to 61,2 days for public health facilities.

G3 Répartition des délais de paiement par intervalle et par taille d'entreprise, en 2021 et 2022
(en %)



Champ : Cf. graphique 1.

Lecture : En 2021, 68 % des PME hors microentreprises règlent leurs fournisseurs en moyenne sans aucun retard ; cette proportion s'élève à 70 % en 2022.

Note : « Sans retard » signifie que le délai de paiement observé pour une entreprise est inférieur à 60 jours.

Source : Banque de France, base FIBEN (données à fin septembre 2023).

The report from the Observatory and the French Central Bank presents its view with regard to the Late Payment Regulation (LPR) proposal, and highlights that a 30-days payment term would impact a very large majority of companies, but with differences sector by sector. The report considers that while SMEs would benefit from a treasury increase of 14 bn euros large companies would suffer a deficit of approximately 12 bn euros, but these figures would also depend on the sectors.

The report also underlines that for companies that do not have the liquidity to pay in 30 days, SMEs would be much more impacted than large groups. It is also stated that the LPR proposal would not necessarily reduce payment terms.

Lastly, this report underlines the positive role of factoring to reduce working capital needs.

June 2024 - Belgian Presidency publishes report on the SMEDay 2024

On June 2024 the Belgian Presidency [published](#) a report examining SMEs access to finance. The report presents the main points discussed during the conference entitled “SMEDay2024 : Access to Finance for SMEs: Assessment and perspectives” which was organized by the Belgian Presidency.

In addition to presenting the interventions from each panelist, the report also provides with some in-depth analysis of existing academic research linked to the topics discussed during the conference. Some points presented in the report may be of interest for EUF.

1. Mention and recognition of factoring

The report contains (p57) a part dedicated to financing instruments in which factoring, reverse factoring and invoice trading are defined. The report details the specificities of these commercial finance solutions and provides some factoring key figures. It is worth noting that **EUF is mentioned as the source of these figures**.

Mentioning a 2022 European Commission study, the report highlights that factoring is mainly used by medium and large enterprises, as less than 5% of micro and small businesses use factoring solutions. On the other hand, invoice trading is deemed to be “*more suitable to the needs of SMEs and small businesses*”.

2. Ban of assignment

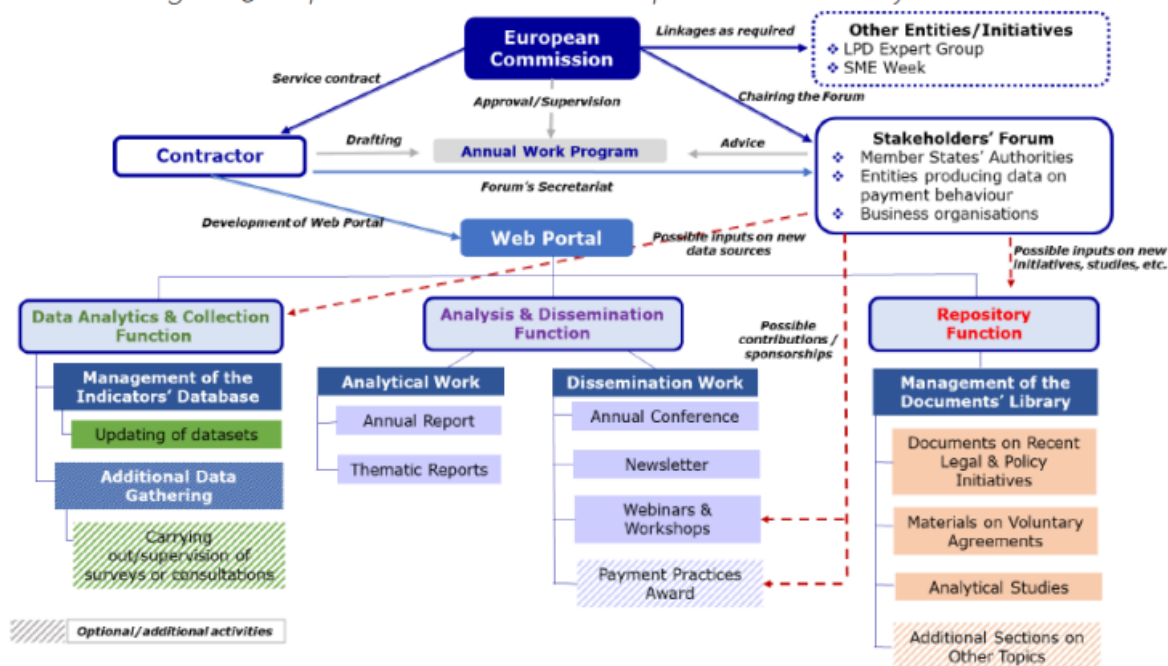
Presenting the LPD main shortcomings identified in the Commission consultation, the paper mentions that there is “no clear definition of “unfair” practices or clauses” and that “there are also several unfair practices in place which have the ultimate effect of circumventing the Directive’s obligations; for example, practices banning assignments of receivables, **which hamper factoring** as well as other novel and digital forms of payment”.

The Presidency underlines that the Commission supported to remove “bans on assignment” and that the “elimination of BoA clauses in the Member States where they are still valid, could result in an increase in factoring/invoice trading volumes in the order of € 2.2 up to € 4.3 billion (i.e. about 0.16% to 0.31% of the total EU27 factoring/invoice trading market)”. **According to the report such a “reform could facilitate access to financing for 1,200 to 2,400 additional small firms EU-wide”.**

3. EU observatory

The report provides an analysis of the EU Payment Observatory objectives and ambitions for the coming years. It is worth to notice that the Presidency report includes a diagram presenting the proposed architecture of the EU Observatory which highlights the increasing role that the Observatory should play in the coming years.

Figure 13: Proposed overall architecture of the EU Observatory¹⁴³



4. Green factoring

The Presidency report makes some mention of green factoring amongst the solutions to support SMEs' green transition. The Presidency report mentions the example of France with regard to green factoring, noting that *"France has strongly promoted collaborative reverse factoring"* and that *"these instruments are also interesting in a logic of financing the value chain and **introducing ESG criteria** (sometimes added by actors like Bpifrance or BNB Paribas Factor)"*.

The Presidency report mentions (p122) an OECD study that classifies green supply chain financing and green factoring as part of the green financing instruments available to SMEs. This [study](#) from the OECD mentions (p25-26) that *"green supply chain finance entails the provision of financing at preferential conditions upon demonstrated sustainability performance and can vary depending on the sustainability performance"*.

Overall, the mention of EUF and of factoring in a Presidency report shows that EUF influence at EU level continues to grow. Taking into account that there should not be a Presidency progress report on the LPR, this report can be used to support EUF main amendments during EUF meetings with policymakers.

Sustainable Finance

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18 June 2024 - ESA publish their assessment of the SFDR regulation and recommendations for its revision

On 18 June 2024, the Joint Committee of Supervisory Authorities, "ESA" (EIOPA, EBA, ESMA) [published](#) a joint opinion on the assessment of the Regulation on Sustainability Reporting in the Financial Services Sector (SFDR).

The ESAs are publishing this opinion in view of the European Commission's potential review of the SFDR framework, with a view to submitting recommendations. The SFDR models are considered complex and difficult to read, which runs counter to the text's objective of increasing transparency in terms of sustainable development. In practice, the information has been used by financial market players to classify their financial products, sometimes for commercial purposes, posing risks of greenwashing and mis-selling.

The ESA Committee therefore makes the following recommendations:

- Introduce a product classification system based on regulatory categories and/or sustainability indicators to help consumers navigate the wide selection of sustainable products;
- Simplify categories with clear, objective criteria or thresholds, to identify which category a product falls into. The ESAs encourage, at a minimum, "sustainability" and "transition" categories. They also offer suggestions on the principles and political considerations to be taken into account when drawing up the classification system.
 - **"Sustainable" product category:** The ESAs suggest a potential separation of the category into two, a sustainable category and a social category. Sustainable products would have to meet a minimum "sustainability threshold" for product investments, based on investments in economic activities aligned with the taxonomy. The part of the investment that is not aligned with the taxonomy should at least respect the DNSH "Do Not Significant Harm" principle for environmental and social objectives and good governance requirements, provided that these concepts are defined more precisely than is currently the case in the SFDR.
 - **"Transition" product category:** This category focuses on products that invest in economic categories or assets that are not yet sustainable, but are improving their sustainability to become sustainable (from a social or environmental point of view). The investment strategies of these products could be based on a combination of key performance indicators from the EU taxonomy to reflect the progressive improvement in environmental performance.
- A sustainability indicator could refer to environmental sustainability, social sustainability or both, illustrating for investors a product's sustainability characteristics on a scale;
- Test options for product categorization and/or sustainability indicators with consumers and submit them for consultation;
 - Re-examine the coexistence of the two parallel concepts of "sustainable investment" as defined in the SFDR and taxonomy-aligned investment as defined in the EU taxonomy. The EU taxonomy provides a scientific benchmark against which to measure environmental sustainability, while the SFDR is more principle-based and less prescriptive than the EU taxonomy when it comes to measuring sustainable investments.
 - The Commission should prioritize the completion of the EU taxonomy and extend it to social sustainability under the ESAs;

- Ensure that sustainability disclosures meet the needs of different investors. Improvements in sustainability disclosures should take into account different distribution channels, including digital channels, and ensure consistency in the information provided;
- Consider including other products in the scope of the SFDR to ensure harmonized disclosures between products already in scope and those that could be included;
- Disclosures on key negative impact indicators could be considered for all financial products, based on a cost-benefit analysis justifying the introduction of this requirement.

Next steps:

The next European Commission will be responsible for deciding whether a review of SFDR will indeed take place, as well as its content.

7 June 2024 - The European Consumers' Organisation publishes its priorities for the next legislative cycle

On 7 June 2024, the European Consumers' Organisation Bureau (BEUC) [published](#) its sustainable finance priorities for the period 2024 - 2029. Through this position paper, BEUC presents its proposals to strengthen consumers' contribution to the green transition through their investments.

Firstly, BEUC highlights the difficulty of identifying products that can be considered "sustainable" for investors, and of verifying that products sold as such really are. BEUC considers that the Financial Services Sustainability Disclosure Regulation (SFDR) has increased the transparency of financial products. However, it has failed to provide a genuine regulatory framework enabling consumers to choose the most appropriate products with sustainable characteristics.

To meet this challenge, BEUC is calling for a review of the general framework applying to product transparency, and is therefore proposing the establishment of a European standard for sustainable investment products. This standard would propose a series of definitions, minimum requirements and harmonized product categories at European level.

BEUC also proposes to create three categories of "sustainable" investment products, which products would have to integrate in order to be considered as sustainable products. Products that do not qualify for any of these three categories could not be considered as "green". The three product labels proposed by BEUC would classify investment products according to different sustainability strategies:

- Investment products with a strategy of selecting and excluding commercial assets that have a negative impact on the environment;
- Investment products with a policy of selecting companies that are currently considered polluting but which, as a result of shareholder action, may be required to green their operations;
- Investment products with an asset selection strategy that contributes to achieving certain sustainability objectives.

In the event that policy-makers prefer to opt for a single label offering to rate the level of sustainability of each investment product, BEUC suggests strengthening the definition of sustainable investment to reduce the scope for interpretation by asset managers. In addition, investments that do not directly contribute to at least one sustainability objective should be subject to certain exclusions, particularly for sectors with a negative

sustainability impact. Finally, the minimum share of sustainable investments should be increased to reflect the growing opportunities for investment in "sustainable" activities.

With regard to product distribution, BEUC calls on the supervisory authorities to strengthen the obligations of financial intermediaries in terms of sustainable finance, and to prohibit them from charging commissions.

BEUC proposes that certain banking products that promote transition be democratized among consumers. BEUC therefore calls for a series of measures to be put in place:

- Amend the directive on mortgage loans for residential use (MCD) to make it compulsory to offer "green" mortgage loans at a lower price than "standard" loans.
- Introduce a definition of "green" mortgages and "green" loans in European legislation.
- When transposing the Consumer Credit Directive (CCD), extend the scope of the provisions to long-term leasing offers for electric cars.

Finally, BEUC calls on banks and insurance companies to adapt their pricing policies to their customers' degree of sustainability. For example, it is proposed that insurance premiums or interest rates should be higher for companies that pollute the most.

4 June 2024 - European Supervisory Authorities report on greenwashing in the financial sector

On 4 June 2024, the European Supervisory Authorities (EBA, ESMA, EIOPA) published their respective contributions on greenwashing practices in the financial sector.

In their reports, the ESAs are unanimous in recommending that their respective sectors be monitored more closely to ensure investor and consumer confidence. Although their reports focus on the European financial sector, they recognize that combating greenwashing requires a global response.

On the occasion of the publication of the reports, the ESAs re-emphasize that financial market players have a responsibility to provide sustainability information that is fair, clear and not misleading.

For what is of interest of the EUF, the [EBA report](#) mentions the following issues :

The EBA report assesses the risks of greenwashing in the banking sector and their impact on banks, investment firms and payment service providers. In particular, it notes that by 2023, cases of greenwashing had increased by 26.1% in the EU.

In its report, EBA stresses that the competent national authorities have noted that credit institutions are increasingly offering sustainable products and paying more attention to sustainability and greenwashing practices. Opinions differ, however, on the evolution of greenwashing: some competent authorities believe that greenwashing practices have remained stable, while others believe that their importance has increased. Overall, the risks of greenwashing would not have changed significantly between 2022 and 2023, according to 76% of competent authorities.

EBA calls for the finalization and implementation of existing regulatory initiatives. In this context, it shares a series of recommendations, with particular emphasis on the following actions:

- Ensure the coherence of the various elements of the European regulatory framework;
- Address the challenges of data collection, use and usability;
- Support the interoperability of sustainability standards at European and international level;
- Establish sector roadmaps and transition paths in line with EU regulations and sustainability objectives.

The report also reviews the recommendations to be implemented by EBA concerning:

- Introducing a harmonized definition of "green lending";
- Promoting and facilitating knowledge-sharing between competent authorities on best practices for monitoring green money laundering risks;
- Adequate advice for bank customers;
- Skills and knowledge of bank staff;
- A voluntary green loan label.

Other topics

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27/28 June 2024 – EU leaders reach out to a compromise on key EU top jobs

During the European Summit on 27 and 28 June, and after long negotiations between EU leaders, the following appointments were made to "EU top jobs":

- Presidency of the European Commission: Ursula von der LEYEN (EPP)
- Presidency of the European Council: Antonio COSTA (S&D)
- Presidency of the European Parliament: Roberta METSOLA (EPP)
- High Representative for Foreign Affairs: Kaja KALLAS (RENEW)

The conclusions [adopted](#) by the European Council on 27 June 2024 address in particular the geopolitical situation, the defense and security challenges facing the EU, and the importance of competitiveness for the next mandate.

With particular regard to the Capital Markets Union, the European Council invites the Council and the Commission to speed up work on all the measures identified, including those needed to create truly integrated markets, accessible to all EU citizens and businesses and benefiting all Member States. The conclusions reaffirm the urgency and importance of the Capital Markets Union in mobilizing the "substantial" volume of private investment for the Green and Digital transitions.

Lastly, we have no indication for the moment on who is going to be the next EU Commissioner for financial services. However, some countries such as Ireland have already stated they were interested in obtaining the position. Ireland declared to nominate Michael McGRATH, former Finance Ministry, to the position, and future negotiations should determine if Ireland does indeed get the financial services portfolio.

Next steps :

- ***Mid-July 2024: Allocation of MEPs to parliamentary committees, in proportion to election results and the political balance of power between each political group.***

- **July 16-19, 2024 - Constituent plenary session in Strasbourg: election of parliamentary committee chairs and vice-chairs.**
- **September/October 2024: Resumption of parliamentary committee work. Appointment of rapporteurs for dossiers whose deputies have not been re-elected.**
- **October/November 2024: Hearings of new Commissioners by MEPs.**
- **December 1, 2024: The new Commission takes office and officially begins its term of office.**

19 June 2024 - The Council of the EU adopts its negotiating mandate on the simplification of reporting requirements in the field of financial services

On 19 June 2024, the Council of the European Union [adopted](#) its position on the European Commission's [proposal](#) for a regulation on certain information requirements in the field of financial services and investment support.

As a reminder, this legislative proposal updates the existing rules on data sharing between the European Supervisory Authorities (ESAs) and other authorities in the financial sector, with the aim of reducing the administrative burden on authorities in this sector.

In its negotiating mandate, the Council of the EU supports the original aims of the proposal and proposes the following provisions:

- Continue to reduce the administrative burden on businesses;
- Promote the exchange of information between ESAs and with the European Systemic Risk Board (ESRB);
- Include the European Central Bank's Single Supervisory Mechanism and the Single Resolution Board in the list of authorities authorized to submit a data-sharing request, but exclude the new Anti-Money Laundering and Counter-Terrorist Financing Authority from the scope of the regulation. Its entry will be reconsidered 2 years after the entry into force of the text.

Next steps

With the European Parliament having [validated](#) its position in March 2024, trialogues can begin once Parliament has resumed its work.

June 2024 - The Hungarian Presidency's program for the second half of 2024: a highly political presidency for a bridging term between two legislatures

The Hungarian Presidency has [presented](#) details of its program and political priorities for its term at the head of the Council of the EU. Its term will run from 1 July to 31 December 2024.

The slogan of the Hungarian presidency is "Make Europe Great Again", a reference to the slogan of a former American president.

1. Financial services

In the economic and financial fields, priority is given to continuing negotiations already underway in the Council and in trilogues.

In setting out its priorities, the Hungarian Presidency states that it is "*in our common interest to ensure that financial regulation provides a clear response to the challenges of our time, and that guaranteeing financial stability remains a priority*".

Priority will be given to seven legislative initiatives, for which the legislative procedure is already relatively advanced, and on which the Hungarian Presidency believes they are key to advancing discussions on the future of the Capital Markets Union:

- The opening of inter-institutional negotiations on the Retail Investment Strategy is a priority.
- The continuation of negotiations in the Council on the initiatives of the Open Finance package is also a priority for the Hungarian Presidency (adoption of a position on the FIDA regulation, continuation of negotiations on the revision of the PSD3 and PSR provisions with a view to reaching a general approach in the Council).
- In the field of digital finance, the proposed regulation on the digital euro is also a subject on which the Hungarian Presidency would like to make significant progress.
- The opening of trilogue negotiations on the Benchmark regulation is also a priority.
- Finally, the Hungarian Presidency wishes to pursue negotiations in the Council on the revision of the crisis management and deposit guarantee framework (CDMI), in order to improve the effectiveness of bank resolution.

2. Enterprise and Competitiveness

In this area, the Hungarian Presidency is committed to improving access to finance for small and medium-sized enterprises and reducing the administrative burden on businesses. The Hungarian government also backs the development of a new common industrial strategy involving all industrial players, and supports the proposal for targeted intervention at European level to boost the competitiveness of European companies.

The Hungarian Presidency is also committed to supporting the development of SMEs and making them more resistant to crises, by reducing their additional burdens, improving the quality of related regulations and supporting the introduction of support measures.

In addition, the Hungarian Presidency has made it a priority of its mandate to reach a general approach in the Council on the proposed revision of the Late Payments Directive (LPR).

3. Digital and cybersecurity

The Hungarian Presidency wishes to focus on preparations for the implementation of the AI Regulation, in particular by launching consultations and exchanges of experience through thematic events.

The pursuit of a "*Community dialogue to achieve a high level of European cybersecurity*" is also a priority. In light of the planned revision of the cybersecurity regulation, the Hungarian Presidency wishes to launch an "in-depth debate" to ensure the coherence of the current regulatory framework in this field.

4. Other key topics for the Hungarian Presidency

In keeping with the themes dear to the Hungarian government, its presidency at the head of the Council of the EU is likely to emphasize the importance of having an agriculture that is competitive and the defense of the EU's

borders, with a strong security dimension. The "demographic challenge" facing the EU is also among the Presidency's priorities.

Finally, a number of negotiation meetings to address the EU's enlargement policy, and in particular to advance the accession to the EU of several neighboring countries, including Moldova and Georgia, are also scheduled.

Next steps:

The mandate of the Hungarian Presidency will run from 1 July to 31 December 2024.

The official presentation of the program by the Hungarian Prime Minister to the European Parliament is scheduled for the first week of the plenary session, from 16 to 19 July 2024.

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