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Associazione Italiana per il Factoring

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Cordiali saluti

Il Segretario Generale
Alessandro Carretta

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NEWSLETTER / SUMMER 2024 / ISSUE 26

EUFederation

Connecting and Supporting the Commercial Finance Industry Worldwide

Contents:

Welcome from Fausto Galmarini

Chairman of the EUF

Dear Reader,

It's always a pleasure to share with you some thoughts about our industry and its role in supporting the real economy.

As detailed in the statistical report, in 2023 the European factoring market reached a turnover of 2.443 billion euro with an increase of 2%. After two years of double-digit growth, we expected a lower increase due to the negative dynamic of the EU GDP, dropped to 0.4% from 3.4% in 2022, the severe policy adopted by the ECB to reduce the inflation rate which led to a rapid and dramatic growth in lending interest rates and the conflicts between Russia and Ukraine and Israel and Palestine.

Nevertheless, the European factoring market, with a volume of 2.443 billion euro representing 66% of the worldwide market, remains the most important of the world.

The penetration rate of factoring over the European GDP in 2023 was stable at 12% and this proves the importance of factoring in the real European economy, optimizing the net working capital of the businesses.

Also the percentage of international factoring was stable at 22% of the total turnover. Non-recourse factoring (53%) was still higher than recourse factoring in relation to the need of the clients to cover the debtors' risk.

Funding of 304 billion euro supports around 303,000 European clients, helping them to deliver economic development, employment and business success.

Regarding the perspectives of factoring in the year 2024, EUF expects a turnover growth slightly better than 2023 thanks to the recovery of the EU GDP, the reduction foreseen in the interest rates for the dropping of the inflation but in a complex scenario because the conflicts between Ukraine and Russia and Israel and Palestine are far from finding closure.

The EUF has three main issues to solve: the first is the NDOD because the rule generates many "false positive" errors (a lot of buyers with a good rating or Public Authorities are automatically classified as default in case of past due 90 days because the EBA considers a trade receivable as a credit obligation/loan). EUF welcomes the opening of EBA to discuss about it and is confident a compromise can be reached.

The second issue is connected to the new LPR that requires the debtors to pay the invoices within 30 days. EUF is doing a strong action so that in the final draft of the regulation could be included the prohibition of ban of assignment as factoring is a solution for late or long payment.

The third issue is CSDD for sustainability of the business. EUF asked for the exclusion of the factoring industry from the scope of the directive that obliges to incorporate due diligence measures into the corporate policies, identifying the potential adverse effects of our activity on the environment and human rights. This rule would be very detrimental and extremely complicated for our industry.

As you can observe EUF has done and will continue to do any effort to protect factoring in relation to the importance of its role in the development of the real economy, supporting above all the SMEs, assuring them the liquidity they need and providing credit insurance with non recourse factoring even in international transactions.

The EUF has three main issues to solve:

- the first is the NDOD because the rule generates many "false positive" errors
- The second issue is connected to the new LPR that requires the debtors to pay the invoices within 30 days
- The third issue is CSDD for sustainability of the business

The Legal Committee

MAGDALENA WESSEL
EUF Vice-Chair and Chair of EUF Legal Committee

EU-legislation regulating late payments – quo vadis?

In September 2023, the EU Commission published a proposal for a Late Payment Regulation (LPR) which is to replace the current Late Payment Directive and contains numerous new and extensive rules on when payments are to be considered as late and the consequences of such late payments. In the last edition of this newsletter in autumn 2023, you could already read about some criticism from the EUF on the LPR proposal, namely regarding the questionable mix-up of the two different concepts of long payment terms and late payments, the strict cap on payment periods at 30 days, the limited possibility of procedures of acceptance or verification "where strictly necessary" and with a maximum duration of also 30 days, the automatically due interest for late payments, combined with an increased interest rate and compensation for recovery costs, and the concept of enforcement authorities set up in each EU member state to ensure LPR compliance. Since then, this legislative proposal has discussed quite fervently, not only within the EUF, but also by other interest groups and – more importantly - by different EU institutions.

In early November 2023, the EUF issued a first position paper on the LPR proposal, stressing the unwanted negative consequences especially the strict caps on payment terms to a maximum of 30 days would have on SMEs in particular, pointing out efficient judiciary and alternative dispute resolution and amendments to competition law as better suited to tackle abuse of asymmetrical bargaining powers and also advocating for supporting measures for inter alia factoring, supply chain financing and similar forms of financing as mitigating solutions to the negative effects of late payments, e.g. through limiting or prohibiting bans on assignments. Similar views (in particular on the issue of caps on payment terms) were also voiced by other interest groups such as Eurocommerce and Business Europe. It was also in November 2023 that the first negative comments and opinions from EU member states were published: In France, the government criticized the LPR proposal openly in the press, and the Swedish parliament voiced its criticism through a Parliamentary committee opinion.

In December 2023, a joint position paper on the LPR proposal was signed by the EU member states Austria, Czech Republic, Estonia, Germany, Lithuania and Slovakia in which these states criticize multiple aspects of the LPR proposal, including the strict 30 days' cap on payment terms, the planned introduction of enforcement authorities as well as the choice of legal instrument (regulation instead of directive). In February 2024, Sweden, Portugal and Latvia joined this group of EU member states in opposition of the LPR proposal, an in March 2024, the Danish department of justice also issued a summary note with similar points of criticism. This makes the quite strong opposition to the LPR proposal from a number of EU member states very apparent and foreshadows complicated deliberations in the Council.

Also in December 2023, the EU Payment Observatory's published its first thematic report on Preventive Measures for Tackling Late Payments in B2B and G2B Transactions. In this report, the Observatory expressed doubts with regard to how useful stricter payment terms are in combating late payments, thus indirectly (and most likely unintentionally) criticising the LPR proposal in this regard.

While the Council did not start official discussions on the LPR proposal until early 2024, the deliberations on the LPR proposal in the EU Parliament gained some momentum already in December 2023 and January 2024, when the amendments tabled by different MEPs were presented in three sets and consequently discussed in the Committee on Internal Market and Consumer Protection (IMCO) of the EU Parliament. The EUF had meetings with various MEPs and also submitted some wording suggestions for and comments on amendments, in particular to arts. 3, 9 and 17 of the LPR proposal with a view to ensuring more flexible payment periods, prohibit bans on assignments effected for financing purposes and to have factoring recognized and supported as a credit management tool that helps combat the negative effects of late payments. The majority of MEPs were generally in favour of the LPR proposal tabled by the Commission, but some also recognized the need for amendments, in particular with regard to more flexible payment terms. The IMCO deliberations especially on the amendments to the LPR proposal took longer than expected, and the IMCO's vote was postponed by approximately a month. Ultimately, the EU Parliament plenary vote at the end of April 2024 showed a large majority of MEPs in favour of the Commission's proposal, but with some amendments: The maximum payment period would be 60 instead of 30 days, and for certain sectors or goods ("slow moving goods"), an extension to 120 days should be possible. The EU Parliament also voted in favour of prohibiting bans on assignments which prevent the assignment for financing purposes, and factoring should be mentioned as a credit management tool. After the EU elections, it remains to be seen whether the new EU Parliament will follow the plenary vote of April 2024 or if it will re-open the discussion on the LPR proposal.

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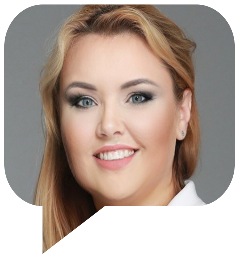
After the IMCO's and the EU Parliament's votes, the Council also entered into more dedicated deliberations, inter alia at Council meetings under the Belgian Presidency as from March 2024 onwards. In May, 2024, the Belgian Presidency presented a compromise proposal to the Council which (similar to some of the amendments presented by the EU Parliament) also included an extension of the maximum payment period to 60 days. However, the Belgian Presidency also suggested to change the proposal from a regulation back to a directive amending the current directive (EU) 2011/7, to scrap the idea of national enforcement authorities altogether and to allow member states to identify certain industries or sectors where payment periods could exceed the general maximum payment period of 60 days. As a reaction to this compromise proposal, 14 EU member states (Austria, Bulgaria, Czech Republic, Germany, Ireland, Estonia, Lithuania, Latvia, Malta, Portugal, Romania, Sweden, Finland and Slovakia) issued joint comments on the Belgian Presidency's compromise proposal in June 2024, ultimately calling for the Commission "to withdraw its proposal, returning, if still deemed necessary, with a recast of the current Late Payment Directive, accompanied by an Impact Assessment that analyses all relevant issues in-depth and justifies all policy choices made in a transparent manner"[1] . In its recent contacts with representatives from some EU member states permanent representations at the Council to foster more understanding for factoring as a form of financing that mitigates the negative effects of late payments, the EUF has seen these critical comments reiterated and confirmed. Therefore, it remains to be seen what the current Hungarian Presidency can and will do in this matter, but it is quite certain that deliberations within the Council will not be easy, just as it is quite uncertain whether trilogue negotiations between the Commission, the Parliament and the Council will start later this year, if at all.

1 Cf. the Working Document from the General Secretariat of the Council WK 8460/2024 INIT of June 12, 2024.

The Economics & Statistics Committee

Still on the growth path – 2023 factoring figures



MAGDALENA CIECHOMSKA-BARCZAK
Chair of the Economics and Statistics Committee

European factoring turnover figures collected by EUF Economic and Statistic Committee for 2023 has shown that it was the next year of continuous growth for EU factoring industry, but level of growth was not as spectacular as it was in recent years.

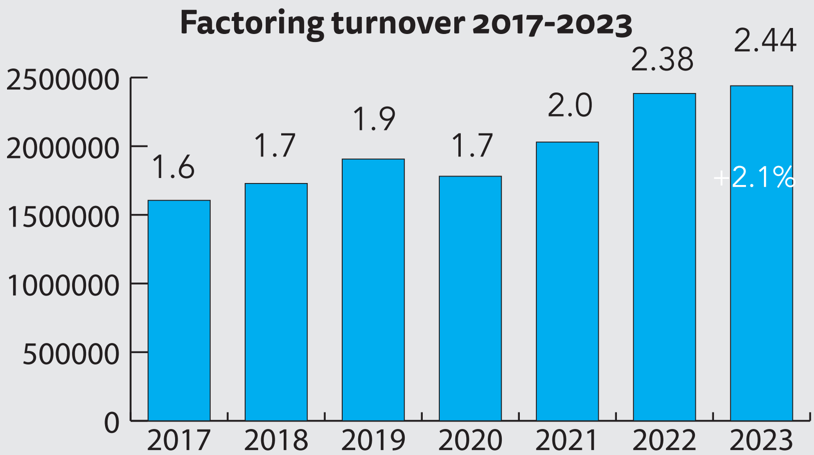
The total factoring turnover for European countries reached 2 trillion 44 billion euro, with a year-on-year growth rate of 2.1%. While this growth rate is among the lowest recorded by the EUF since data collection began, it is a sign of a stabilisation in the factoring growth trend after several years of double-digit growth rates. But compound average growth rate of European factoring turnover calculated for last 6 years was at high level of 7.2%. These figures unequivocally demonstrate the thriving state of the European factoring industry and its potential for continued growth in the future.

But compound average growth rate of European factoring turnover calculated for last 6 years was at high level of 7.2%.

According to information received from EUF members and partners, slowdown of factoring growth in 2023 was caused by:

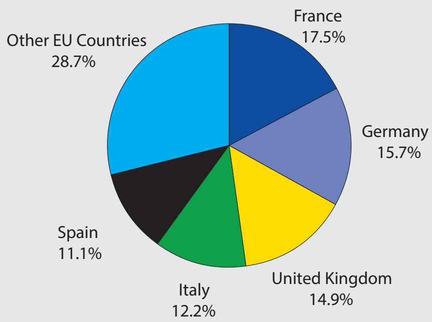
- decrease of EU GDP growth,
- higher base rates in few countries, what caused shift from factoring facility to cheaper sources of funding,
- over liquidity in some sectors due to previous profitable years,
- decrease of consumer demand due to inflation and
- ceasing collaboration with clients with worsening financial situation.

Graph 1. Factoring turnover 2017-2023 (€T)



EUF members and partners in 2023 represented 94.7% of the total EU market, and according to EUF estimations 98% of 2023 turnover was performed by Banks or bank's owned companies.

Graph 2. TOP 5 countries 2023



The concentration on the European factoring market in 2023 remained high - 71.3% of total turnover was done by TOP 5 countries, similarly to the one in 2022 – 71.4%.

The leader of the EU market in 2023 was still France with almost 18% of the market, the next were: Germany with 16%, UK 15%, Italy 12% and Spain 11% of marketshare.

The table below shows detailed information about factoring turnover in each country.

Table 1. Factoring turnover by country in 2023

31 December 2023	Notes	Total Turnover	pct var. on the previous year (Total)	GDP Penetration	European Market Share	GDP pct var. on the PY **
Austria*		36,463	1.6%	7.0%	1.5%	-0.8%
Belgium*		135,734	9.3%	23.2%	5.6%	1.5%
Bulgaria	(1)/(2)	6,885	5.9%	7.3%	0.3%	1.8%
Croatia*	(1)	1,401	2.6%	1.8%	0.1%	2.6%
Cyprus	(2)	4,775	32.6%	16.0%	0.2%	2.5%
Czech Rep*	(1)	11,668	0.9%	3.9%	0.5%	-0.2%
Denmark*	(1)	19,494	-23.6%	5.2%	0.8%	1.8%
Estonia	(3)	3,900	0.0%	10.3%	0.2%	-3.0%
Finland	(3)	28,000	0.0%	10.1%	1.1%	-1.0%
France*		426,588	1.2%	15.2%	17.5%	0.9%
Germany*		384,444	3.1%	9.3%	15.7%	-0.3%
Greece*		24,690	5.0%	12.7%	1.0%	2.0%
Hungary	(1)/(2)	13,824	14.8%	7.0%	0.6%	-0.9%
Ireland	(3)	28,617	0.0%	5.7%	1.2%	-3.2%
Italy*		298,678	0.9%	14.3%	12.2%	0.9%
Latvia	(2)	802	-12.8%	2.0%	0.0%	-0.3%
Lithuania	(2)	5,100	-7.3%	7.1%	0.2%	-0.3%
Luxemburg	(3)	339	0.0%	0.4%	0.0%	-1.1%
Malta	(3)	696	0.0%	3.6%	0.0%	5.6%
Netherlands*		168,528	3.0%	16.3%	6.9%	0.1%
Poland*	(1)	103,489	-2.3%	13.8%	4.2%	0.2%
Portugal*		44,193	5.0%	16.6%	1.8%	2.3%
Romania	(1)/(2)	8,660	10.4%	2.7%	0.4%	2.1%
Slovakia	(3)	2,914	0.0%	2.4%	0.1%	1.1%
Slovenia	(2)	2,500	14.2%	4.0%	0.1%	1.6%
Spain*		270,393	6.0%	18.5%	11.1%	2.5%

Sweden	(3)	21,473	0.0%	3.9%	0.9%	-0.2%
EU Total Turnover	(1)/(2)/(3)	2,054,248	2.4%	12.1%	84.0%	0.5%
EUF Members (*)	(1)	1,925,763	2.3%	13.3%	78.8%	0.6%
Norway *	(1)	26,173	-3.5%	5.8%	1.1%	0.5%
Switzerland	(3)	593	0.0%	0.1%	0.0%	0.7%
United Kingdom*	(1)	363,182	0.7%	11.7%	14.9%	0.1%
European Countries	(1)/(2)/(3)	2,444,195	2.1%	12.0%	100.0%	0.44%
EUF Members or Partners (*)	(1)	2,315,117	2.0%	13.5%	94.7%	0.57%

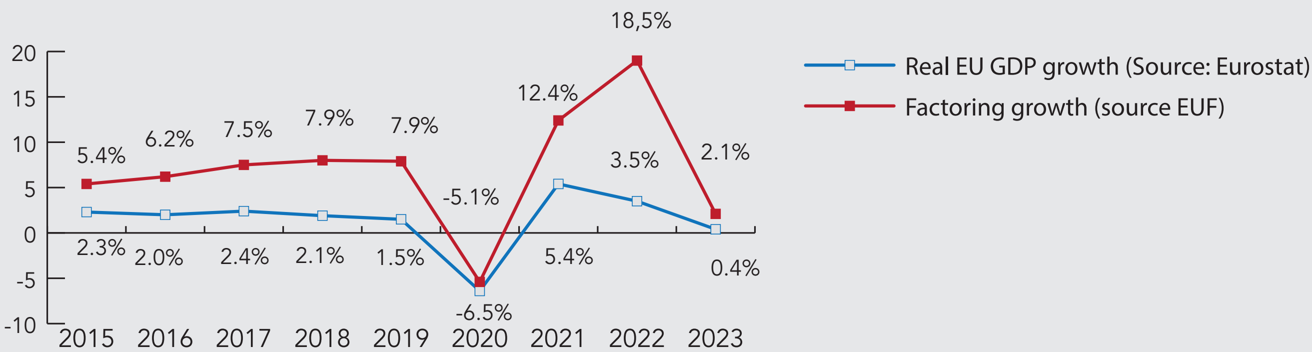
* EUF members
** on the basis of data provided by members, Eurostat or www.countryeconomy.com
Notes:
1) Pct variation has been corrected in order to avoid biases due to exchange rates fluctuation.
2) Estimates on the basis of available information
3) Estimates of the turnover - the previous year's turnover implemented
Source: EUF Members, FCI, Eurostat, ONS, www.countryeconomy.com (GDP values in current market prices)

There were 5 countries which had yearly factoring turnover lower than in previous year and they were: Denmark (-24%), Latvia (-13%), Lithuania (-7%), Norway (-4%) and Poland (-2%). The causes of turnover decrease were the same as presented above.

Apart from these countries, all other had positive yearly factoring turnover dynamics.

Similarly as in was in previous years, also in 2023 growth of factoring turnover was higher than European GDP yearly increase.

Graph 3. Factoring and European GDP trends comparison

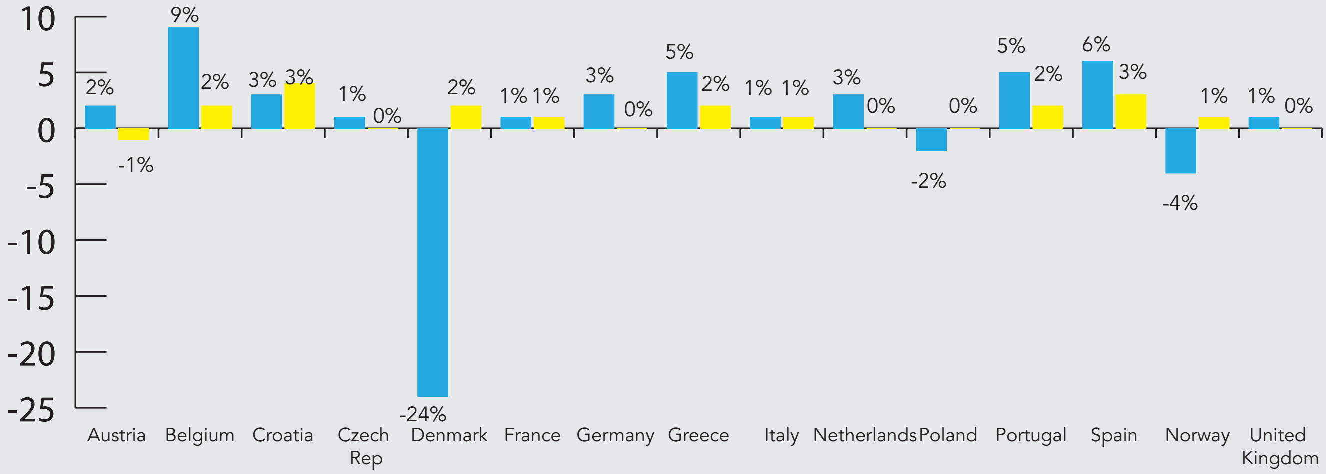


But due to the fact that factoring growth year on year comparing to EU GDP yearly increase was not as high as it was in previous years, it caused that factoring GDP penetration ratio in 2023 remained at the same level as it was in 2022 – 12%.

On the Graph no. 4 on the next page it is presented correlation between factoring turnover change y/y and GDP change y/y in countries which are EUF members and partners.

Apart from countries which had negative yearly dynamics in factoring turnover, all other countries which are members or partners of EUF, the yearly increase of factoring was higher or at the same level as county's GDP change.

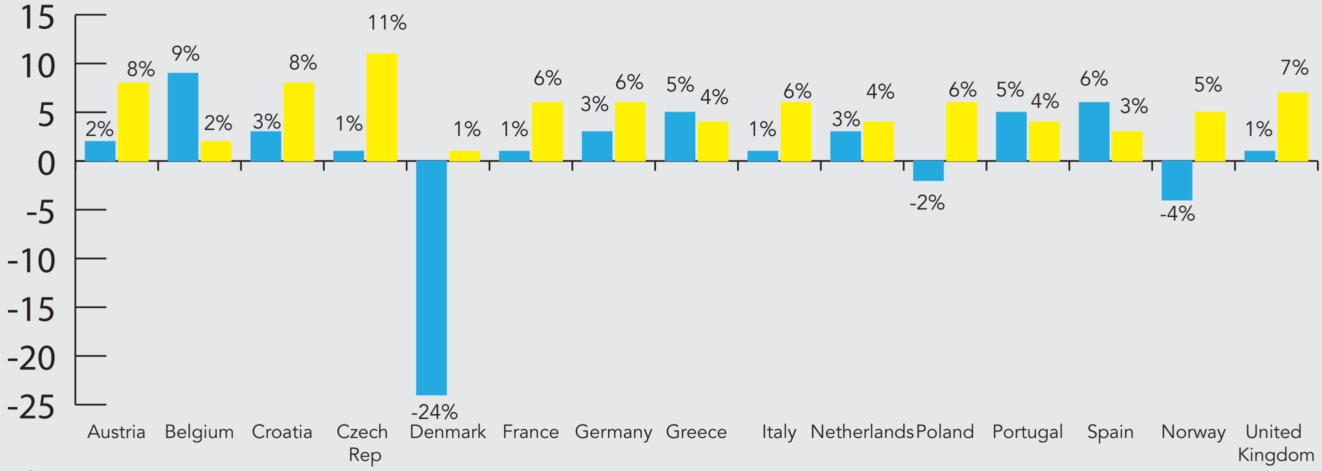
Graph 4. Changes y/y in factoring turnover compared to y/y change in country's GDP



Source: EUF

The Graph 5 below presents comparison of factoring turnover growth and yearly average inflation in each EUF member and partner country and for the first time since EUF started observation, apart from countries with highest yearly increase of turnover (Belgium, Greece, Portugal and Spain), in majority of EUF countries factoring growth was significantly lower than country's inflation ratio.

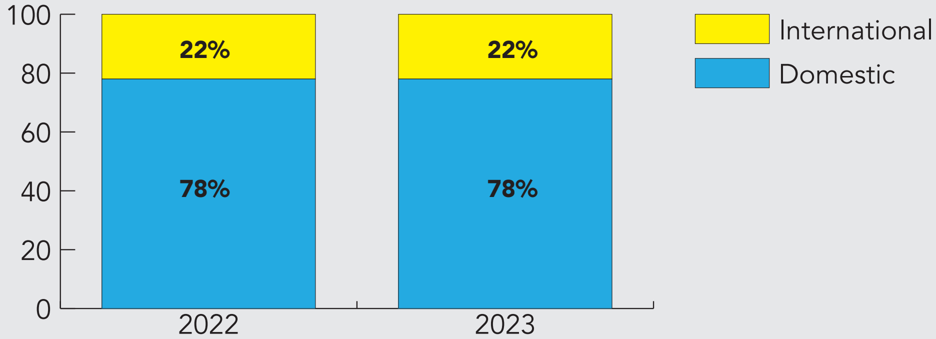
Graph 5. Changes y/y in factoring turnover compared to average yearly inflation



Source: EUF

The dominant type of factoring in 2023 was still domestic, representing 78% of total turnover, the same structure as in 2022.

Graph 6. Structure of 2023 turnover – domestic and international factoring

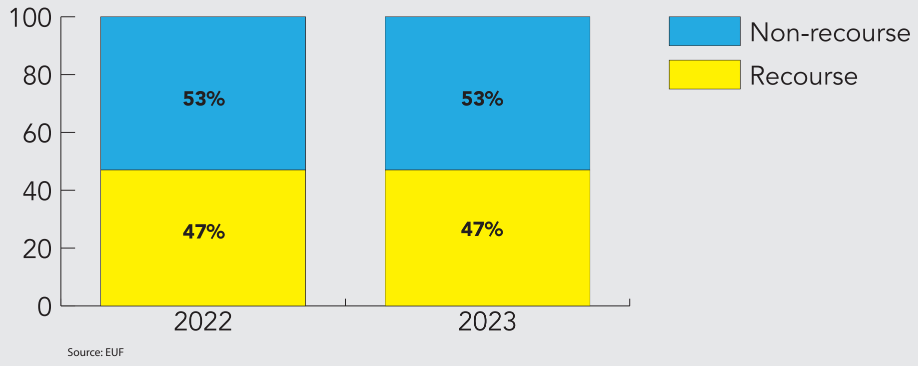


Source: EUF

In 2023, for the 5th year in a row, non recourse factoring was at higher level than recourse one and it represented 53% of total turnover, the same structure as in 2022.

It shows, that for clients, debtor risk coverage in 2023 was still important issue.

Graph 7. Structure of 2023 turnover – recourse vs non-recourse factoring



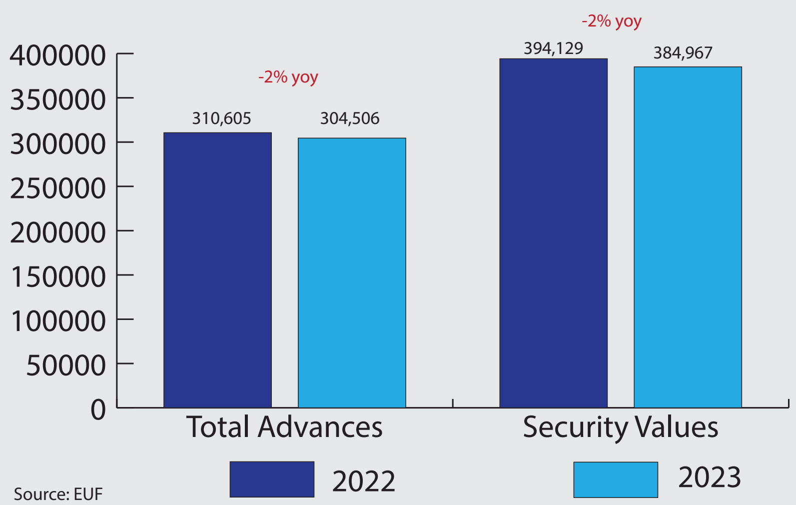
In terms of funds made available by factors to its customers, 2023 was slightly lower than in 2022. Over 305 bln Euro (2% less than in 2022) of factoring financing has supported entrepreneurs in 2023.

Advances were secured by over 385bln Euro of assets, which were also 2% lower than in 2022 and were 26% higher the level of advances (in 2022 – were 27% higher, and in 2020 and 2021 – secured assets were 29% higher than level of advances).

It shows that factoring companies in 2023 started to perceive risk of their clients as at the lower level than in previous years and have accepted lower coverage.

Comparing the level of security assets with turnover –that average number of days outstanding has decreased from 60 days in 2022 to 58 days in 2023, what also had an impact on factoring turnover growth in 2023.

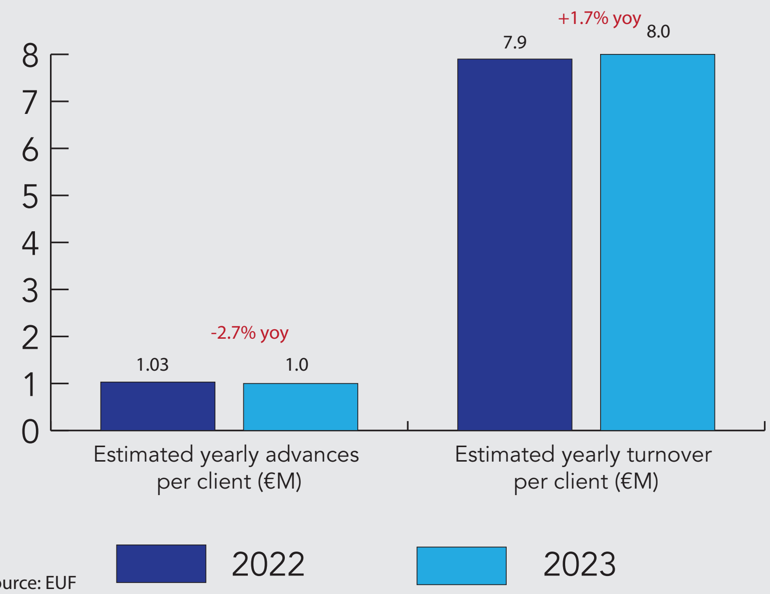
Graph 8. Advances and Security Values in 2023 and 2022



In 2023 average funds granted per client were almost 3% lower than in 2022 and reached 1.0M EUR. It was caused by parallel decrease in amount of advances together with increase in number of clients.

And average turnover per client was higher by 2% than in 2022 and reached 8.0M EUR, due to the overall growth of factoring turnover year on year.

Graph. 9. Turnover and Advances per Client 2022-2023 (€M)

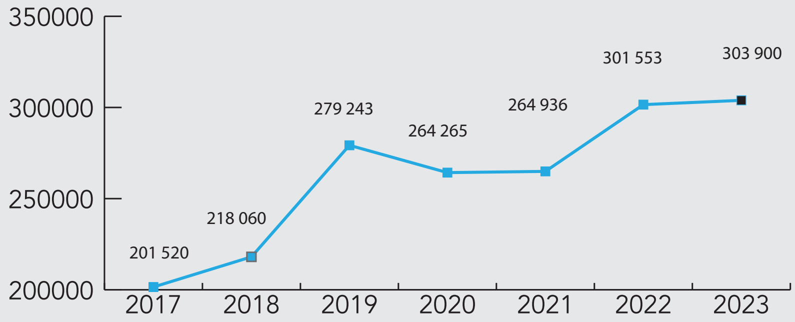


Source: EUF

Level of average amount of advances per client still confirms high diversification of credit risk in factoring transactions.

Estimated number of European active clients in 2023 reached almost 304k, and it was the highest level observed. The biggest growths in clients number were observed in Poland (+1.5k entities), the Netherlands (+0.7k), Germany (+0.7k) and Belgium (+0.2k). Increase in clients number can suggests that entrepreneurs, in times of still high economic unpredictability were focused on obtaining additional sources of funding which can provide them also additional benefits- sa. risk coverage and debtor management.

Graph 10. No of Clients 2018-2023



In conclusion, data shows that factoring is already mature market in majority of European countries, so further growth won't be as spectacular as it was observed in last few years. But sustainable growth in turnover together with continuous growth in clients number are signs of factoring market return on its standard, pre-pandemic growth path.

The Environnement, Social and Gouvernance (ESG) Committee

ANTOINE DE CHABOT
Chair of the ESG Committee

The ESG Committee is 1 year old and has had a continuous activity over the period under review.

The following topics have in particular retained the attention of the members of the Committee:

CS3D:

The CSDD directive has been published 5 July in the Official Journal of the European Union. It lays down rules on obligations for companies regarding actual and potential human rights adverse impacts and environmental adverse impacts and rules on value chain operations.

EUF was in favour of excluding the financial sector from the scope of the directive, as expressed by three letters sent to political stakeholders during the legislative process. Finally, only the "Regulated Financial Undertakings" (ie the credit institutions) have the benefit of the downstream part of their chain of activities (ie the relationships with borrowers) being out of the scope.

It will be up to national delegations to try and obtain optimal consideration of the particularities of factoring during the transposition of the directive.

Talking with EU policy stakeholders in November 2023 in Brussels

An EUF event occurred in November in Brussels, aimed at raising awareness on factoring with EU policy stakeholders. For the ESG session, Charles de Marcilly, Administrator at the Council of the European Union, gave general features of the EU policy on ESG: he indicated that concerning the green transition there are still blockages at national levels and that the strategic agenda of the EU should not call for specific funds for ESG; in any case the substance of the discussions held within the ESG Committee of EUF on how to flag ESG in factoring was presented during the discussion (pure players, KPIs compliant, and all the other clients).

Factoring and ESG in March 2024 in Vienna

After a detailed presentation of the works conducted within the ESG Committee of EUF, a panel dedicated to ESG was organized during EUF Vienna summit in March, with the opportunity to hear Mr Karas, first Vice-President of the EU Parliament and EPP shadow rapporteur on the Banking package, at the beginning of the panel. In his intervention on CRR and ESG, Mr Karas insisted on the importance to make progress on common understanding and reliability of data as a first step for a dedicated treatment of related exposures. From this perspective, transition plans, which the management bodies of institutions are, following CRR, required to draw up in order to deal with ESG risks, have full relevance.

EUF also welcomed Mr Fabien Le Tennier, Policy Expert, Sustainable Finance, EBA, who brought key insight on those transition plans aiming at demonstrating how institutions ensure robustness and readiness for the transition to a sustainable economy, and on EBA doctrine and roadmap on ESG risks, as reflected in the corresponding then pending EBA consultation.

Finaly two high level practitioners from the industry, Aurélien Viry, CEO, Société Générale Factoring, France, and board member of ASF, the French association of specialized entities, and Pierre-Olivier Maes, International Development and Sustainability Manager, BNP Paribas Factoring, emphasized how the industry has identified requests from businesses and is dedicated to accompanying clients in their transition walks to ESG, with concerns of general interest underpinning the orientations chosen.

EUF answer to the EBA Spring consultation on draft Guidelines on the management of ESG risks

Following CRR provisions, the Guidelines intended to establish minimum standards and methodologies for identifying and monitoring ESG risks, specify the content of prudential plans and bring light on "transition plans". The latter provide for an overview of the strategic actions deployed by an institution to demonstrate its robustness for the transition to a sustainable economy. Interestingly, the guidelines provide for a proportionality principle for the periodicity of review of ESG risks but also emphasize that small institutions can be subject to risk concentrations in sectors sensitive to ESG risks.

In its answer to the consultation, the EUF put forward notably the following arguments : (i) transition plans seem a good tool to prepare an adequate prudential assessment of ESG risks, (ii) the proportionality principle should concern not only the periodicity of review but also certain forms of financing (factoring, …), (iii) data on ESG risks are difficult to collect since ESG reports are not always available, (iiii) factors are committed to classify their clients but not all are pure players and it's sometimes difficult to sort them, (iiiii) ESG risk should not be considered as a new risk category but as part of the already existing risk categories, (iiiiii) the European rules should not be stricter than others.

One last very important point : ESG diligences on the debtor are irrelevant since factors have no contractual links with debtors.

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Attempts at making data available

In a recurrent manner the question of the availability and of the reliability of data comes in the discussions since many companies are not rated by rating agencies (SMEs and corporates as well). As a consequence the idea has been sketched that factors should rely on ESG questionnaires carried out by credit institutions and financial institutions for their joint clients; besides, an ESG questionnaire carried out by one entity of a banking group should benefit all entities of the same banking group; what is more, in order to cope with the volume of data, an exposure threshold could be determined, below which factoring companies should be exempted from the collection of questionnaires; and, finally, ESG ratings of companies should be propagated to all their subsidiaries.

If the above suggestions have not yet been embodied in defined processes or rules, the ESG Committee has nevertheless shared information on different initiatives intending to assess the ESG profile of companies, and which could be of interest for factors:

- Italy's ministry of finance has launched a consultation on a document containing 45 sustainability indicators, with explanatory note, to collect ESG information from SMEs;
- a Portuguese project is being developed by SIBS, Portugal's central utility for payments, which helps collecting information on ESG from SMEs;
- and there is also a Czech questionnaire, set up within the bank association, accessible for Czech companies (the questionnaire is filled once and made available for all affiliates of the data centre); the biggest issue is that companies do not have the data to fill the

questionnaire;

- the French Central Bank is setting up a climate indicator, which measures a company's exposure to transition and physical risks and will be opened, under the same conditions as Banque de France's central risk unit at present, to companies issuing credit ; the indicator will be rolled out between now and 2027 to 20 000 companies with a turnover of more than 7.5 M EUR.

ESG remains a wide field still to be explored.

In any case, the EUF ESG Committee has already identified different topics to be monitored (absence of diligences on debtors, question of the lack of availability of ESG data for many companies, interest of a proportionality principle, …) and will keep in mind those priorities in future discussions with policy stakeholders.

The Prudential Risk Committee

Winds of Change in Europe for Factoring?

DIEGO TAVECCHIA
Chair of the PRC Committee

The last quarter of 2023 and the early months of 2024 have been particularly busy for the EUF. The focus has been on two critical issues for the factoring industry: the proposed Late Payment Regulation and the definition of default.

Two critical issues for the factoring industry: the proposed Late Payment Regulation and the definition of default.

Though these topics seem distinct, their implications are significantly intertwined. This is especially true if the European legislators pursue a policy of sharply restricting maximum payment terms in commercial transactions, as proposed by the European Commission. An indiscriminate reduction to 30 days of these terms would mean that companies would have to halve their average payment times within a year or two. This goal appears unrealistic and fraught with numerous risks, particularly:

- increased financial debt: firms might have to significantly increase their use of financial debt to comply with this limit.
- rise in late payments: there could be a substantial increase in late payments if companies only partially comply, in practice, to the new terms.

In both scenarios, there is a high risk of tighter credit conditions, both in terms of availability and cost, for firms.

Fortunately, the European Parliament and the Council of Europe have recognized the need for greater flexibility in business-to-business negotiations, the latter (apparently) even more decisively. However, it seems clear that such an approach, although perhaps less rigid, also has consequences from the point of view of the definition of default for non recourse factoring, whose methodology for identifying those more than 90 days past due is linked to the nominal maturity of the purchased trade receivables.

As is well known, although the European Banking Authority (EBA) has provided specific treatments to recognize the peculiarities of factoring services, the issue remains particularly relevant to the industry. Encouragingly, a constructive dialogue between the factoring industry and the EBA started in the recent months. The EBA, mandated by the Capital Requirements Regulation (CRR3) to update the guidelines on the definition of default, has decided to re-evaluate the treatment of factoring and involve the sector in this process. This began with an EUF delegation participating in a roundtable in Paris in February, followed by a series of discussions to gather further information and data to support the industry's demands.

To facilitate this, the EUF sought direct input from factoring companies to provide the requested information to the EBA.

While it is too early to predict the final outcomes of these two ongoing processes, the current situation looks more encouraging than it was last autumn. Perhaps, the winds are indeed changing.

It is clear that the EUF plays a crucial role in representing the European factoring industry to the institutions on these important issues. Attention also remains high regarding data collection. This is essential for supporting the EUF's arguments in discussions with institutions. The EUF is considering ways to collect key data in a structured and robust manner, potentially through special projects and investments in this area.

EU FEDERATION FOR FACTORING AND COMMERCIAL FINANCE

The EUF is the Representative Body for the Factoring and Commercial Finance Industry in the EU. It is composed of national and international industry associations that are active in the EU.

The EUF seeks to engage with Government and legislators to enhance the availability of finance to business, with a particular emphasis on the SME community. The EUF, acts as a platform between the factoring and commercial finance industry and key legislative decision makers across Europe bringing together national experts to speak with one voice.

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