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Consultations

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30 July 2024 - European Commission seeks stakeholders' views on Code of Practice for general-purpose AI systems

On 30 July 2024, the European Commission [opened](#) a consultation to gather the views of stakeholders on the development of the Code of Practice for providers and users of General Purpose Artificial Intelligence (GPAI) models.

The Commission invites GPAI providers operating in the EU, companies, civil society representatives and rights holders to share their views and experiences with the Commission, so that they can be taken into account in the draft Code of Practice on GPAI models that the Commission will present shortly.

The Code of Best Practice, provided for in the Artificial Intelligence Regulation (AI Act), is expected to address the interpretation and implementation that transparency, copyright rules, risk identification and assessment, risk mitigation and internal management of risks related to the use of AI systems.

As a reminder, the AI Regulation, [published](#) in the OJEU in July 2024, will come into force on 1 August 2024. The provisions relating to general-purpose AI systems will come into force 12 months after the entry into force of the AI law.

Next steps:

The deadline for responses to the [consultation](#) is 10 September 2024.

The Commission plans to finalize the Code of Practice by April 2025. Work is expected to start in September 2024.

24 July 2024 - European Central Bank opens consultation on governance and risk culture

On 24 July 2024, the European Central Bank (ECB) [opened](#) a [consultation](#) on a draft guide to governance and risk appetite.

The aim of the consultation is to gather the views of stakeholders on the development of a guide to replace the supervisory recommendations issued by the ECB in 2016 on governance and risk management.

The draft guide should clarify the supervisor's expectations regarding how banks' decision-making bodies should operate and be constituted in order to effectively monitor banks' risk appetite.

The draft guide aims to recompile the best practices identified by the ECB in order to set benchmarks for credit institutions.

Next steps:

Stakeholders [have](#) until October 16 to submit their opinions to the ECB. In addition, on 26 September 2024 a stakeholder exchange will be organized to discuss the draft guide with the supervisor, [registration](#) is made via the link below, while interested stakeholders can forward their questions to the email address hereafter [governance and Risk Culture Guide@ecb.europa.eu](mailto:governance_and_Risk_Culture_Guide@ecb.europa.eu) before 30 August 2024 so that questions can be discussed during the event.

A call for applications to [participate](#) in the European AI Office is also open. The deadline for applications is 25 August 2024.

The participants selected by the AI Office will be brought together in September, and then divided into four working groups addressing respectively 1/ transparency rules with regard to downstream suppliers and model training content, 2/ measures for identifying and assessing systemic risks, based on a "risk taxonomy" proposed by the AI Office, 3/ measures for mitigating these systemic risks and finally 4/ internal governance, particularly concerning incidents.

16 July 2024 - EBA consults on the amendments to ITS with regard to the decision process to allow IRB use by banks

On 16 July 2024, the EBA opened a [consultation](#) on the draft Implementing Technical Standards (ITS) amending the joint decision process for internal model authorization under article 20 (8) of the [Capital Requirements Regulation \(CRR III\)](#).

The existing ITS detail the steps to be undertaken by competent authorities when assessing a request for permission to an institution to use internal models for prudential purposes in case a joint decision (JD) is needed.

The draft amendments aim at updating the ITS following the CRR review and the revised scope for internal models. In particular, the draft ITS delete the possibility to use IRB for operational risk and as such, the references to the Advanced Measurement Approach (AMA) have been removed from the scope of the revised ITS.

Next steps :

Stakeholders can [submit](#) their comments to the EBA until 16 October 2024. A [public hearing](#) on this consultation will take place on 18 September 2024, deadline for registration is set to 13 September 2024.

Banking regulation

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CRR/CRD

17 July 2024 - CRR3: the European Banking Authority publishes a statement on the approach to be adopted for internal credit risk models

On 17 July 2024, the European Banking Authority (EBA) [published](#) a statement on the operational application of CRR3 to credit risk for internal model-based approaches (IRB).

To ensure smooth operational implementation of the banking package, EBA encourages institutions and competent authorities to engage in active dialogue, particularly on the following points:

- The landscape of targeted models, particularly following the migration of exposures to the Foundation Approach (F-IRB) and the Standard Approach;
- Changes arising from the implementation of CRR3 that impact the performance of a rating system in accordance with the delegated act on the materiality of changes to the IRB approach;
- Sharing with the competent authority an implementation plan for planned modeling updates linked to future EBA supervisory products.

Banking supervision

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9 July 2024 - Publication of EBA's technical implementation standards implementing the prudential reporting framework revised by CRR3

On 9 July 2024, EBA [published](#) the final draft of the Implementation Technical Standards (ITS) on prudential reporting requirements, implementing the changes needed to bring the prudential reporting framework in line with CRR 3.

These ITS will provide supervisory authorities with sufficient comparative information to monitor institutions' compliance with CRR 3 requirements.

The ITS update various aspects of EBA's [roadmap](#) on strengthening the prudential framework by including CRR3 requirements:

- EBA's prudential reporting framework, including new requirements on the output floor, credit risk, market risk, CVA risk, leverage ratio and the transitional treatment of crypto-asset exposures.
- The draft ITS updates certain minimum information requirements relating to operational risk. The more extensive operational risk requirements and the new framework for the operational risk activity indicator will be finalized by the end of the year.

Next steps

EBA plans to complete these ITS at a later date.

8 July 2024 - Publication of EBA's European Supervisory Review Programme for 2025

On 8 July 2024, the European Banking Authority (EBA) [published](#) the European Supervisory Review Programme (ESEP) for 2025, which identifies the main topics for increased attention by supervisory authorities in the European Union.

Following a process of engagement and consultation with EU competent authorities, EBA has identified three topics of attention for supervisors for 2025:

- Testing and adapting to growing economic and financial uncertainties

EBA points out that geopolitical conflicts and trade tensions are putting pressure on and disrupting supply chains. These events increase banks' debt refinancing risks, their financing costs and the deterioration in the quality of their assets. Financial institutions must be prepared to withstand these risks and financial shocks by setting aside the necessary funds to cover anticipated losses.

EBA makes the following recommendations to supervisors:

- Supervisors should assess whether institutions have optimal stress testing and adjustment capabilities, an appropriate risk management framework, and whether these tests are integrated into their governance and lead to adequate management actions.
 - Assess whether institutions have realistic and credible contingency and recovery plans capable of responding to severe scenarios, making extensive use of reverse stress testing.
 - Monitor the impact of growing geopolitical risks and rapidly changing macroeconomic environments on certain vulnerable portfolios.
- Ensuring compliance with the DORA regulation and overcoming digital challenges

EBA emphasizes the upcoming entry into force of the DORA regulation and the importance for supervisors to ensure that activities in the EU are compliant with the regulation:

- Assess whether financial entities classify information and communication technology (ICT) incidents and cyber threats in accordance with DORA technical standards, and whether financial entities are able to report major ICT incidents to their competent authorities in a timely manner.
 - Evaluate financial entities' digital operational resilience testing program and the readiness of major banks to conduct threat-driven penetration testing in line with DORA requirements.
 - Ensure that the register of contracts with ICT service providers is compliant with standards, submitted in a timely manner to the relevant authorities and used effectively to monitor third-party risks.
 - Assess management's ability to steer the digital strategy and the impact of the transformation on the financial institution's business model and risk profile.
- Ensuring the transition to Basel III and implementation of the EU banking package

EBA issues recommendations on the implementation of Basel III and the revision of the CRR and CRD:

- Assess institutions' ability to understand, calculate and comply with the regulatory requirements of the banking package;
- Assess banks' capital planning and management capabilities, ensuring their compliance with regulatory requirements and their ability to cope with external financial constraints, including the changes and challenges of the new regulatory package. ;
- Assess institutions' ability to design and maintain a data architecture and IT infrastructure that fully supports risk data aggregation and reporting, in normal and stressed periods, in line with EBA guidelines and Basel principles.
- Dialog with institutions to assess their management's ability to ensure data quality and requirements for governance, processes and ICT systems under the new regulatory package.

Next steps:

Competent authorities will need to take these themes into account when setting their priorities and implement them in their day-to-day supervisory activities.

EBA will monitor how these key topics are integrated into the competent authorities' priorities for 2025.

8 July 2024 - EBA publishes annual report on convergence of supervisory practices for 2023

On 8 July 2024, EBA [published](#) its annual report on the convergence of supervisory practices for 2023.

This report assesses the convergence of supervisory practices, looking at the implementation of [ESEP 2023](#) priorities, Pillar 2 and liquidity measures, and the results of peer reviews and benchmarking exercises.

In general, EBA notes that most competent authorities have adequately addressed the key topics identified for supervisory attention in 2023, with the exception of some disparities in the implementation of risk areas such as ESG and data aggregation capabilities in supervisory processes :

- The four key topics identified for supervision in 2023, namely, macroeconomic and geopolitical risks, operational and financial resilience, transition risks and money laundering and terrorist financing risks have been well integrated into the priorities of the competent authorities.
- Risks linked to digitalization and ESG criteria are still in the process of being integrated for some authorities.

Authorities have increased the frequency of monitoring of liquidity and funding risks in recent years, but there is still room for improvement in the consistent identification and treatment of risks covered by Pillar 2 measures, particularly with regard to reporting frequency and the origin of deposits. The implementation of CRR III and CRD VI should reinforce convergence in the implementation of the framework.

EBA's peer reviews and benchmarking exercises have strengthened supervisory convergence and addressed the shortcomings raised in prudential supervision.

However, continued supervisory attention is required for certain specific aspects. The credit risk benchmarking exercise highlights the need for ongoing monitoring of undue variability in capital requirements between institutions. In addition, the IFRS 9 monitoring report of 2023, revealed varied approaches adopted by institutions to implement expected credit loss impairment models.

Finally, the EBA's monitoring of colleges of supervisors has confirmed that the annual college cycle is working well.

Sustainable Finance

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24 July 2024 - ESMA publishes its observations on the future revision of SFDR

On 24 July 2024, the European Securities and Markets Authority (ESMA) [published](#) an opinion on changes to the regulatory framework for sustainable finance.

ESMA considers that the framework needs to evolve in order to facilitate the investment "journey" of retail investors. In particular, ESMA considers that the regulatory framework should provide investors (professional or

retail) with the relevant information to make appropriate investment decisions in line with their preferences and needs.

ESMA considers that the complexity of the current framework does not facilitate the participation of retail investors in capital markets, and that it needs to be simplified.

ESMA therefore sets out a series of recommendations to amend the regulatory framework for sustainable finance:

- **Ease of use:** ESMA recommends systematically verifying that proposed policy options can be implemented by the industry and are suitable for investors, by having these options tested by the industry.
- **Taxonomy:** ESMA calls for Taxonomy to be the central act on which sustainability assessment should be based. ESMA considers that the Taxonomy needs to be completed, in particular with regard to social aspects, and that the definition of green investments provided for in the SFDR regulation should eventually be abolished once the Green Taxonomy has been finalized.
- **Transition:** ESMA wishes to develop the framework for so-called "transition" investments by adding certain reporting requirements relating to these activities and establishing a precise definition of what constitutes a transition investment. To encourage transition investments, ESMA recommends developing benchmarks and standards for transition bonds.
- **Transparency:** ESMA calls for each financial product to publish a limited number of easily understandable KPIs, to facilitate comparability in terms of sustainability. For interested professional and retail investors, all sustainability information would remain accessible, but key information documents would limit the information mentioned to that of primary importance. This system would prevent retail investors from being overwhelmed by information. It is also recommended that fund and product names be aligned with their sustainability credentials to combat greenwashing.
- **Product category:** ESMA would like to see the introduction of two product categories for sustainability and transition, with eligibility criteria reviewed on a regular basis. ESMA considers that the categories would remain voluntary, but that only products meeting the eligibility criteria would be eligible. In its opinion, ESMA identifies two types of product: "sustainable" investment products and "transition" investment products. ESMA adds that the application of a rating system for investment products according to their level of sustainability would facilitate the choice of retail investors. However, the Authority recognizes that the methodology will need to be developed to take into account the diversity of sustainability-based investment strategies.
- **Data:** the Authority calls for the continued application of sustainable reporting standards to ensure that companies publish the information needed to assess their level of sustainability.
- **Duty of care:** ESMA supports the introduction of new duty of care obligations, in line with the Duty of Care Directive (DCD). ESMA believes that the role of external players such as auditors or securities custodians in the provision of sustainability information should be further assessed.
- **Shareholder rights:** ESMA believes that shareholder involvement in corporate governance should be encouraged, particularly in light of the company's greening efforts. ESMA is therefore in favor of clarifying what is meant by "shareholder engagement" as part of a more comprehensive review of the Shareholder Rights Directive (SRD). Finally, ESMA calls for the development of a European code of stewardship.

26 July 2024 - The European Commission presents a guidance document to help companies implement the Corporate Sustainability Diligence Directive (CSDD)

The Corporate Sustainability Due Diligence Directive (CSDD) came into force on 26 July 2024, following its promulgation in the Official Journal at the beginning of July.

Member states therefore have until 26 July 2026 to transpose the directive's provisions into national law (only 9 of the 27 member states are already working on incorporating it into national law). Companies will have to apply the directive progressively from July 2027.

With a view to facilitating its implementation, the European Commission has [published](#) a Questions & Answers document designed to support the appropriation of the text by the stakeholders concerned.

In this document, the Commission states that it will publish general and/or sector-specific guidelines on the following provisions at a later date:

- Risk factors requiring greater vigilance on the part of companies;
- How to carry out due diligence in accordance with the Directive, including the identification process, prioritization of impacts and stakeholder involvement in the risk management process;
- Standard contractual clauses for relationships with business partners;
- Criteria and methodologies for third-party auditors.

1 July 2024 - European Commission report on addressing and monitoring climate risks affecting the continent's financial sector and financial stability

On 1 July 2024, the European Commission [published](#) a report dealing with the consideration of climate risks by financial institutions and the quality of monitoring of climate-related financial risks likely to impact financial stability.

This report is the result of a mandate established by the European [Commission's Strategy 2021](#) for financing the transition to a sustainable economy. It takes stock of the analytical work carried out in the European Union, identifies the main challenges in measuring the impact of climate-related risks on financial stability, and presents recommendations and policy measures that could be taken at EU level. The report finds that the impact of climate risks on financial stability varies considerably from one country to another and from one economic sector to another, while highlighting significant potential systemic risks.

The climate risks identified in the report for their impact on the financial system can be divided into two types: transition risks and physical risks associated with climate change. In both cases, physical and transition risks affect the balance sheets of financial and non-financial institutions:

- Physical risks are mainly linked to extreme weather events or natural disasters caused by climate change. In particular, physical risks can take the form of a natural hazard that could destroy inventories, damage real estate, cause business interruptions, reduce revenues and increase costs.
- Transition risks are linked to changes in policy, technology and consumer preferences. These transition risks can also have a significant impact. Changes in the regulatory environment or significant shifts in consumer preferences (e.g. changing modes of transport) can alter a company's strategy or leave assets idle.

Thus, the report emphasizes that both risks can create specific and systemic financial stability risks for financial institutions through traditional channels, such as credit and market risk, and through various transmission and amplification mechanisms.

With regard to banks, the 2023 stress test conducted by the European Central Bank determines that losses for banking institutions will amount in average between 0.6% and 1% depending on portfolio size, while the most vulnerable 10% of banks lose double this amount.

According to estimates, between half to two third of the increase in credit risk will be due to transition risks alone.

The report also proposes micro-prudential measures to improve the way climate risks are taken into account. Banking and insurance regulations, namely the revised Capital Requirements Regulation (CRR3) and Directive (Capital Requirements Directive or CRD6) and Solvency II, require banks and insurers to integrate ESG risks into their risk management systems. Although quantitative requirements are not yet affected, EU rules are being strengthened to fully integrate ESG (environmental, social and governance) risks into governance, risk management and disclosure requirements. As agreed in the recently revised banking package, banks will be required to carry out internal climate risk stress tests.

Digital issues

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12 July 2024 - Publication of the Artificial Intelligence Regulation in the Official Journal of the EU

On 12 July 2024 the AI Regulation (AI ACT) was [published](#) in the Official Journal of the EU.

Its publication paves the way for its entry into force on August 2 (20 days after publication in the OJEU).

The European Commission will therefore be able to start adopting delegated acts as early as August 2024, although the regulation will not be immediately applicable:

- The general provisions of the regulation and article 5 listing prohibited practices will apply from 2 February 2025.
- The first codes of practice relating to the obligations for general-purpose AI models will have to be ready by May 2, 2025, three months before these rules come into force on 2 August 2025. On this date, other measures on governance, sanctions and notifying authorities set out in the regulation will also apply.
- The remainder of the Regulation will apply one year later, on 2 August 2026, with the exception of the rules on high-risk systems referred to in Article 6(1), which will apply from August 2027.

Other topics

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25 July 2024 - Member States prepare to present their choice of Commissioner for the next term to the President of the European Commission

On 25 July 2024, the President of the European Commission asked member states to submit their choice of European Commissioner for the next term of office by August 30, 2024. For the record, each member state must

put forward the name of a Commissioner before he or she is assigned a portfolio and is interviewed by parliamentarians before officially taking up office. In her letter, Ursula von der LEYEN also reiterates her wish to see two candidates from each Member State, one male and one female, although no duo has yet been proposed by the member states.

The President of the European Commission wishes to start auditioning candidates for the post of European Commissioner as early as August 2024, in order to present a full college of Commissioners to the Parliament in September 2024. The hearings of the candidate Commissioners will then continue until November 2024, when each prospective Commissioner will be auditioned by the relevant parliamentary committees according to the portfolio of subjects and competences assigned.

On the French side, Emmanuel MACRON has confirmed his decision to reappoint Thierry BRETON as Commissioner. France is particularly keen to see a significant portfolio including competition policy, digital issues and EU competitiveness.

Belgium's candidate, Didier REYNDEERS, formerly Commissioner for Justice and Consumer Rights, would like to be awarded the portfolio for EU economic policy. Finally, the former Irish Finance Minister, Michael McGRATH, would like to be allocated the financial services portfolio in the new distribution of policies within the future College of Commissioners.

Last but not least, Austria is also expected to put forward the candidacy of its Finance Minister, Magnus BRUNNER, to join the future College of Commissioners. The Austrian Chancellor justified the choice of his Minister by asserting that he possessed "a high level of expertise in financial, economic and competition policy at national and European level". Vienna was hoping for a finance-related portfolio, whereas the outgoing Commissioner, Johannes HAHN, was in charge of the EU budget.

19 July 2024 - MEPs reelect Ursula von der LEYEN

On 18 July 2024 - the inaugural session of the European Parliament took place in Strasbourg. Besides the vote for Ursula von der Leyen's re-election as the President of the European Commission, there were several votes taking place for the election of the President and Vice-Presidents of the Parliament and political groups. These votes confirmed the distribution of key positions within the Parliament among political groups and the composition of committees based on the results of the latest elections.

Ursula von der Leyen re-elected President of the European Commission for a new 5-year term

Ursula von der Leyen has been reappointed to her role for a new 5-year term. She was re-elected with 401 votes out of 720 MEPs. Her political program managed to convince several political groups beyond her originating party, the EPP, including the Greens.

In particular the first part of the program in favour of "*Europe's sustainable prosperity and competitiveness*" may be of interest for the EUF. The program includes several proposals already present in the LETTA report, such as supporting a "*Union of Savings and Investment*" and the need to continue efforts to mobilize more European savings for financing the green and digital transitions. Reviving the single market through deeper European integration in the finance, energy, and telecom sectors is also an important element.

In addition to the need for an *"investment-focused mandate,"* the appointment of a Vice-President of the Commission for Competitiveness was also mentioned by Ms. von der Leyen in her speech to the European Parliament. It was specified that all commissioners will be tasked with focusing on reducing administrative burdens and simplifying the implementation of European obligations.

From a general perspective, Ms. von der Leyen delivered a forceful speech emphasizing the urgency of making Europe a prosperous, competitive, and sustainable economy. Extensive parts of her speech were dedicated to defense and internal security – including border defense – and external security, which will receive additional resources, as well as the protection of the European democratic system, which will be equipped with a "shield". Regarding climate policy, she proposed a "clean industry" pact and then focused on two economic sectors that directly affect the lives of Europeans: agriculture and housing. You will find below a more complete and generic summary of Mrs von der Leyen speech and political guidelines.

Ursula von der Leyen began her speech by reflecting on the key moments of her term, describing it as "five unprecedented years" marked by the war in Ukraine, the death of Alexei Navalny, and the importance of building a common future for Europe. In her speech, she announced her program for the next term, highlighting five major priorities:

1. A New Plan for Europe's Sustainable Prosperity and Competitiveness

Ursula von der Leyen (UVDL) emphasized the need to make European businesses more efficient by reducing administrative burdens, reporting obligations, and ensuring greater trust and transparency. She outlined several measures:

- A renewed push for the single market, deepening integration in sectors such as services, energy, defense, finance, electronic communications, and digital.
- All commissioners will focus on reducing administrative burdens and simplifying the implementation of European obligations. They will engage in dialogues with stakeholders to discuss the best approach to align implementation with real-world conditions.
- Introduction of a new category for intermediate businesses and enhanced support for SMEs and innovative companies through a new legal status. Existing regulations will be evaluated for their impact on SMEs.
- **UVDL described the upcoming term as the "mandate of investment," aiming to mobilize more private financing and leverage European savings to boost growth and invest in innovation and clean and digital transitions. This includes Enrico Letta's proposal for a European Union of Savings and Investment, encompassing banking and capital markets.**
- Implementation of a Clean Industrial Deal to decarbonize and reduce energy prices within the first 100 days of the term. Continuing the momentum of the European Green Deal and the path to decarbonization by setting goals for 2030, 2040, and 2050, with 2040 targets to be enshrined in European climate law.
- Revision of the public procurement directive to favour European products in public contracts for strategic sectors, ensuring added value for EU citizens and securing the supply of essential technologies, products, and services.

2. A European Union Focused on Security and Defense

The second priority of UVDL's term is security and defense. Given the war in Ukraine, she reiterated Europe's support for Ukrainian citizens and its responsibility to protect its own citizens.

- Creation of a single defense market to coordinate defense efforts and the establishment of a commissioner for defense.

- Publication of a white paper on the future of European defense within the first 100 days of the term.
- Establishment of a European Defense Fund to invest in high-end defense capabilities in naval, land, and air combat, early warning in space, and cyber defense. She mentioned the "European Air Shield" project to symbolize European unity.
- Doubling EUROPOL personnel to make it a fully operational police agency.
- Strengthening European borders by increasing Frontex staff and better managing migration through the Migration and Asylum Pact, supported by national implementation.

3. Preserving Quality of Life: Food Security, Water, and Nature

In her speech, UVDL highlighted the role of farmers in the European way of life and the importance of ensuring fair incomes for farmers.

- Conclusions from the strategic dialogue on agriculture will be published quickly. Based on this, UVDL will present a Vision for Agriculture and Food within the first 100 days of the term, aiming to ensure the long-term competitiveness and sustainability of our agricultural sector within planetary limits.
- She stressed the need to ensure fair income for farmers and prevent the sale of their products below production costs.
- Establishment of a Commissioner for Fisheries and Oceans, along with a European Ocean Pact for good governance and ocean sustainability.

4. Strengthening Societies and the Social Model

Her speech also addressed social issues:

- The housing crisis must be addressed: she proposed the appointment of a Commissioner for Housing and the necessary investments for a plan for affordable housing.
- Attention to youth and mental health, including better regulation of social media and an in-depth investigation into the impact of social media on youth.
- Promoting gender equality and combating wage precarity and female poverty.
- Promotion of equality with the appointment of a Commissioner for Equality, a new anti-racism strategy for 2025, and an updated strategy on LGBTQI equality.

5. Protecting European Values and Democracy

Ursula von der Leyen concluded by emphasizing the need to protect European democracy, which is under attack, and proposed various measures:

- Creation of a European Shield for democracy to combat foreign information manipulation and online interference.
- Development of cyber defense tools.
- Support for independent journalism.
- Fight against corruption.

Strengthening the rule of law.

In addition to von der LEYEN, Roberta Metsola was also re-elected with a large majority as President of the European Parliament

The Maltese EPP MEP obtained 562 votes in a secret ballot held on July 16, the first day of the inaugural session of the new Parliament in Strasbourg. This is significantly more than the combined votes of the three central coalition groups (European People's Party, Renew, Socialists and Democrats), which total 401 votes. She also garnered many votes from other groups, notably the Greens, who voted largely in her favor.

4 July 2024 - The European Commission publishes its annual report on SMEs

On 4 July 2024, the European Commission [published](#) its annual report on SMEs.

In this report, the European Commission takes stock of the situation for SMEs and the issues that affect them. According to the European Commission's figures for 2023 (see table below), SMEs represent a total of almost 25 million businesses, employing 65% of the European workforce and accounting for almost 53% of the Union's added value.

Table 1: Economic structure of enterprises per size class, in EU-27 for 2023

Class size	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	Billion €	Share
Micro	24,209,297	93.6%	40,803,310	30.0%	1,799	19.8%
Small	1,387,888	5.4%	26,770,763	19.7%	1,527	16.8%
Medium-sized	210,551	0.8%	21,156,339	15.5%	1,512	16.6%
SMEs	25,807,736	99.8%	88,730,412	65.2%	4,839	53.1%
Large	43,420	0.2%	47,355,823	34.8%	4,265	46.9%
Total	25,851,156	100.0%	136,086,235	100.0%	9,104	100.0%

Source: Calculations by the JRC, **based on Eurostat's Structural Business Statistics, Short-Term Business Statistics and National Accounts Database**

However, SMEs remain very fragile, and rising inflation has been responsible for a decline of almost 1.6% in their share of the Union's total value added. As a result, the European Commission estimates that, due to inflation, the share of value added produced by SMEs should fall by a further 1% by 2024. It points out that the productivity of SMEs has fallen behind that of large companies.

Yet the report considers that the role of SMEs is key to the functioning of the single market, and that they play a very significant role in research and innovation, remaining the driving force in certain niche markets or ancillary services. In fact, SME growth in a number of sectors and Member States has proved superior to that of large companies.

Referring back to the SME relief package presented by the European Commission, the report points out that proposals such as the Late Payment Regulation (LPR) should enable SMEs to increase their financing and resilience.

Finally, the report calls for the needs and objectives of SMEs to be placed at the heart of European policy-making.

July 2024 - European political groups' priorities for the European Commission for the period 2024-2029

With a view to the election of Ursula von der LEYEN as President of the European Commission, and thus her "program" for the period 2024-2029, the European political groups have begun work on their proposals for the European Commission.

1. EPP priorities

The EPP European group has not yet made official its plan for the period 2024-2029. Nevertheless, according to a first version, the plan, divided into 10 points, reaffirms the group's commitment to the EU's current decarbonization targets for 2030 and 2050, and pledges to "move away from fossil fuels to clean energy".

The EPP wants to set up an "investment plan for European jobs" to finance innovation in clean technologies.

The EPP proposes the creation of a European Commissioner for SMEs to deal with their problems and cut red tape. It also mentions that the Capital Markets Union must be completed to ensure SMEs' access to finance.

2. RENEW Group priorities

Among its priorities for 2024-2029, which have not yet been made public, the Renew political group develops several proposals:

- Complete and strengthen the single market
 - Appoint a Commissioner responsible for law enforcement, who should ensure that existing European rules are applied and implemented in a harmonized way;
 - Create a business-friendly environment by cutting red tape;
 - Create single rulebooks for businesses;
 - The group calls on the European Commission to propose a "legislative package to strengthen SMEs", with the introduction of a definition of "start-ups" and "scale-ups", a European export credit strategy, and the guarantee of systematic application of the SME test in all legislation. It also calls for the elimination of the obstacles they face.
 - Complete the Capital Markets Union, by creating a Savings and Investment Union.
- Energy independence and climate neutrality
 - Pursue efforts to transition to a fully decarbonized economy by 2050, in particular by developing renewable energies and nuclear power;
 - Develop the Emissions Trading Scheme and strengthen and extend the European Carbon Border Adjustment Mechanism (CABAM);
 - Ensure proper implementation of the Green Deal texts.

3. S&D Group priorities

The European group's demands fall into 11 categories, one of which concerns financial services.

Entitled "A citizen-centric budget and investment capacity to deliver European public goods: Financing transition and preserving cohesion", this part of the program puts forward the following proposals:

- Set up an "investment instrument" to provide adequate funding;
 - Leverage NextGeneration EU and its recovery and resilience mechanism to support investment in the EU's ongoing economic, social, digital and ecological transformation;
 - Support a new "Green Industrial Act" capable of accompanying Europe's competitive and green reindustrialization and creating quality jobs, with affordable energy prices;
 - Complete the Union of capital markets and the Banking Union, in order to mobilize more private investment.

- Among the priorities put forward, the group also mentions the just transition through various measures:
- Maintain the EU's commitment to becoming the first climate-neutral continent by 2050;
- Deepen the implementation of the Nature Restoration Act and the EU Biodiversity Strategy 2030;
- Guarantee investment policies geared towards a prosperous, clean and secure European Energy Union;
- Putting CSRD and CSDDD legislation into practice to promote sustainable and responsible corporate behavior for a just transition to a sustainable economy.

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