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**OGGETTO: EUF Monthly Monitoring Report - Settembre 2024**

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

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## Banking regulation

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### 24 September 2024 - Basel III: Finance Watch warns about implementation of new rules

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On 24 September 2024, Finance Watch [published](#) a report entitled “A lost opportunity: the evolution and challenges of Basel III”. In it, Finance Watch assesses the effectiveness of the Basel III accords for financial stability, as well as the implementation problems encountered and the areas requiring improvement.

Finance Watch makes recommendations to address these issues:

- 1) Precisely define the target group for the Basel III rules, rather than referring to the imprecise term “internationally active banks”, and integrate non-binding provisions into the main agreement;
- 2) Simplify and guarantee the consistency of the prudential framework to ensure regulatory fairness and thus minimize national options;
- 3) Eliminate (gradually) the internal model-based approach (IRB) in favor of a standardized, risk-sensitive approach supplemented by a risk-neutral leverage ratio;
- 4) Re-establish a clear separation between the functions of bank supervision and internal model validation;
- 5) Better distinguish between structural and counter-cyclical buffers;
- 6) Further promote supervisory technologies, in particular real-time data collection;
- 7) Extend Basel III and its first pillar to climate risk, with a separate buffer based on exposure to fossil fuels;
- 8) Reassess bank resolution provisions, in particular TLAC.

At a time when the Draghi report raises the question of “recalibrating” prudential rules to better finance the real economy, Finance Watch calls on European and global decision-makers to reaffirm their commitment to the Basel accords, and to relaunch their efforts to avoid a “race” towards the lowest regulatory standards.

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### 23 September 2024 - Verena ROSS calls for a revitalization of securitization in Europe

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On 23 September 2024, Verena ROSS, Chairwoman of the European Securities and Markets Authority (ESMA), [spoke](#) at an afme conference about her vision of the main projects that need to be undertaken to boost capital markets.

The Chair opened her speech by deploring the fact that, despite the launch of the Capital Markets Union and the various related initiatives, these have not led to significant growth for the Union's economies.

In the wake of the various reports published, Verena ROSS proposes that the first priority should be to strengthen investment opportunities, so as to enable companies to benefit from a wide range of financing solutions.

To this end, the President believes that investors and companies should be better connected, so that more investment opportunities can emerge. Retail investors must have access to simple, value-for-money products and independent advice with the appropriate tax incentives.

The President calls for a reduction in the fragmentation of market infrastructures and an improvement in their efficiency.

At the heart of her speech was a plea for the revitalization of securitization in Europe. With the Commission due to open a consultation with stakeholders in the coming weeks on the functioning of the current securitization framework, the Chair stressed the need to review it. According to ESMA, this review, which enjoys political consensus, should address prudential and securitization requirements in order to enhance the attractiveness of securitization vehicles. However, prudential issues should primarily be dealt with by the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).

ESMA regrets that between 2008 and 2023, the European securitization market fell from 2,000 billion euros to less than 1,300 billion euros, and puts forward a series of proposals to reverse this trend:

- Identify and eliminate the reasons that have driven investors and issuers away from securitization.
- Make the regulatory framework more appropriate by reducing due diligence obligations. These reforms will complement ESMA's revised guidelines, which should enable the current framework to follow the principle of proportionality more closely.
- Tailor reporting and transparency requirements to reduce costs for market players.

Finally, the Chair called for the resilience of the financial sector, and in particular the resilience of digital information systems, not to be overlooked.

**Next steps:**

***The European Commission is due to publish a consultation in the coming weeks to identify issues affecting the current securitization framework. ESMA is due to publish its proposed guidelines for making the current securitization framework more user-friendly for investors and issuers.***

## Banking supervision

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### 23 September 2024 - ECB publishes supervisory statistics for significant institutions for the second quarter of 2024

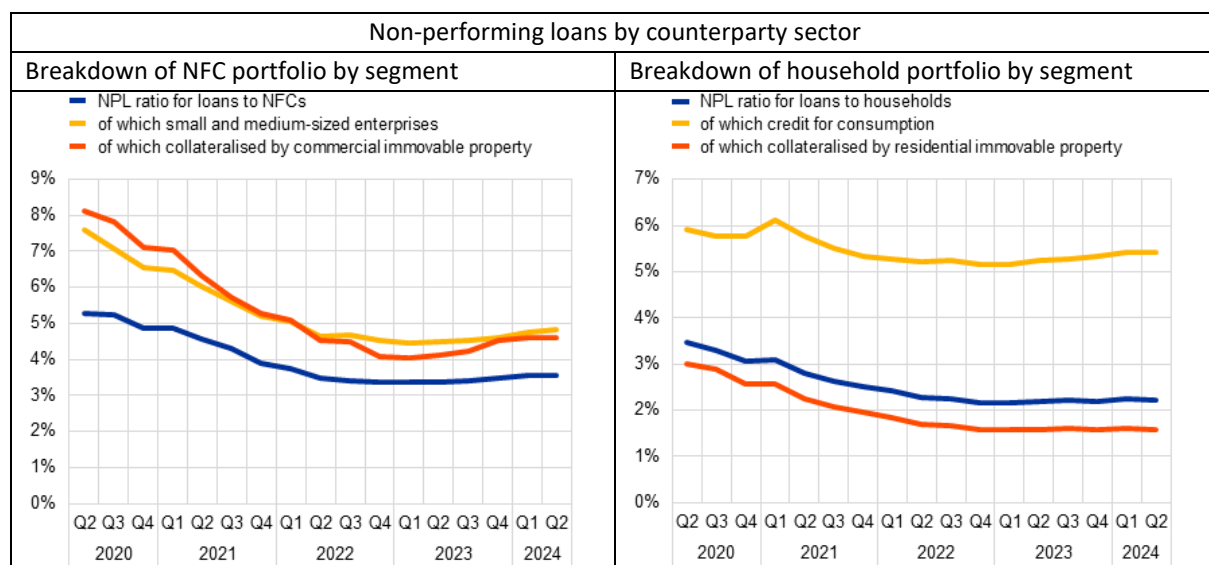
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On 23 September 2024, the European Central Bank (ECB) [published](#) the banking supervision statistics for significant institutions for the second quarter of 2024.

The main results of this exercise are as follows:

- The aggregate Common Equity Tier 1 ratio was 15.81%, up on the previous quarter (15.74%) and the second quarter of 2023 (15.71%);
- The annualized aggregate return on equity stands at 10.11%, the highest level recorded since 2015;
- The aggregate non-performing loan (NPL) ratio was stable at 2.30%, compared with 2.31% in the previous quarter and 2.26% in the second quarter of 2023;
- The share of loans with a significant increase in credit risk (stage 2 loans) stands at 9.45%, down on the previous quarter (9.50%), but up on last year (9.19%).

The ECB also offers a focus on non-performing loans by sector, differentiating in particular between loans secured by real estate to non-financial companies and households, and consumer credit (see below):



Finally, the ECB estimates that the cost of risk fell from 0.49% in the first quarter to 0.47% in the second.

#### 19 September 2024 - EBA publishes its risk dashboard for the second quarter of 2024

On 19 September 2024, the European Banking Authority (EBA) [published](#) its risk dashboard for the second quarter of 2024. EBA's main observations are as follows:

- European banks' return on equity (RoE) is relatively stable year-on-year at 10.9%. On a quarterly basis, RoE increased by 30 basis points, mainly due to an increase in other operating income;
- Net interest margin (NIM) decreased slightly (1.68% in the second quarter versus 1.69% in the first and 1.60% a year earlier);
- The Common Equity Tier 1 ratio increased by 10 basis points to 16.1% in the second quarter;
- The liquidity ratio (LCR) and net stable funding ratio (NSFR) also increased in the second quarter, from 161.7% to 163.2% and from 127.3% to 127.8% respectively.

Finally, EBA notes that loans to households and non-financial companies (NFCs) increased slightly over the quarter. The ratio of non-performing loans (NPL) remained stable at 1.9%, with notable divergences between segments.

#### 9 September 2024 - EBA launches its 2024 transparency exercise

On 9 September 2024, EBA announced the launch of its 2024 [transparency](#) exercise, which is designed to provide information on the health and resilience of the European banking sector.

The exercise concerns around one hundred major EU banks, and will be based on data from supervisory reports. It will cover capital positions, profitability, financial assets, risk exposure amounts, sovereign exposures and asset quality.

**Next steps**

***The results of the exercise will be published at the end of November, at the same time as the Risk Assessment Report (RAR).***

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**5 September 2024 - Court of Justice of the EU: failure to publish a bank's resolution measures does not invalidate them or prevent their application in another member state.**

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On 5 September 2024, the Court of Justice of the European Union (CJEU) [ruled](#) that a failure to publish measures relating to the resolution of a failing European bank does not invalidate those measures or render their effects unenforceable in another EU member state, in a case concerning the 2014 resolution of Portuguese bank Banco Espírito Santo (BES).

As part of this resolution, BES had transferred assets, liabilities and other extra-legal items to the bridge bank Novo Banco. Some of the resolution measures had not been published as required under EU law. In its ruling, the Court of Justice considers that the lack of publication of resolution measures by the Portuguese authorities does not nullify these measures or their effects in Spain.

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**2 September 2024 - For its first session, the ECON Commission hears Emmanuel FABER and Claudia BUCH**

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On 2 September 2024, as part of its first september session, the European Parliament's Committee on Economic and Monetary Affairs (ECON) heard Emmanuel FABER, Chairman of the International Sustainability Standards Board (ISSB), and Claudia BUCH, Chairwoman of the Single Supervisory Board (SSM).

**1. Hearing with Emmanuel FABER**

At a hearing of the Economic and Monetary Affairs Committee (ECON), Emmanuel FABER reaffirmed that the sustainability standards developed by the ISSB were not, in principle, intended to apply to SMEs, and that SMEs should therefore not see their reporting obligations increased.

Asked by MEP Eero HEINALUOMA (S&D, FI) about the role of auditors, the ISSB pointed out that the International Auditing and Assurance Standards Board (IAASB) is set to adopt new standards for auditors this autumn, clarifying this framework.

With regard to the interoperability of international sustainability standards and European sustainability standards, Emmanuel FABER emphasized the need for coordination between the different bodies to ensure strong interoperability.

## 2. Claudia BUCH's hearing

During her hearing, Claudia BUCH, Chairwoman of the ECB's Single Supervisory Board (SSM), called for full implementation of the Basel III Accords, and in particular the provisions relating to the market activities of investment banks (or FRTB framework), whose application has been postponed for a year.

During her hearing, she declared that it was *“crucial that the Basel III package be applied without further delay”*, noting that the level of additional capital requirements was *“well below”* the initial proposals and that *“transition periods are long”*, thus facilitating a smooth transition. She even indicated that, in her opinion, the European banks concerned would not be at a disadvantage vis-à-vis their non-European peers.

Questioned by MP Johan van OVERTVELDT (ECR, BE) on the risks posed by shadow banking, she called for the sector to be regulated to increase transparency and liquidity in the event of a crisis.

## Legal issues

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### 23 September 2024 - ECON Commission commissions study on the effects of insolvency regulations on the banking market

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On 23 September 2024, the European Parliament Research Services (EPRS) [published](#) a study for the European Parliament's Committee on Economic and Monetary Affairs (ECON) on the effects of divergences between Member States in insolvency rules and their effect on banking markets.

The report highlights the fact that harmonization of supervision and resolution rules has led to greater integration of banking markets, but that these measures need to be accompanied by harmonization of tax and legal regimes in order to achieve a true single banking market. Indeed, the divergent rules between member states on insolvency and loan recovery lead to major divergences in repayment procedures in the event of insolvency, limiting the integration of credit markets, and to higher interest rates in states where recovery is longer or more difficult. Similarly, this leads to lower deposit interest rates.

The report notes that in states where loan recovery procedures are more difficult, banks lend at higher rates than where procedures are simpler or less costly. Banking intermediation is therefore less efficient when recovery procedures for defaulted loans are less secure. Yet, as the study points out, a divergence in terms of banking intermediation efficiency between different member states is a major obstacle to a true Banking Union.

Referring back to the European Commission's proposal to harmonize certain insolvency rules, the study points out that, for the moment, negotiations are stagnating due to the clash between creditors' and debtors' rights.

The study finds that countries with appropriate insolvency regimes are able to adjust their levels of non-performing loans more quickly. On the contrary, countries with low and protracted loan recoveries have economically more fragile banks, more exposed to the risk of bankruptcy. In the latter case, banks have an



incentive to continue lending to companies in difficulty so as not to see their loans go into default, and these companies have an incentive to take on debt more easily, even in times of recession. While in the short term this may appear to be a good solution, as it enables weakened entities to continue to be financed, in the long term it leads to a misallocation of financing towards the least competitive and weakest companies, resulting in longer and deeper recessions for the economy.

For the EU as a whole, the report highlights the wide divergences between member states, ranging from a recovery level of 32% in Greece, 34.4% in Romania and 65.6% in Italy, to 74.8% in France, 79.8% in Germany and 90.1% in the Netherlands. Similarly, the time to enforce contracts can range from 0.4 years in Ireland to 3.5 years in Greece, while France stands at 1.9 years, slightly below the European average of 2 years.

**Table 1: Loan enforcement efficiency in the EU in 2020**

| Country        | Recovery rate (%)<br>(1) | Time to enforce contracts (years)<br>(2) |
|----------------|--------------------------|--|
| Austria        | 79.9                     | 1.1                                      |
| Belgium        | 89.4                     | 0.9                                      |
| Bulgaria       | 37.7                     | 3.3                                      |
| Croatia        | 35.2                     | 3.1                                      |
| Cyprus         | 73.8                     | 1.5                                      |
| Czech Republic | 67.5                     | 2.1                                      |
| Denmark        | 88.5                     | 1  |
| Estonia        | 36.1                     | 3  |
| Finland        | 88                       | 0.9                                      |
| France         | 74.8                     | 1.9                                      |
| Germany        | 79.8                     | 1.2                                      |
| Greece         | 32                       | 3.5                                      |
| Hungary        | 44.2                     | 2  |
| Ireland        | 86.1                     | 0.4                                      |
| Italy          | 65.6                     | 1.8                                      |
| Latvia         | 41.4                     | 1.5                                      |
| Lithuania      | 40.3                     | 2.3                                      |
| Luxembourg     | 43.9                     | 2  |
| Malta          | 39.2                     | 3  |
| Netherlands    | 90.1                     | 1.1                                      |
| Poland         | 60.9                     | 3  |
| Portugal       | 64.8                     | 3  |
| Romania        | 34.4                     | 3.3                                      |
| Slovakia       | 46.1                     | 4  |
| Slovenia       | 90                       | 0.8                                      |
| Spain          | 77.5                     | 1.5                                      |
| Sweden         | 78.1                     | 2  |
| EU27           | 62.4                     | 2  |

These data are from the World Bank Doing Business database for the year 2020.

Considering that countries with lower levels of loan recovery offer less efficient and more expensive banking intermediation, the study calls for final harmonization of insolvency regimes between member states beyond what the Commission has already proposed.

## Digital issues

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### 5 September 2024 - AI: OECD compares existing regulatory approaches applied to finance

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On 5 September 2024, the Organisation for Economic Co-operation and Development (OECD) [published](#) a briefing note on regulatory approaches to artificial intelligence in finance.

The report analyzes the different approaches based on a survey of 49 jurisdictions, including OECD and non-OECD countries. It highlights current and potential use cases for AI in finance, as well as the associated risks.

The authors report that, in many jurisdictions, existing regulations already apply to AI technologies without the need for specific adaptation. These rules cover areas such as risk management, consumer protection and operational resilience.

In the USA in particular, the use of AI in finance is covered by general or sector-specific rules such as those relating to consumer protection (Equal Credit Opportunity Act, Fair Housing Act) and risk management. These regulations require financial institutions to comply with safety and reliability requirements when using AI.

The European Union has chosen to develop specific regulations with the AI Act. Brazil, Chile and Colombia have also started building AI-specific legislation. These general laws cover several sectors, including finance.

Regulators in some jurisdictions, such as the UK, indicate that their approach is results-driven rather than technology-specific prescriptions, with an emphasis on risk management.

As for future challenges, regulators point out that existing regulatory frameworks may need to be strengthened as AI continues to evolve and integrate into new financial segments. The report also recommends promoting international convergence of rules relating to AI applied to finance, in order to better manage emerging risks and coordinate regulatory responses.

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### 4 September 2024 - ECB publishes its opinion on the proposed regulation on access to financial data

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On 4 September 2024, the European Central Bank (ECB) [published](#) an opinion dated 30 August 2024 concerning the proposed regulation on access to financial data (FiDA).

In its introductory remarks, the ECB stresses that it welcomes the proposal for a regulation designed to “*promote innovation, make financial services more competitive, give consumers more control over their data*”, as well as to “*develop the Capital Markets Union by making it possible to offer products best suited to consumers' needs*”.

The ECB nevertheless notes that, under the FiDA regulation, certain “*data holders*” are obliged to share certain data relating to mortgages, bank account loans and certain data relating to the creditworthiness study carried out by the credit institution. In this context, the ECB warns that certain data from Anacredit could be shared, in

direct contravention of the Anacredit regulation, which formally prohibits any public sharing of certain collected data.

Consequently, the ECB calls for an explicit exclusion of data transmitted under article 11 of the Anacredit regulation from the scope of the FiDA proposal.

Furthermore, the ECB warns against establishing the Central Bank as a supervisor verifying the application of the provisions of the FiDA regulation. However, as the ECB points out, the FiDA regulation is aimed more at protecting consumers than ensuring the resilience of financial institutions. Based on the principle that the ECB's remit under the Treaties is limited to the prudential supervision of financial institutions, consumer protection supervision must be explicitly excluded from the ECB's role. The ECB advocates in favor of clarifying that no supervisory tasks related to consumer protection is to be assigned to the ECB.

## Sustainable Finance

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### 19 September 2024 - EPRS publishes a report on the potential economic impact of sustainable finance

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On 19 September 2024, the European Parliament Research Centre (EPRS) [published](#) a study on the “potential economic impact of European sustainable finance”, in which the authors revisit the debate concerning the relationship between sustainable development efforts, a country's economic growth and the impact on business and financial performance. The study concludes that countries and companies can pursue sustainable development without compromising their economic prosperity. However, this depends on the establishment of a strict institutional and regulatory framework, and better international cooperation to avoid unfair competition, greenwashing and increased administrative burdens for companies.

Focusing on the EU, the study begins with a review of European legislative proposals which, in the context of the Green Deal in particular, are helping to create a beneficial framework for sustainable finance: [the 2018 Sustainable Finance Action Plan](#), which aims to redirect capital flows towards a sustainable economy, integrate sustainable development into risk management and promote long-term transparency; the renewed [strategy](#) for financing the transition to a sustainable economy; the Taxonomy [Regulation](#), which is tasked among other things with stepping up sustainable investment in the EU; and the [European Green Bond Standard \(EUGBS\) Regulation](#), which aims to establish a harmonized standard for green bonds.

By analyzing several scientific reports, the authors of the EPRS make a number of recommendations for the European Union:

- Continue to develop green bonds: the EPRS is based on an empirical study carried out by the European Commission's Joint Research Centre. Econometric results show that, compared to conventional bond issuers with similar financial characteristics and environmental ratings, green issuers show a decrease in the carbon intensity of their assets after borrowing on the green bond market. The results of the study therefore prove that green bonds are a credible signal of corporate commitment to the climate.
- Regulate the banking sector: The study shows that the banking sector is still very much rooted in conventional finance, and concludes that there is a significant gap between the banks' actions and the objectives of the Paris agreements. To initiate a transition, the Centre Jacques Delors recommends a

broader set of actions encompassing prudential regulation. In addition to integrating climate risks into banks' capital requirements, the EU could accelerate the greening of its banking system by systematically incorporating it into the work of banking supervisors and the ECB's monetary policy.

- Ensuring a stable policy: According to the report, the EU should strive to continue to ensure a stable, coherent and coordinated sustainable investment policy. According to the report, the balance between rigidity of rules, effective results in terms of achieving ESG objectives and competitiveness needs to be carefully assessed.
- Improving discrepancies in carbon accounting data and methods: The study notes the existence of numerous discrepancies between emissions data and between different data providers. A JRC study highlights the need for coordinated regulatory action on the part of policymakers to implement robust validation procedures that can improve the overall quality and reliability of emissions data.

With regard to the link between economic prosperity and sustainable development, the EPRS researchers drew on numerous studies and research to propose two possible answers: On the one hand, most studies suggest that better ESG performance is associated with better sustainable economic growth without compromising economic prosperity. On the other hand, they draw on an OECD study which finds that the integration of ESG factors can lead to outperformance or underperformance relative to market returns.

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#### **September 2024 - Parliament publishes study on the impact of sustainability and digital rules on SME competitiveness**

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In September 2024, the European Parliament's Internal Market and Consumer Protection Committee (IMCO) [published](#) a study assessing the impact of European legislation in the field of digital and green transition.

In its introductory remarks, the report highlights the key role of SMEs for the continent's economy, since they account for 99% of European companies, 52% of added value and 64% of jobs in the Union. The report also highlights the fact that SMEs are much more affected by regulatory changes than larger companies.

The report expresses the fears of SMEs in the face of a changing regulatory environment that is difficult to predict and particularly complex. The report undermines arguments that SMEs are often excluded from the scope of application, pointing out that, because of their place in the value chain, SMEs are nonetheless obliged to comply with European legislation.

The report makes a number of recommendations designed to support SMEs:

- Slow down the rate of adoption of new legislation, preferring to supervise the full application of previously adopted texts, to avoid over-regulation.
- Take stock of the existing regulatory framework in order to simplify it and eliminate overlapping reporting and administrative obligations.
- **Prefer regulations to directives when creating new regulatory initiatives.**
- Publish information documents to help SMEs apply the various European texts.
- Simplify administrative procedures based on the “one-stop shop” principle.

The report also recommends strengthening the role of the SME Envoy within the Commission, to ensure that the Commission systematically examines the impact of texts on SMEs, and maintains regular dialogue with the main organizations representing SMEs.

## Other topics

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### 24 September 2024 - European Parliament Research Service publishes report on Capital Markets Union

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On 24 September 2024, the European Parliament Research Service (EPRS) [published](#) a report on Capital Markets Union (CMU) at the request of the Committee on Economic and Monetary Affairs (ECON) in preparation for the monetary dialogue with the ECB President on 30 September 2024.

The report looks at the evolution of the CMU and its current status in Europe, makes a comparison with the unified capital market in the USA, assesses the relevance of the CMU for the monetary policy of the European Central Bank (ECB), and evaluates the challenges for the CMU in the future.

The report establishes that the European CMU has made only modest progress over the past 10 years, and continues to be limited in comparison with US capital markets for a number of reasons:

- The size of the bond and equity markets is much more developed in the US, with the value of listed equities in the EU representing just 68% of its GDP, compared with 170% in the US. This can be explained by the fragmentation of infrastructures and stock exchanges, according to EPRS.
- The low participation of European households in capital markets and their preference for bank deposits. Only 20% of eurozone households hold shares or fund investments, compared with over 50% in the US.
- The structure of corporate financing sources: in Europe, companies are financed by bank loans, whereas in the USA they are financed by shares, equity or debt securities.
- The pension fund and institutional investor industry is much smaller in Europe than in the US, with less developed hedge funds and private equity funds. European funds tend to invest mainly in their home markets.
- The size of the venture capital market in Europe is several times smaller than in the US, which limits innovation and growth, and many European start-ups are taken over by non-European companies.
- The report also looks at the impact of the unfinished CMU on the ECB, which has a key role to play in macroeconomic stabilization. Completion of the CMU would enable private capital to play a role in managing economic shocks, directly influencing supply and demand in the markets. This could reduce the need for the ECB to intervene constantly, relieving the pressure to keep interest rates low for longer.

In terms of obstacles and challenges, the EPRS highlights:

- Regulatory divergences between EU Member States and the current fragmentation of supervision remain a major obstacle. On this point, the report highlights the integration of capital market supervision by extending ESMA's powers.
- The EPRS highlights an ECB report of March 2024 which recommends, among other things, harmonization of insolvency rules, integration and strengthening of supervision, consolidation of stock exchanges and inclusion of citizens through better financial education.
- ECB President Christine LAGARDE calls for a “Kantian” shift from a gradual to a radical approach that recognizes the urgent investment needs facing the EU, inspired by the unified capital market in the USA that developed in the late 19th century in response to massive infrastructure needs.

## 17 September 2024 – The president of the Commission presents her proposals for the EU college of commissioners

On 17 September 2024, Ursula von der Leyen, President of the European Commission, presented her proposal for the future College of Commissioners.

You will find hereafter the proposed organisation chart for the new European executive:



### Key takeaways following the presentation of the proposed College of Commissioners

#### I. General observations:

- Since her re-election as President of the European Commission last July, the path leading to Ursula von der Leyen's announcement today of her proposed College of Commissioners has been **fraught with obstacles**. Until this morning, doubts persisted about her ability to present her new team as planned, following a previous postponement last week.
- The presented organizational chart aims to **reflect the political priorities of the future European Commission** (competitiveness and the twin transition) and has been the result of intense negotiations with the Member States, as confirmed by the President during her press conference this morning. Last-minute decisions were made, independent of the change in the French candidate just yesterday morning.
- In terms of process, the President of the European Commission is proposing a methodological shift and intends, with the presented organizational chart, to **"dismantle the former rigid stovepipes"**. Gone is the cluster system, where groups of Commissioners were placed under the responsibility of an Executive

Vice-President. The President wishes to instill a more collective dynamic, where **“the entire College is committed to competitiveness”** as recommended by Mario Draghi in his report.

- On substance, Ursula von der Leyen seems to have favored candidates more inclined to adhere to the overall line of the European Commission. The last-minute ousting of Thierry Breton or the absence of a profile similar to Josep Borrell (former High Representative for Foreign Affairs) demonstrates this. During her press conference, the President of the European Commission emphasized her **willingness to work as part of a team**.
- The structure and titles of the portfolios reflect a team focused on competitiveness and the twin digital and environmental transitions, the two strategic pillars promoted by Ursula von der Leyen. More politically driven portfolios have been eliminated, such as the “European Way of Life” portfolio, which sparked controversy in 2019.
- A clarification will likely be necessary concerning each member’s responsibilities, as the new titles of some portfolios may lead to competence overlaps among the College’s members, particularly on topics related to climate and democracy.

## II. Von der Leyen II casting: A question of balance

### ***A political balance clearly favoring the EPP***

- **The EPP is the most powerful political group within the College of Commissioners**, with 14 College members out of 27, including the President and one Executive Vice-President. **The EPP is therefore in the majority**, reflecting the fact that most of the governments of EU Member States belong to the EPP. As a reminder, the EPP also won the European elections last June and is thus the largest political group in the European Parliament, strengthening its indispensable role for the next 5 years.
- **The S&D, with five portfolios, including two Executive Vice-Presidencies, has managed to secure historically prioritized themes for the Socialists**, such as the green transition, energy, employment, and skills.
- **Renew, with two Executive Vice-Presidencies and five portfolios, loses one seat compared to the outgoing mandate but remains at the heart of decision-making on important issues**, particularly on foreign policy and EU enlargement on the one hand, and industrial policy and the single market on the other.
- **The far-right is also represented within the College**. On one hand, Raffaele Fitto, the Italian commissioner candidate, inherits an Executive Vice-Presidency with responsibility for cohesion and reforms, representing the ECR group with a more significant portfolio than expected — a clear message of “non-aggression pact” to Italian Prime Minister Giorgia Meloni? On the other hand, Olivér Várhelyi, the Hungarian commissioner candidate, linked to the PEF group in the European Parliament, takes on the portfolio of health and animal welfare.

### ***A geographically balanced distribution***

- Determined to propose a fair geographical distribution of roles within her new team, Ursula von der Leyen presents a perfectly balanced team from this point of view.
- Among the six Executive Vice-Presidents, 3 represent countries that joined the EU before the fall of the Soviet Union (Teresa Ribera – Spain, Stéphane Séjourné – France, Raffaele Fitto – Italy) and 3 represent countries that joined the EU more recently (Roxana Minzatu – Romania, Henna Virkkunen – Finland, Kaja Kallas – Estonia).
- It is worth noting that the distribution of portfolios reveals the balance of power between Member States: Spain, for instance, continues its rise following the June elections with the highly sought-after Competition portfolio for Teresa Ribera, in addition to an Executive Vice-President post. Poland, notably, takes over the Budget portfolio at a crucial time, as negotiations on the next multiannual financial framework are about to begin.

### ***An elusive gender balance***



- Achieving gender parity within the College was a political objective for the President, who asked each Member State to propose both a male and female candidate. However, this goal was clearly not fully met, as only a few Member States — France not among them — adhered to this request.
- As a result, **gender parity has not been achieved**, with 11 women (40%) and 16 men (60%) in the College. However, **by appointing women to 4 of the 6 Executive Vice-President posts**, Ursula von der Leyen still makes a political statement.

### III. Key Commissioners for EUF and their priorities

In a commission that the President wishes to be “A Commission for investment”, we would like to highlight the following candidate commissioners, who are particularly relevant to you in view of the mission letters that have been sent to each candidate:

1. On financial services and internal market issues :
  - **Stéphane SÉJOURNÉ**, Executive Vice-President in charge of prosperity and industrial strategy. He should be “also responsible for the Industry, SMEs and Single Market portfolio”. His role as executive vice-president should therefore be to coordinate measures relating to “investment and innovation, economic stability, trade and economic security”. Stéphane SEJOURNÉ could thus have a strong influence on the work of the Commissioner in charge of financial services and in the development of specific policies for SMEs. According to his [mission letter](#), he is expected to personally oversee the implementation and development of a **passport for SMEs to reduce their administrative burden and improve their access to financing**. He should be in charge of **overseeing discussions concerning the LPR regulation**.
  - **Maria Luís ALBUQUERQUE**, Commissioner for Financial Services and the Savings and Investment Union, will [continue](#) to work on issues relating to the “Capital Markets Union” and “ensuring that private investment drives our productivity and innovation”. A senior civil servant and economist by training, she was Portuguese Finance Minister between 2013 and 2015 and belongs to the EPP.  
According to her mission letter, she will be in charge of key financial services legislation, including :
    - Developing a Savings and Investment Union to mobilize retail savings while protecting consumers and retail investors.
    - Develop transition and sustainable finance by revising the categorization of “sustainable” financial products and simplifying the framework for sustainable finance.
    - Improve supervision of financial services at European level.
    - **Develop the Banking Union, propose a solution to adopt and implement a European deposit guarantee, and develop the use of securitization.**
    - Establish an appropriate prudential framework for non-bank financial institutions (NBFIs).
    - Create a European strategy for financial education.
    - Set up a framework relating to access to financial data as well as assessing the use of digital tools such as AI by financial services.
2. On topics relating to business law and the simplification of administrative obligations:
  - **Valdis DOMBROVSKIS**, Commissioner for Economy and Productivity should also have the [portfolio](#) of Commissioner for Implementation and Simplification. For the latter role, he should report directly to the President of the Commission, highlighting the prioritization of simplification issues for this mandate. He should also be personally responsible for developing the digital euro, **reducing administrative and reporting burdens, and consolidating existing legislation to avoid duplication or inconsistency**.
  - **Michael McGRATH**, Commissioner for Democracy, Justice and the Rule of Law, should also have consumer protection in his portfolio, and should be responsible for **driving forward initiatives relating to company law (Insolvency Directive, ROME 1)**. In addition, his [mission letter](#) calls for the implementation of several projects, notably the **development of a 28th regime designed to offer European companies simple and harmonized rules**.
3. On topics related to sustainability, decarbonization of the economy and taxation:



- **Teresa RIBERA**, executive vice-president of a clean, fair and competitive transition and in charge of competition, should [oversee](#) the decarbonization and industrialization section. Vice-president of Pedro Sánchez's Spanish government, she has been Minister for Ecological Transition and Demographic Challenge since 2018, and with this portfolio she becomes key in the new Commission and the political balance in Brussels.
- **Wopke HOEKSTRA**, Commissioner for Climate, Carbon Neutrality and Clean Growth, and Commissioner for Taxation. The appointment of a representative of the “frugal” states to this portfolio augurs well for caution when it comes to introducing new rules on taxation. His [mission letter](#) gives him responsibility for a number of initiatives, including :
  - Strengthening the framework for social and just transition.
  - Developing a coherent European tax framework for the financial sector to facilitate cross-border investment.

**Next steps:**

*The commissioner candidates must now undergo hearings before the relevant parliamentary committees of the European Parliament before the full College is approved in a plenary vote. It is worth noting that certain profiles already suggest complicated hearings for some commissioners (Raffaele Fitto, Olivér Várhelyi), and the approval vote will not be a mere formality. While the timeline is likely to evolve, the next steps are currently as follows:*

**4<sup>th</sup> November: Hearings of all commissioner candidates before the relevant committees of the European Parliament**

**13<sup>th</sup> November: The confirmation vote for the College of Commissioners in a plenary session of the European Parliament is expected to take place on one of these two dates.**

**31<sup>st</sup> October : End of the mandate of the current European Commission.**

**1<sup>st</sup> December (at the latest): The new European Commission takes office.**

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**11 September 2024 - The European Commission organizes a conference on the future of short-term debt markets**

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On 11 September 2024, the European Commission [organized](#) a round table to discuss the European market for commercial paper and certificates of deposit. This conference, organized jointly by the Capital Markets Union Unit and the Securities Unit, was intended to launch exploratory work ahead of the European Commission's potential work in this area.

This round table follows calls from certain stakeholders to amend MMFR and money market funds in order to reinforce financial stability. Nonetheless, the Commission notes that the focus is on strengthening the entire European short-term debt market, not just money market funds.

Tatyana PANOVA, the new head of the Securities Unit, introduced the round table and its various participants, stressing that the short-term debt markets had a significant amount of untapped potential. The Commission believes that, with a view to increasing the diversification of financing for companies, the short-term receivables market could be a relevant option and an alternative to credit lines or loans.

**1) Panel 1: “Creating a single market for commercial paper and certificates of deposit**

In this first panel, the various speakers presented their views on the short-term debt markets:

- **Alessandra ATRIPALDI**, Deputy Head of the Securities Unit at the European Commission, emphasized the key role that short-term claims could play in helping to finance SMEs and start-ups. However, she regrets that short-term debt markets are fragmented and relatively small compared to Anglo-Saxon markets. Furthermore, she considers that more and more European issuers are turning to foreign markets when issuing debt, demonstrating the need to improve the current market.
- **Jean Louis SCHIRMANN**, Managing Director of the European Monetary Markets Institute (EMMI), praised the salutary role of the European label for short-term debt securities (STEP) in integrating all categories of commercial paper issued in all EU member states. He nevertheless calls for investors to be encouraged to participate more fully in the market.
- **Benoit USCIATI**, Head of the Negotiable Debt Securities Department at the Banque de France, responded to the Commission's position by asserting that the European short-term debt market is relatively well-developed and similar in size to the American market, and that France can be proud of being the leading market in this field. He emphasized that, until now, the European Commission has above all encouraged the development of national markets and the gradual convergence of practices between them. He expressed his satisfaction with the STEP label and called for its preservation. Nevertheless, he noted several obstacles to the development of this market and the reduction of fragmentation: the regulatory framework, back-office and settlement processes, and data accessibility.
  - In order to combat fragmentation, he proposes to further harmonize market access conditions for issuers, to introduce a single instrument to make the European market attractive to foreign investors, and to improve market infrastructures.
  - He defended the French model and the excellence of its post-trade and central bank money settlement system as a model for the rest of the European Union.
  - On the other hand, he was relatively opposed to the introduction of new obligations for issuers that would raise issuance costs or tighten eligibility criteria for issuing securities, considering that they could dry up the market.
  - Finally, he called for the use of the tools made available by the ECB to encourage investors to participate in the market, as well as for increased dialogue with stakeholders, and in particular with market infrastructures.
- **Pascal LAUFFER**, CEO of Onbrance, was in favor of simplifying and harmonizing commercial paper. However, he warned that at present, only the largest companies can really benefit from short-term financing. He also considers that intermediaries lack access to issue data, which slows down the intermediation process and makes it more expensive. Finally, he called for increased digitization of processes and the elimination of costs due to national rules.
- **Hedi ZEBIDI**, head of short-term receivables at Intesa Sanpaolo, highlighted the many benefits of European Commercial Paper (ECP) as a regulatory framework: limited reporting, a simple but flexible product, clear taxation and short, understandable documentation. While the product may lack transparency, he believes it makes up for this in simplicity of use. He is in favor of introducing a few minimum, harmonized reporting requirements to standardize the product and enable more data to be obtained. In addition, the consolidation of all data for short-term debt securities at ECB level would, in his view, make investments more attractive.
- **Miroslaw KACHNIEWSKI**, President of the Polish Association of Stock Exchange Issuers, called for the short-term debt securities market to be opened up to all players, including retail investors, and for intermediation in this sector to be eliminated. The Commission considered that retail investor participation in this market was still too early.

During the second **Panel : “Making European commercial paper and certificates of deposit markets more competitive, attractive and resilient”**, the speakers mostly discussed the reduction of settlement times for short term markets. One of the attendants intervened by mentioning factoring and speaking in favor of the use of cryptocurrencies to delete intermediation in the use of factoring solutions.

**Next steps:**

***While the Commission made it clear that this discussion was first and foremost a forward-looking one, it seems that it could consider proposing several initiatives to improve the functioning of short-term receivables.***

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#### 4-5 September 2024 - Bruegel organizes a conference on the future of the financial agenda

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Between September 4 and 5, BRUEGEL organized its major annual conference, during which a session was dedicated to the future of the financial agenda with the new mandate just beginning. Panelists looked back over the main themes of recent years, before discussing the challenges ahead.

Bruegel researchers Silvia MERLER and Nicolas VERON began by mentioning the EU's work during the previous mandate. In their view, the Banking Union has been successfully realized through the Single Supervisory Mechanism (SSM), demonstrating that harmonized EU-wide supervision is now a functional reality, but remains incomplete. Under the presidency of Ursula von der LEYEN, significant progress has been made, notably in strengthening the anti-money laundering framework and developing a framework for European capital markets. Particular attention has been paid to sustainable finance, with improved definitions and the introduction of a taxonomy of sustainable activities.

The Governor of the Banque de France, François VILLEROY de GALHAU, also spoke about the “mysterious gap” facing Europe. He put forward 4 reasons for this gap:

- Lack of dynamism in the European economy: the gap in GDP growth between Europe and the United States, and the innovation gap between the two.
- Climate change: damage linked to chronic physical risks could represent 15% of GDP by 2050.
- Public debt and deficits, which remain very high in some major EU countries.
- Geopolitical tensions calling for greater political autonomy.

He also stressed the lack of a genuine Banking Union, and that only the supervision pillar had been implemented. For the second pillar, which concerns resolution, he recommends avoiding different national procedures, to avoid inequalities in access to external financing. As for the third pillar, he deplored the lack of a European Deposit Insurance Scheme (EDIS).

To overcome this gap, he proposed three ideas:

- **A hybrid deposit guarantee mode** :To overcome the problem of the third pillar of the Banking Union - EDIS - he proposes a hybrid system, in which current national schemes would remain in place with a European support mechanism for deposit guarantee schemes (DGS), acting as a safety net in the event of excessive strain on a national scheme's own resources. This tool would serve as a mechanism for reinforcing DGS resources and would be designed, for example, to provide compensation in the event of bank failure.
- **Refocusing the purpose and content of the Capital Markets Union** : He advocates rebranding the Capital Markets Union (CMU) as a “Savings and Investment Union”, refocusing its priorities on key issues such as green securitization, venture capital and supervision. Green securitization could boost banks' ability to finance green projects. In his view, green transition could also benefit from a clarification of the European legal framework for “sustainable finance” and “transition finance”.
- **An innovative strategy for European sovereignty in payments**
  - Concerning retail payments: He advocates harmonized payment solutions at the user interface. It is necessary to develop fast payment solutions; TIPS (“fast payment systems”) are not enough, and the digital euro could play a role here.
  - To meet the growing demand for tokenization in finance, a new market infrastructure needs to be developed, with a large, unified European registry based on distributed ledger technology (DLT). This public-private infrastructure would integrate the central bank's digital currency for

the wholesale market, tokenized commercial currency, tokenized financial instruments, and potentially the forward digital euro.

Irene MONASTEROLO, a climate finance researcher, spoke about the challenges of sustainable finance. According to her, sustainable finance is experiencing significant growth, but it cannot exist without an underlying sustainable economy. She stressed that this raises fundamental questions about investment choices. In her view, financial flows must be redirected towards sustainable projects, and she regrets that, despite this awareness, money is not always reaching sustainable sectors.

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**Contacts:**

**Pierre Degonde**

**+33 6 72 44 85 18**

**E-mail: [pierre.degonde@euralia.eu](mailto:pierre.degonde@euralia.eu)**

**Matthias Garcia de Cruz**

**Tel : +32 489 38 33 16**

**E-mail : [matthias.garciadecruz@euralia.eu](mailto:matthias.garciadecruz@euralia.eu)**

**EURALIA**

**Rue Montoyer, 25**

**B-1000 Brussels**