

**CIRCOLARE INFORMATIVA 75/24**

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**OGGETTO: EUF Monthly Monitoring Report - Novembre 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.

Il presente documento, riservato agli Associati e non divulgabile all'esterno, è disponibile, insieme alle edizioni precedenti, nell'Area Riservata del sito associativo: <https://areariservata.assifact.it> (EU Federation > Documenti riservati > EUF Monthly Monitoring Report).

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## Banking regulation

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### 28 November 2024 - Report on the implementation of the countercyclical capital buffer (CCyB)

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On 28 November 2024, the Basel Committee [published](#) a report on the different approaches observed in the implementation of a positive countercyclical capital buffer (CCyB) in a neutral situation, particularly in terms of the calibration and operation of the device.

A growing number of jurisdictions have opted to introduce a positive CCyB in a neutral situation, i.e. a non-zero CCyB, when risks are deemed neither low nor high. This approach aims to ensure that banks have capital buffers that they can release in the event of sudden shocks, including those unrelated to the credit cycle, such as the Covid-19 pandemic, and therefore takes better account of the uncertainty inherent in identifying systemic risks, which can lead to under-calibration. It also allows for a (gradual) build-up of capital earlier in the financial cycle.

Various calibration techniques are used:

- Stress tests;
- Historical losses;
- Risk indicators;
- Structural cost-benefit models (expected costs and benefits associated with the introduction of a positive CCyB in a neutral situation).

Finally, the report points out that CCyB rates up to 2.5% should be subject to automatic international reciprocity. However, no jurisdiction has implemented specific reciprocity agreements for positive CCyB in neutral situations.

## Banking Union

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### 7 November 2024 – the ECON Committee publishes its draft report on the Banking Union

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On 7 November in the ECON Committee the rapporteur Ralf SEEKATZ (EPP, DE) [presented](#) a draft report with regard of the Banking Union in 2024. As you may be aware, this is an annual own initiative report that the Parliament presents each year and that does not entail any formal new legislation for the Union law as the Commission has the monopoly on the initiation of a legislative procedure.

It is, however, a political stance from the Parliament that can influence the future proposals from the Commission, and it will be scrutinized by policymakers in the Council and in the Commission.

As for this year's report the main point highlighted are :

- The need for SMEs to obtain financing ;
- The need to increase banks competitiveness ;
- Calling for the Commission to examine a delay in implementing the CRR/CRD package ;
- Calling for the adoption of the proposal on a *“credit servicers, credit purchasers and the recovery of collateral, which intends to provide banks, under certain conditions, with a mechanism for accelerating*

*the value recovery from secured loans via extrajudicial enforcement of procedures in order to further develop secondary markets for non-performing loans”.*

**Next steps :**

The draft report may now be submitted to amendments following negotiations by rapporteurs and shadow rapporteurs and will be voted upon on 19/03/2025 in the ECON Committee before being validated in plenary.

## Shadow Banking

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### 28 November 2024 - ECB outlines macroprudential supervision for shadow banking

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On 28 November 2024, the European Central Bank (ECB) [presented](#) a statement in favor of macroprudential supervision of non-bank financial intermediaries (NBFIs), otherwise known as “shadow banking”.

The ECB highlights the significant growth of the NBFI sector in Europe, since the asset management sector now accounts for a significant share of European capital markets.

For the ECB, the NBFI sector has become a key sector in the financing of the European economy, complementing the banks. For the ECB, the future Savings and Investment Union is key to providing the necessary financing for the European economy, and should thus enable the creation of a genuine single capital market.

Nevertheless, the ECB points out that NBFIs can entail a number of risks for financial stability (liquidity risk, leverage risk). The ECB cites the example of March 2020 for money market funds (MMFs): “faced with an influx of redemption requests from investors, pro-cyclical selling by money market funds and other investment funds exposed to less liquid securities led to a serious deterioration in liquidity conditions on the underlying markets”.

The ECB believes that the current approach to NBFIs, limited to market functioning and consumer protection rules, needs to be revised to include a macroprudential component. However, in the ECB's view, this approach cannot be modelled on what has been undertaken for the banking sector. Instead, an approach should be adopted that takes account of the diversity and specific features of this sector.

The Eurosystem thus proposes a series of priorities to be followed in order to adopt a suitable supervisory framework:

- Adopt the international agreements on NBFI supervision adopted by the Financial Supervision Board (FSB), aimed in particular at increasing the resilience of MMFs and open-ended funds.
- Give authorities a small number of additional powers to limit liquidity asymmetry and leverage in investment funds.
- Implement a Europe-wide stress test to identify contagion risks posed to markets by NBFIs.
- Coordinate actions between European and national supervisors and develop reciprocity mechanisms to ensure the adoption of certain macro-prudential measures at EU level.

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## 22 November 2024 - ESMA publishes its response to the Commission's consultation on shadow banking

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On 22 November 2024, the European Securities and Markets Authority (ESMA) [published](#) its response to the consultation opened by the European Commission in May 2024.

ESMA introduces its comments by stating that non-bank financial intermediaries (NBFIs) represent a very heterogeneous group in terms of their nature or the activities they offer:

- Regulated entities with sector-specific regulations, such as investment funds, pension funds, insurance companies, securitization vehicles, **non-bank lenders** etc.
- Market infrastructures.
- Actors contributing to financial intermediation, such as repurchase agreements.

For ESMA, the main risks to financial stability posed by NBFIs concern their leverage effect and the liquidity of their assets:

- **Leverage:** for ESMA, taking on too much risk through significant leverage can have negative consequences for stability and lead to contagion to the rest of the financial markets.
- **Liquidity:** ESMA points out that inconsistencies between the liquidity offered and the actual liquidity of the products on offer can become a source of financial instability. ESMA points the finger at open-ended funds that invest in illiquid assets such as real estate without a redemption period. In particular, ESMA highlights the risks posed by money market funds (MMFs).

ESMA therefore presents its main proposals designed to limit the effects on financial stability:

- **Open-ended funds:** ESMA considers that, despite the revision of the regulation on European long-term funds (ELTIF), the notice period has not been introduced into the regulation, leaving the door open to potential liquidity problems. ESMA therefore calls for ELTIF to be revised in the near future and for these provisions to be incorporated, as well as for other types of funds investing in illiquid or long-term assets. Finally, ESMA calls for open-ended funds to be classified according to their level of liquidity, in line with the recommendations of the Financial Stability Board (FSB).
- **Data collection:** ESMA considers that, at present, the data collected is not sufficiently granular. Consequently, as part of the review of reporting rules, ESMA intends to set up data-sharing systems enabling European and national supervisory authorities to share the data collected.
- **Liquidity:** ESMA calls on national supervisory authorities to conduct liquidity stress tests to assess liquidity risks.
- **European stress test for NBFIs:** ESMA supports the idea of creating a European stress test for NBFIs to assess potential contagion to the entire financial sector.
- **Combating regulatory arbitrage:** ESMA proposes to evaluate a “reciprocity” system designed to ensure that when one member state takes a macro-prudential decision, other member states assess the appropriateness of applying it to funds in their jurisdiction. Such a measure would limit regulatory arbitrage. ESMA could also be given responsibility for determining whether a measure taken by one Member State should be applied across the whole of the Union.

## Supervision

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### Banking Supervision

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#### 20 November 2024 - ECB analyses eurozone financial stability

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On 20 November 2024, the European Central Bank (ECB) [published](#) its “Financial Stability Review”.

The eurozone is going through a period of transition, moving from concerns about high inflation to fears about economic growth. While inflation is falling, geopolitical tensions and global political uncertainty are creating a volatile economic environment. Economic growth remains fragile, while concerns over the outlook for global trade add to geopolitical and political uncertainty. Financial markets have seen a resurgence in volatility, experiencing several notable spikes since the publication of the latest edition of the Financial Stability Review.

##### Financial market vulnerabilities

- High valuations and concentrated risks make markets more susceptible to sudden corrections. In addition, political uncertainty, weak fiscal fundamentals in some countries and slow potential growth are raising concerns about the sustainability of sovereign debt.
- The liquidity fragilities of non-bank financial intermediaries (NBFIs) could amplify market shocks. The growing presence and interconnectedness of NBFIs calls for a comprehensive set of policy measures to increase the sector's resilience.

##### Credit-related risks

- Credit risk vulnerabilities among certain eurozone households and companies could lead to a deterioration in the asset quality of banks and NBFIs if downside risks to growth materialize.
- The ability of some segments of the corporate and household sectors to service their debt is under strain, with corporate bankruptcies on the rise.

##### Recommendations from the ECB

- Maintain existing capital requirements and borrower-based measures to preserve the resilience of the financial system;
- Advance the Capital Markets Union (CMU) to support EU-wide productivity and growth;
- Strengthen the macroprudential framework applicable to NBFIs from the point of view...

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#### 15 November 2024 - The Financial Stability Board calls on the G20 to pursue reforms in favor of global financial stability

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On 15 November 2024, Klaas KNOT, Chairman of the Financial Stability Board (FSB), [addressed](#) a letter to the G20 leaders entitled “Continuing to implement financial reforms and address emerging risks to ensure a stable global financial system”.

The document recalls that the banking crisis of March 2023 highlighted the persistence of the risk of banking panic and the difficulties authorities have in managing bank failures. It underlines the importance of a rapid and effective response by banks and authorities to deposit outflows, as well as the need for rigorous risk management, governance and supervision.

The resilience of the non-banking financial sector is a priority. The constant growth and evolution of this sector generates new risks and vulnerabilities. While the FSB has already issued policy recommendations for key areas such as money market funds and open-ended funds, it plans to publish recommendations for mitigating the risks associated with leverage in the NBFS.

The document stresses the need for effective implementation of policies, beyond their mere adoption. Authorities must transpose reforms into national laws and regulations, while developing the necessary capacity to implement them. The FSB's 2024 annual report highlights that implementation of the G20 regulatory reforms is uneven, and challenges remain. Full, consistent and timely implementation of the Basel III reforms is particularly important, especially in countries where the timing and content of implementation remain uncertain.

The global financial system is evolving under the influence of major trends such as digitalization and climate change:

- The growing use of artificial intelligence (AI) in finance, while potentially beneficial, presents vulnerabilities that could increase systemic risk.
  - The latest FSB report analyzes recent developments in AI, particularly generative AI, and their impact on financial stability.
  - AI-related vulnerabilities include third-party dependencies, service provider concentration, market correlations, cybersecurity, model risk and data quality.
  - The FSB will continue to monitor the use of AI in the financial system and assess the suitability of existing frameworks.
- New payment infrastructures and systems resulting from digitalization promise to improve efficiency and user experience.
  - The FSB has taken steps to ensure that different types of payments and payment service providers, both banking and non-banking, continue to serve end-users on a global scale.
  - Significant efforts have been made to facilitate cross-border payments and improve the technical environment to make them faster, cheaper, more inclusive and more transparent.
  - FSB policies aim to ensure that the principle of “same business, same risk, same regulation” applies to all financial entities providing crypto-asset and cross-border payment arrangements.
- Global exposure to climate-related financial risks is becoming increasingly evident.
  - High-quality, consistent and comparable information provided by companies, as well as the adoption of forward-looking methodologies for climate risk assessment, are essential to evaluate these risks.
  - Global efforts have focused on supporting jurisdictions in adopting, implementing or using the International Sustainability Standards Board (ISSB) standards, which provide a global framework for sustainability reporting.
  - A report on progress made in the consistency and comparability of climate-related information was delivered at the meeting.



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## **7 November 2024 - EBA publishes follow-up report to 2022 peer review on supervision of credit institutions' management of non-performing exposures**

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On 7 November 2024, the European Banking Authority (EBA) [published](#) a follow-up [report](#) to the 2022 peer review on the supervision of credit institutions' management of non-performing exposures (NPEs).

As a reminder, the 2022 peer review had concluded that, despite some delays in the implementation of the guidelines by a small number of National Competent Authorities (NCAs), the guidelines had been implemented and applied in the supervisory practices of the competent authorities.

The follow-up report demonstrates improvements in the supervisory practices of competent authorities, and highlights the practices of competent authorities that fully or largely apply the EBA guidelines on the management of non-performing and outstanding exposures.

However, despite these positive results, EBA warns against complacency and encourages competent authorities to remain attentive and vigilant about the need to keep non-performing exposure ratios under review.

**Following analysis of the questionnaires, a number of shortcomings were identified concerning the application of the guidelines on the definition of default and Articles 47a, 47b, 127 and 178 of the Capital Requirements Regulation (CRR). The report considers that the microprudential tools put in place by the NCAs have resolved certain issues, such as the misalignment of borrower default status between different banks.**

## **AML/CFT issues**

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### **14 November 2024 - AML/CFT: EBA has published its final guidelines on policies, procedures and controls to ensure implementation of national and EU sanctions.**

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On 14 November the European Banking Authority (EBA) [published](#) two sets of guidelines concerning the governance arrangements and policies, procedures and controls that financial institutions must put in place in order to comply with EU and national restrictive measures under the anti-money laundering/combating the financing of terrorism (AML/CFT) regulatory framework.

Weaknesses in internal policies, procedures and controls expose financial institutions to legal and reputational risks, and undermine the effectiveness of EU restrictive measures regimes. This can lead to potential circumvention and affect the stability and integrity of the EU financial system.

EBA is therefore publishing two sets of guidelines. These guidelines specify how policies and procedures relating to restrictive measures interact with the broader governance and risk management frameworks of financial institutions, in order to avoid operational and legal risks for financial institutions and ensure effective implementation of restrictive measures.

- The first set of guidelines is aimed at all institutions falling within EBA's supervisory remit. They include provisions necessary to ensure that the governance and risk management systems of financial institutions are sound and sufficient to address the risk that they may breach or circumvent restrictive measures.

- The second set of guidelines is aimed specifically at payment service providers (PSPs) and crypto-asset service providers (CASPs), and sets out what PSPs and CASPs need to do to ensure they are able to comply with the restrictive measures when transferring funds or crypto-assets (digital assets).

**Next steps:**

***Competent authorities will have to indicate whether they comply with the guidelines within two months of publication of the translations in the official EU languages. The amended guidelines will apply from 30 December 2025.***

***From 10 July, 2027, policies, procedures and internal controls to ensure the implementation of targeted financial sanctions will be governed by the Regulation on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.***

## Legal issues

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### Late Payments

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#### 7 November 2024 - ECB publishes quarterly report on access to financing for companies

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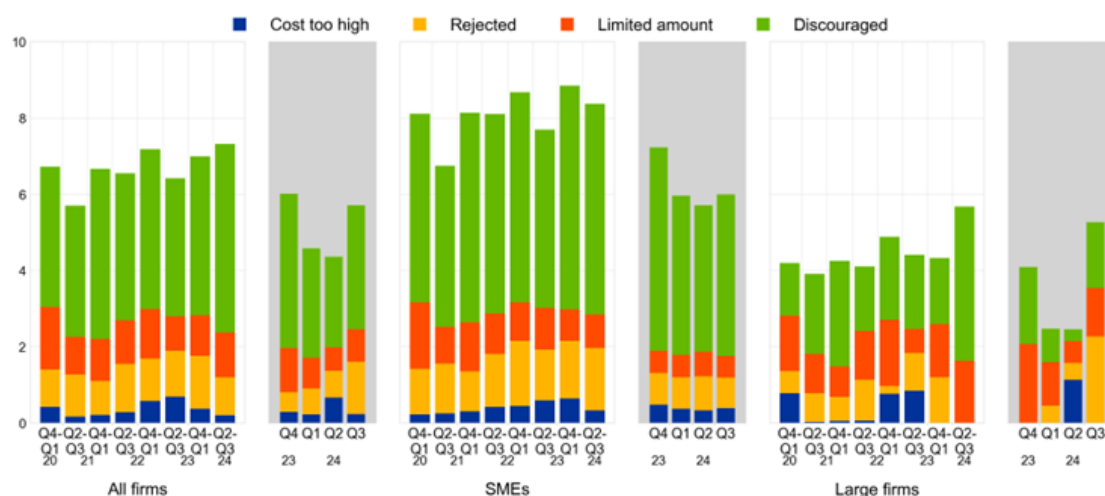
On 7 November 2024, the European Central Bank (ECB) [published](#) its quarterly report on access to finance for companies (SAFE). Overall, the survey results suggest that the effects of monetary policy have continued to increase borrowing costs, but to a much lesser extent than in the second quarter.

A net 4% of companies reported an increase in bank interest rates, compared with 31% in the previous quarter. However, many companies reported a further tightening of other lending conditions. Companies reported a reduced need for bank financing in this period, in particular due to relatively satisfactory equity capital levels. Overall, the financing gap - which includes bank loans, credit lines and trade credit, as well as debt securities and equities - has narrowed slightly, but is still present. According to companies, these financing conditions are largely due to the economic outlook.

Finally, almost 6% of companies surveyed said they had encountered obstacles when applying for a loan.

## Obstacles to obtaining a bank loan

(percentages of respondents)



Base: Enterprises for which bank loans (including subsidised bank loans) are relevant. The figures refer to rounds 24 to 32 of the survey (October 2020-March 2021 to April-September 2024).

Notes: Financing obstacles are defined here as the total of the percentages of enterprises reporting (i) loan applications that resulted in an offer that was declined by the enterprise because the borrowing costs were too high, (ii) loan applications that were rejected, (iii) a decision not to apply for a loan for fear of rejection (discouraged borrowers), and (iv) loan applications for which only a limited amount was granted. The grey areas represent responses to the same question within a reference period of three months, whereas the main charts cover a reference period of six months. The data included in the chart refer to Questions 7A and 7B of the survey.

Lastly, it should be noted that the questionnaire circulated by the **ECB has introduced three new questions concerning late payments:**

- “Has your company encountered problems due to late payment from private or public entities in the last six months?”
- “What were the consequences of these late payments?”
- “How serious were these problems due to late payment?”

These qualitative questions and the results obtained have not been revealed in this SAFE report, but demonstrate the desire of European public authorities to obtain more data in this field.

## Digital issues

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### 24 November 2024 - FiDA: new compromise proposal from the Hungarian Presidency

The Hungarian Presidency has circulated a new compromise proposal on the draft FiDA regulation dated 24 November 2024.

Globally the new compromise introduces no significant changes - with the exception of the amount of fines in the event of infringement, which now rise to 5 million euros - to the text circulated in September by the Hungarian Presidency. Following this draft the Council has formally [agreed](#) on the text on 2 December 2024.

Similarly, the graduated approach to entry into force proposed at the time by the Belgian Presidency has been confirmed:

- 24 months after entry into force: consumer credit, account data, savings data, car insurance data;
- 36 months: mortgages, investments in financial instruments, IBIPs (insurance-based investment products), crypto-assets;
- 48 months: other loans, data that form part of a company's solvency assessment, non-auto insurance data.

Finally, member states seem to have agreed to include only raw data in the scope, so “enriched” data is well and truly excluded.

**Next steps:**

***As the Council has adopted its position on FIDA, the trilogue can now begin.***

## Tax issues

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### 5 November 2024 - ViDA : Council adopts its definitive agreement on the text

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On 5 November 2024, the Council has reached a political agreement with regard to the value added tax (VAT) rules into the digital age (ViDA) proposal.

The Council adopted the following draft positions :

- [a proposal for a Council directive amending directive 2006/112/EC as regards VAT rules for the digital age ;](#)
- [a proposal for a Council regulation amending regulation \(EU\) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age ;](#)
- [a proposal for a Council implementing regulation amending implementing regulation \(EU\) No 282/2011 as regards information requirements for certain VAT schemes](#)

Two statements were also published by the Council :

- One [summarizing](#) the main legislative process of the ViDA package ;
- Another [detailing](#) the main agreements made by the Council with regard some specific issues, in particular :
  - The Council recognizes the difficulties that the implementation of e-invoicing may create of SMEs and as such proposes to recommend a staged approach, with an entry into force of the reform as of 1<sup>st</sup> July 2030.
  - The Commission recognizes that the EU standard for e-invoicing was developed to fit with G2B transactions and not with B2B needs and as such the Commission will “*assess, before the entry*

*into force of the obligation to use the European standard for all intra-EU transactions, if this work is fully completed and will propose the necessary transitional measures should that not be the case”.*

As previously noted, the ViDA proposal will make “*the use of electronic invoicing [...] become the default system for issuing invoices*” and the proposal stipulates that the e-invoicing format should be based on the EU standard to ensure interoperability. Nevertheless, Member States will be allowed to authorize other invoices or other standards for e-invoices for domestic supplies.

It is worth to note that to ensure Member States specificities are taken into account, the Council has proposed measures to allow the invoice sender to freely choose how the e-invoices is sent (by itself, an intermediary or through a public platform). Similarly, it is proposed that Member States have the possibility to limit VAT deduction/repayment if the invoice has not been sent under an electronic format.

The Council proposes to strictly define an e-invoice as an “*electronic invoices which will be issued, transmitted and processed in a structured electronic format which allows for its automated and electronic processing*”, in view of avoiding the use of pdf. Nevertheless, hybrid invoice containing additional “*human readable*” data would still be allowed.

The prior acceptance of e-invoices has been deleted in case of B2B context, unless Member States decide otherwise.

Member States have agreed to set to deadline for the issuance of an invoice for cross-border transactions to 10 days after the chargeable event has taken place.

Member States will have to apply e-invoicing rules before 1<sup>st</sup> July 2030 or, if they have already implemented an e-invoicing system, before the 1<sup>st</sup> January 2035.

**Next steps :**

***Under the special legislative procedure, and due to substantial changes made by the Council to the legislative package, the European Parliament will be consulted again on the agreed text. It will then need to be formally adopted by the Council before being published in the EU’s Official Journal and entering into force.***

## Sustainable Finance

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### 29 November 2024 - Taxonomy simplification guide from the European Commission

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On 29 November 2024, the European Commission [adopted](#) a draft guide on the interpretation and implementation of certain legal provisions of the [Delegated Act on the European Union Environmental Taxonomy](#), the [Delegated Act on the European Union Climate Taxonomy](#) and the [Delegated Act on the European Union Disclosure Taxonomy](#).

This notice aims to facilitate the application of these acts to help stakeholders comply with regulatory requirements in a cost-effective way, and to ensure that the information disclosed is comparable and useful for developing sustainable finance.

The Commission seeks to facilitate reporting and reduce costs through:

- Reinforced support for interpretation and compliance with the Taxonomy's technical criteria, with exploration of digital solutions;
- Adjustments to improve the usability of certain criteria, including those relating to “not causing significant harm”;
- Customized support via the Technical Support Instrument for competent national authorities.

**Next steps**

***This document has no legal value and will be adopted at a later date.***

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**19 November 2024 - Formal adoption by the Council of the European Union of the regulation on environmental, social and governance (ESG) rating activities.**

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On 19 November 2024, the EU Council [adopted](#) a new regulation on environmental, social and governance (ESG) rating activities.

ESG ratings assess the sustainability profile of a company or financial instrument, analyzing their impact on society and the environment as well as their vulnerability to risks related to sustainability issues.

The new rules aim to harmonize these rating activities within the EU, enhancing their transparency and comparability, in order to increase investor confidence in sustainable financial products. In particular, the regulation introduces the following provisions:

- ESG rating providers established in the European Union will have to be authorized and placed under the supervision of the European Securities and Markets Authority (ESMA).
- Providers located outside the EU wishing to operate in the Union will have to obtain either the endorsement of an ESG rating provider authorized within the EU, or recognition based on a quantitative criterion, or entry in the EU register of ESG rating providers via an equivalence decision.
- The regulation also introduces the principle of separation of commercial activities to avoid conflicts of interest.

**Next steps**

***The regulation has yet to be published in the Official Journal of the European Union, and will enter into force 20 days after its official publication.***

***The regulation will begin to apply 18 months after its entry into force.***

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**5 November 2024 - European trade federations call for European due diligence rules that work for all**

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On 5 November, a large number of trade federations published a joint declaration [addressed](#) to the Commission concerning the implementation and application of the CSDD directive on sustainability due diligence rules for companies.

27 European trade federations are signatories to the communiqué. These include AmCham - the US Chamber of Commerce, employers' associations such as BusinessEurope, representing the interests of employers in private enterprise, and Ceemet, the union representing European employers in technology and industry. Some signatory trade associations represent specific sectors such as the European Banking Federation, EuroCommerce or SMEUnited.

Drawing on the conclusions of the Draghi report, the associations stress the importance of a holistic, coordinated approach to implementing the directive, involving businesses from the earliest stages, to ensure that the transition to a sustainable economy does not take place at the expense of European competitiveness or investment in innovation.

The associations therefore call on the European Commission to ensure a pragmatic and realistic implementation of the CSDD directive to protect the single market, support SMEs, and maintain the EU's competitiveness on the world stage.

The signatory associations therefore call on the European Commission to take three priority measures:

- 1. Immediately launch a comprehensive assessment of the competitiveness of CS3D, in order to identify and address priority areas where the burden should be simplified:**
  - Launch an in-depth analysis of the economic impact of CS3D on companies and their value chains.
  - Identify points to be simplified and inconsistencies to be corrected in texts and guidelines.
  - Include practical solutions co-developed with companies to lighten administrative burdens without further complicating the regulatory framework.
- 2. Timeliness and clarity of guidelines :**
  - Publish guidelines and implementing measures at least two years before legal obligations come into force, to give companies time to adapt their processes.
  - If this is not possible, consider extending the transition period.
  - Provide clear legal certainty to prevent companies from relying on differing interpretations, especially in terms of civil liability under the CSDD directive.
- 3. Harmonization of rules and strengthened governance :**
  - Ensure consistent, harmonized transposition of the directive in member states to avoid fragmentation of the internal market.
  - Set up interdepartmental supervision (DG TRADE, DG GROW, etc.) to reduce inconsistencies between interconnected legislation adopted under the Green Pact.
  - Create multi-stakeholder platforms to support companies in adapting their internal procedures to the new legal requirements.
  - Monitor transposition measures closely, while coordinating with member states to ensure that discrepancies with the directive are kept to a minimum.

## Other topics

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### 27 November 2024 - the European Banking Federation presents its priorities

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On 27 November 2024, the European Banking Federation (EBF) [published](#) a press release entitled “European banks: financing a competitive and prosperous Europe”. The EBF's aim is to highlight the crucial role played by European banks in supporting Europe's economic growth and competitiveness.

The EBF acknowledges the resilience of the European banking sector in the face of the economic turbulence of recent years. However, it stresses the continuing uncertainty linked to economic policies and the geopolitical context. EBF Chairman Christian SEWING stresses the importance of an appropriate regulatory environment to enable European banks to effectively support the transformation of businesses and SMEs.

#### Legislative priorities for a competitive banking sector

- **Stimulate investment and financing for sustainable growth:**
  - The EBF calls for measures to unlock new sources of private finance to bridge the investment gap in Europe. In particular, it calls for the development of capital markets, the diversification of funding sources and the completion of an effective Banking Union.
  - The EBF also mentions the importance of securitization as a key mechanism for growth and the integration of capital markets with corporate debt financing.
- **Improve the effectiveness of the prudential and supervisory framework:**
  - The EBF calls for a simplification of the current regulatory framework to reduce complexity and encourage investment.
  - It also stresses the need to ensure a level playing field for European banks in relation to their international counterparts.
  - In particular, the EBF advocates a review of European regulations to ensure their alignment with the global environment, and a pragmatic application of the existing framework.
- **Promote digital finance and cyber-resilience:**
  - The EBF highlights the importance of innovation and digital operational resilience for Europe's competitiveness and strategic autonomy.
  - It calls for a careful calibration of digital euro and financial data access regulation initiatives to avoid any negative impact on financial stability and cybersecurity.
  - The EBF also stresses the need for a collaborative approach involving banks, telecoms operators and online platforms to effectively combat digital fraud.
- **Facilitate the transition to a sustainable economy:**
  - The EBF underlines the banking sector's commitment to supporting customers in their transitions to sustainable models.
  - It advocates a pragmatic approach to reducing risks and increasing the economic viability of the investments required for transition.

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### 21 and 22 November 2024 - Joint statement by business federations for the 6th trilateral economic forum

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On 21 and 22 November 2024, the presidents of MEDEF, BDI and Confindustria (representatives of employers in France, Germany and Italy) met in Paris for the 6th Trilateral Business Forum. At the end of the event, the presidents [signed](#) a joint declaration warning that the American economy is more innovative and resilient than the European one. In particular, the European business leaders proposed the introduction of a “Catch-Up Test”, aimed at systematically comparing the results of key EU policies with those of the USA over the course of a year. The aim is to adjust European policies to protect its model, values and autonomy.

This declaration highlights 4 priorities for Europe:

- **Stimulate the competitiveness of European industry, adopting a technology-neutral approach to all initiatives within one year.** To close the energy competitiveness gap with the USA, Europe must reduce its energy costs, support all low-carbon technologies, and accelerate the ecological transition through harmonized market reforms, investments and support measures.
- **Reduce bureaucratic and compliance costs, by revising all relevant regulations within one year.** Between 2019 and 2024, the EU adopted far more legislation than the US, increasing the complexity and fragmentation of its market. Business leaders are calling for an urgent simplification of European regulations, including a review of existing laws, clear targets for reducing compliance costs, and streamlined authorization processes for green projects. Adjustments are also requested for the CSDDD and CSRD directives to limit their impact on business competitiveness.
- **Accelerate innovation, by increasing R&D investment to 3% of GDP within a year.** The EU currently invests less in R&D than the USA, with a significant gap of 2.2% versus 3.6% of GDP. To close this gap, European companies are calling for an increase in investment to 3% of GDP by 2026, by redirecting existing resources, notably from the Multiannual Financial Framework, towards critical technologies (AI, energy, biotechnology, etc.). Reform of the European Innovation Council and greater support for SMEs and innovation are needed to boost industrial competitiveness. At the same time, measures to protect intellectual property are essential to maintain technological leadership and attract global investment.
- **Facilitate European investment, by releasing the 800 billion euros identified in the Draghi report within one year.** Europe's lack of a single capital market is undermining its competitiveness in relation to the United States, where stock market and venture capital investments are much higher. European companies are calling for the banking and capital markets union to be accelerated, for public funds to be redirected towards innovation and strategic technologies, and for private financing to be supported by appropriate tools (InvestEU, EIB). European strategic projects (IPCEI) must be strengthened, with shorter deadlines and increased co-financing. Finally, strict deficit management is needed to free up resources for defense and innovation.

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#### 4 November 2024 -Member State discuss initiatives and practices to deepen Capital Markets Union

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On 4 November 2024, the EU Council's Financial Services Committee on the future of the Capital Markets Union (CMU) [shared](#) a working paper highlighting national initiatives to deepen capital markets.

##### 1. Sustainable finance :

- Regulation on sustainability reporting in the financial services sector (SFDR)

Member states recognize the role of the SFDR, but note shortcomings:

- Unavailability of data (generating high costs) versus excessively granular reporting requirements;
- Inconsistency with other European legislation on sustainable finance (Taxonomy, CSRD);

- No de minimis rule;
- Absence of a material definition of “sustainable finance” and use of Articles 8 and 9 as labeling systems;
- Need for specific treatment of transitional activities.

▪ **Taxonomy**

The working document shares best practices from member states to promote the use of the EU Taxonomy beyond mandatory uses:

- Creation of a national label for green financial products, with an optional bonus for assets aligned with the Taxonomy;
- Exemptions for interest expenditure on climate-friendly infrastructure projects;
- Use of the Taxonomy's significant contribution criteria to define green investments and assess companies' progress towards sustainability;
- Application of DNSH (“Do no significant harm”) criteria to harmonize risk management practices;
- Green preferential capital program for credit institutions, using the EU Taxonomy;
- National development banks offering preferential financing to companies planning investments with a significant contribution to the environment and climate according to the Taxonomy. Credit institutions adapting their green bond framework to align it with the Taxonomy, or earmarking specific loans for this purpose.

Member States make suggestions for improvement:

- Simplify and harmonize the Taxonomy with other international frameworks;
- Extend coverage to all sectors, including critical raw materials;
- Create suitable tools for SMEs;
- Provide practical resources such as FAQs, information repositories and a digital platform for monitoring and reporting.

▪ **Corporate Sustainability Reporting Directive (CSRD)**

Challenges associated with transposing the directive into national law have been highlighted:

- Increased administrative burden, particularly for companies not previously subject to the Non-Financial Reporting Directive (NFRD).
- Possibility of using independent assurance service providers (IASPs).
- Inconsistencies in reporting requirements with SFDR, Taxonomy and CSDD.
- Financial institutions are subject to the CSRD, but a number of their clients (unlisted SMEs) are not.
- Problems with the single electronic reporting format.
- Lack of joint supervision and harmonized sanctions in the event of CSRD violations.

**2. Securitization**

- The Member States considered that it would be appropriate to examine whether obstacles in the European regulatory framework for securitization could be removed or mitigated to promote market growth.
- However, they insisted that any changes to the EU securitization framework should not compromise financial stability and should reflect the underlying risks.
- Member States are considering initiatives to encourage securitization in the EU, but remain skeptical about an EU-backed platform with public guarantees.
- Member States specify that any reform of the EU securitization framework should be broad in scope, taking into account supply and demand factors, such as the impact of regulations on insurers and asset managers or transparency requirements compared to covered bonds. Member States agree to link this reform to the objectives of the Capital Markets Union and other policies such as green transition and SME financing.

### 3. National financial education strategies:

- The Committee notes that the vast majority of member states have integrated financial education into their school curricula and introduced measures specifically aimed at entrepreneurs and SMEs.

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## November 2024 - the new European Commission is validated by the European Parliament and takes office

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After almost 10 days of discussions, the EPP, S&D and Renew groups reached an agreement on the confirmations of the last European Commissioner candidates on November 20, 2024. On this occasion, they signed a written commitment to formalize their “cooperation” (not a coalition as such). This should also enable the EPP to stop constantly raising the threat of an alternative majority with the far right.

Under the terms of the agreement, this coalition will approve the six executive vice-presidents of the new Commission - including France's Stéphane SÉJOURNÉ, Spain's Teresa RIBERA and Italy's Raffaele FITTO - as well as Hungary's Olivér VÁRHELYI. For the latter, the three groups requested that crisis management in the event of health emergencies be removed from his portfolio.

This was followed by the formal approval of the seven candidates by the parliamentary committees on 21 November 2024.

**The European Parliament validated the new College of Commissioners in plenary session on 27 November 2024: 370 votes in favor; 282 against; 36 abstentions. As a result, the new College of Commissioners as a whole took office on 1 December.**

On November 27, President von der Leyen [delivered](#) a speech to the European Parliament ahead of the MEPs' vote on the validation of her team of Commissioners. The aim was to present the new team and its program for the next five years. It focused on two ambitions:

1. the need for Europe to fight for its freedom and sovereignty in an increasingly uncertain world;
2. to strengthen its economic position in the face of international competition.

The President asserts that Europe's freedom and sovereignty depend on its economic strength. Europe must be able to compete, innovate and produce. The President announces the creation of a “Competitiveness Compass” to guide the Commission's action over the next five years.

This compass is based on the Draghi report and has three pillars:

- Bridging the innovation gap: Europe must turn its innovation potential into commercial success by facilitating the development of start-ups and investing in digital technologies.
- Implement a joint plan for decarbonization and competitiveness: Europe must pursue its efforts to achieve carbon neutrality, while supporting businesses and citizens in this transition and preserving its competitiveness.
- Reinforcing economic security: Europe must reduce its dependence on certain suppliers, particularly for critical raw materials, by diversifying its commercial partnerships and strengthening its resilience in the face of crises.

The President stresses the need for massive investment, both public and private, to realize Europe's ambitions. She calls for simplification of the European budget and better policy coordination. In her view, it is also crucial to simplify European regulations to lighten the burden on businesses, and to encourage the development of workers' skills.

On other fronts, Ursula von der LEYEN points out that Europe has a crucial role to play on the international stage, in the face of the conflicts and humanitarian crises that affect it so closely. She stresses the importance of multilateralism, partnerships and development aid. Europe must also strengthen its cooperation with NATO and increase its defense spending to ensure its security. The President of the Commission reaffirms Europe's commitment to Ukraine, Moldova and the Western Balkans, which aspire to join the European Union. She clearly expressed her desire to see Ukraine join the EU, and pledged her unfailing support to these countries in their accession process.

Finally, the President is committed to tackling the housing crisis and strengthening cohesion in Europe. She pays particular attention to rural and coastal regions, and to farmers and fishermen, who play an essential role in Europe's economy and identity. It reaffirms its commitment to a “fair and firm” migration policy that guarantees border security while respecting individual rights. It stresses the importance of protecting European values and principles, in particular the rule of law.

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#### **November 2024 - First draft of the European Commission's priorities**

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According to some of our information, a first draft of the Commissioners' priorities for the first 100 days and the year 2025 is currently being prepared. Below, we share with you the most relevant initiatives:

##### **First 100 days :**

- Commission Work Programme for 2025 (which should specify the initiatives presented by the Commission for 2025).

##### **Early 2025:**

- **Simplification proposals**
- Review reports on :
  - **the Regulation on jurisdiction and the recognition and enforcement of judgments (Brussels I)**
  - **Regulation on the law applicable to non-contractual obligations (ROME II)**

##### **Before June 2025:**

- Single Market Strategy

##### **Before July 2025:**

- European Start-up and Scale-up Forum

##### **End 2025:**

- Publication of the study on the identification of obstacles to the consolidation of market and post-trade infrastructures and the increase of investment funds in innovative and growing companies.
- Proposal for a 28th regime (European regime) for the legal status of companies.

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## November 2024 – Commissioner's hearings key takeaway

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For almost a week and a half, the Commissioners were questioned by MEPs from the various committees. Going back over their mission statement and the priorities they wish to put forward during their next term of office, the main points were as follows:

**1. Hearings of Stéphane SÉJOURNÉ, Executive Vice-President in charge of Industry and Prosperity, under the supervision of the Commissioner in charge of Financial Services.**

MEPs' questions to Mr. Séjourné focused primarily on industrial issues, although he did address several issues relating to the financial markets:

- He confirmed his commitment, following the Draghi and Letta reports, to facilitating investment in the real economy via the Savings and Investment Union.
- He is examining the introduction of one or more European investment products to mobilize retail savings.
- It will examine the issue of securitization and centralized supervision of financial markets at European level.
- He will work to finalize the Banking Union, which he notes has “stalled in the Council”.
- He **reaffirms the excessive dependence of European companies on bank financing, and wishes to raise capital for SMEs, notably via the financial markets.**
- He declares himself in favor of a 28th regime for the legal status of companies and a European business law. According to him, this process will require “codification” and will raise the question of “competent courts”.

**Questioned by French MEP Pierre JOUVET (S&D) on the LPR regulation, he did not have time to clarify his position on the subject and did not return to the point.**

**2. Maria Luís ALBUQUERQUE (Portugal) Commissioner for Financial Services and the Savings and Investment Union**

During her hearing, Ms. ALBUQUERQUE reiterated her commitment to rethinking the European economy as a “strong, competitive economy”, stating that she would thrive to

- Encourage and actively support innovation and entrepreneurship;
- Make a firm commitment to sustainability;
- Foster the development of human and physical capital;
- Promote social mobility and inclusive growth;
- Protect and invest in consumer interests.

In her view, competitiveness must be a means to progress and prosperity. Throughout her hearing, she also placed strong emphasis on the importance of financial stability and the integrity of financial systems, which she will make her priority.

- **Capital Markets Union (CMU) / Savings and Investment Union (SIU):** she reiterates that the CMU will make it possible to raise the private funds needed for investment in transition but that some harmonization is needed to remove the obstacles to more cross-border activities.
- **28th company regime for the legal status of companies:** Ms ALBUQUERQUE indicated that she would not be opposed to such a solution if the results obtained correspond to the objectives sought.

- **Financial education:** she emphasized the need to restore consumer confidence, which also requires financial education for citizens.
- **Banking Union :** the Banking Union will continue to be a priority for the Commissioner if it is confirmed. She stressed the need to finalize the Banking Union, and she supports the implementation of the European Deposit Insurance Scheme (EDIS), she remains open to consider other options if this point remains blocked.
- **Basel III:** She supports the implementation of Basel III to ensure Europe's financial stability, asserting that, despite the failure of other countries such as the USA to transpose these standards, Europe will not succumb to the “race to the bottom”. In her view, postponing the application of Basel III would be “an illusion of competitiveness” in the event of a crisis.
  - ⇒ Gilles BOYER (Renew, France) questioned the candidate on the relevance of the EU being the only one to apply the Basel III agreements.
  - ⇒ Jonás FERNANDEZ (S&D, Spain) and Kira Marie PETER-HANSEN (Greens/EFA, Denmark) also questioned the Commissioner-designate on the proper implementation of the Basel III accords, and on financial stability.
- **Securitization:** Ms. Albuquerque considers that securitization is a relevant instrument for freeing up capital, provided that it is used appropriately and with controlled risks.
- **Sustainable finance :** while supporting the Green transition she supports a more proportionate regulatory framework for smaller market players and companies.
- **Non-banking financial institutions :** she stressed the necessity to correctly address the risk they may pose
  - ⇒ Johan van OVERTVELDT (ECR, Belgium) insisted on the risks the “shadow banking” sector could pose to EU stability and demanded additional regulation.

A number of MEP interventions, including that of coordinator Jonás FERNANDEZ (S&D, Spain), focused on his former positions in the private sector in Portugal, raising the question of a potential conflict of interest. However, his nomination is expected to be confirmed.

### **3. Michael McGRATH (Ireland) Commissioner for Democracy, Justice and the Rule of Law**

McGRATH proposed further harmonization of civil and company law to reduce costs for businesses and remove obstacles to cross-border trade. He wants to bring to fruition a 28th legal status regime for companies to remove a number of legal and tax obstacles. McGRATH is in favor of reducing undue administrative burdens for businesses.

The commissioner did not mention the pursue of the initiatives still stuck in Council such as Insolvency or ROME I.

### **4. Wopke HOEKSTRA, commissioner for climate action and fiscal matters (Netherland) and Valdis DOMBROVSKIS, commissioner in charge of Simplification (Latvia)**

During both hearings the key issues for EUF were not addressed. Commissioners supported competitiveness through targeted reforms (VAT, simplification) without mentioning some detailed initiatives.

#### ***Next steps :***

***Following a vote by the Parliament in plenary session the Commission has been validated by the Parliament.***

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