MONTHLY MONITORING REPORT

DECEMBER 2024

Summary of content

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Consultations

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9 December 2024 – the EBA opens consultation on the changes considered "materials" related to the application of the IRB approach

On 9 December 2024, the European Banking Authority (EBA) has opened a consultation on the draft technical standards that specify material changes and extensions to the Internal Ratings Based approach. The proposed amendments aim at clarifying and enhancing the conditions for assessing material model changes (MMC) and extensions following a review of the related Delegated Regulation. This review aims to align the existing RTS with the amendments brought in by the Capital Requirements Regulation (CRR 3), and to introduce amendments to enhance the supervisory effectiveness of the approval process for model changes.

Under the CRR/CRD package the EBA has been mandated to revise a certain number of Regulatory Technical Standards (RTS) among which is the RTS that defines the criteria classification with regard to the "changes" to the internal approaches i.e. :

- Material extensions and changes, which require a permission from the competent authorities;
- Extensions and changes which are not material but still require ex-ante notifications to the competent authorities at least two months before their implementation
- Extensions and changes that only require ex-post notification

1. **NDOD related amendments**

To the interest of EUF, the EBA deems it necessary to make amendments to the "*definition of certain qualitative criteria in the updated RTS including re-classifying some aspects from material changes requiring prior permission to changes requiring notification".*

However, the EBA clearly states that the "*definition of default alone does not change the risk weighting of non-defaulted exposures"* and as such explicitly excludes certain changes to the IRB from the scope. These "changes" continue to be deemed material and as such subject to prior authorization rather than notification.

The amendment proposed to the delegated regulation Annex I, Part II, section I replaces current point 3 by the following provisions :

Changes in the definition of default according to Article 178 of Regulation (EU) No 575/2013, if any of the following conditions are met:

- ***(a) they change the method to identify if the obligor is more than 90 days past due on any material credit obligation according to Article 178(1)(b) of Regulation (EU) No 575/2013;***
- ***(b) they change the level of application of the definition of default for retail exposures according to Article 178(1), second subparagraph of Regulation (EU) No 575/2013;***
- ***(c) they change the use of external data according to Article 178(4) of Regulation (EU) No 575/2013;***
- ***(d) they change whether an indication of unlikeliness to pay according to Article 178(3) of Regulation (EU) No 575/2013 results in an automatic or in a manual default reclassification;***
- ***(e) they change the default classification in the reference dataset or scope of application of a rating system in a significant manner, the measure and level of which will have been defined by the institution.***'

The changes to the definition of default deemed as non-material are those not leading to "*a more lenient judgment within the institution of the accuracy and consistency of the estimation of the relevant risk parameters, the rating processes or the performance of their rating systems,"* notes the EBA.

EBA proposes that "*changes in the definition of default according to Article 178 of Regulation (EU) No 575/2013, unless already classified as material according to Part II, Section 1 of this Annex*" are deemed as only requiring an ex-ante notification.

2. **Corporate purchased receivables related amendments**

Currently, changes to the supervisory slotting criteria approach (SSCA) and changes in the treatment of purchased receivables are being classified as requiring an ex-ante notification. However the EBA wishes to treat equally Corporate purchased receivables to other types of exposures and thus proposes to delete the changes to the treatment of corporate purchased receivables as "changes" requiring ex ante notification.

3. **Credit risk insurance**

Lastly, the EBA has amended the Delegated Regulation replacing in Annex I, Part II, section 2 (ex ante notification) point 2(i) by the following sentence : "*changes in the way or extent to which unfunded credit protection is accounted for in the LGD estimation*".

Next steps :
The deadline for the submission of comments is 10 March 2025.
A public hearing will take place via conference call on 15 January 2025 from 15:00 to 16:00 CET. The deadline for registration is the 10 January 25, 16:00 CET.

3 January 2025 - European Commission opens consultation on future Single Market Strategy

On 3 January 2025, the European Commission opened a call for evidence to gather stakeholders' views on the future Single Market Strategy. The deadline for contributions is January 31, 2025.

As a reminder, following the LETTA and DRAGHI reports, the European Commission was invited by the European Council to propose a horizontal strategy for the Single Market, in order to reduce fragmentation and strengthen the Union's competitiveness. This strategy should also meet the objective of reducing the administrative burden for businesses, and SMEs in particular.

In its preparatory work (see attached document), the Commission considers that numerous administrative and regulatory obstacles still stand in the way of the free movement of goods and the cross-border provision of services (almost 60% of the obstacles to the free provision of services encountered 20 years ago remain). In particular, the Commission notes that "Member States continue to restrict access to more than 5,700 regulated professions, making formal recognition of professional qualifications necessary" and that "authorization and declaration regimes complicate cross-border service provision and investment".

According to the call for contributions document, the Commission's strategy, which should consist of a communication, should be presented to the Council in June 2025. In this strategy, the Commission is expected to present an action plan comprising various initiatives (legislative and non-legislative) designed to address these issues.

Thus, the strategy will focus on "removing existing regulatory and administrative barriers and preventing the emergence of new ones", and "removing these barriers may require (revising) EU legislation, simplifying rules and procedures, encouraging more uniform and effective implementation of rules, and better enforcing existing ones". In addition, the strategy should be drawn up in conjunction with the ongoing work on the 28th regime on the legal status of companies.

It should be noted that this strategy should be complementary to initiatives linked to the Savings and Investment Union, suggesting that specific initiatives should be taken in this area.

In conclusion, stakeholders are invited to share their views on :

- Existing obstacles to the free movement of goods and services, and possible ways of overcoming them;
- Regulatory and administrative obstacles to the free movement of goods and the provision of services, and ways of overcoming them;
- Horizontal governance of the single market and enforcement of its rules.

Banking regulation

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Banking Union

17 December 2024 - Crisis management and deposit insurance (CMDI) package: trilogues open

On 17 December 2024, the first meeting in the inter-institutional negotiations between the Council, the Parliament and the Commission took place, with the aim of reaching a trilogue agreement on the proposals relating to the crisis management and deposit guarantee framework (CMDI) package.

This first meeting simply consisted in presenting the positions of the Council and Parliament and identifying the issues that could be delegated to the technical level. For its part, the Polish Presidency indicated that it wished to reach agreement on the package before June 2025.

The Polish Presidency has set itself the objective of making rapid progress on this dossier in order to reach a political agreement.

Securitization

9 December 2024 - Better Finance shares its fears about the revival of securitization

On 9 December 2024, The European Federation of Investors and Users of Financial Services - Better Finance, shared its response to the European Commission's consultation on securitization.

According to Better Finance, corporate loans are difficult to securitize and will remain a small part of securitized assets. Relaxing the rules on securitization will have little effect on their financing, but will increase the risks to financial stability. In its view, this would reinforce the role of the big banks in intermediation, to the detriment of direct market participation by retail investors and SMEs.

In the face of these risks, Better Finance advocates encouraging direct financing of SMEs via the capital markets, in particular by reducing the costs involved in taking them public. It also encourages the promotion of investment by European citizens in the shares of local companies, and the development of an equity culture to reduce the EU's excessive dependence on bank credit.

Better Finance is also critical of the European Commission's consultation process, which it sees as biased in favor of securitization. It points out that these initiatives seem to be guided more by concerns linked to economic growth and electoral issues, to the detriment of the imperatives of financial stability and consumer protection.

Supervision

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Banking Supervision

20 December 2024 - ECB sanctions BNP Paribas Fortis Belgium for undervaluing its risks related to factoring exposures

On 20 December 2024, the European Central Bank (ECB) published a press release concerning a sanction it has imposed on BNP Paribas Fortis Belgium for intentionally breaching credit risk reporting rules.

Between 2014 and 2021, the ECB believes that the bank undervalued its risk-weighted assets for the factoring exposures of its subsidiary in Belgium. Despite serious shortcomings identified in its internal models for calculating capital requirements, the bank continued to use these models, which did not comply with the Capital Requirements Regulation (CRR), and transmitted incorrect figures to the competent authorities. This led to incorrect capital requirement calculations and overstated capital ratios.

The infringement, considered serious, resulted from the use of faulty internal models, reported to the authorities seven years late. The administrative fine imposed by the ECB amounts to 10.4 million euros. The bank may contest this decision before the European courts.

17 and 20 December 2024 - ECB maintains stable capital requirements for 2025

On 17 and 20 December 2024, the European Central Bank (ECB) published two press releases: "ECB keeps capital requirements broadly steady for 2025, reflecting strong bank performance amid heightened geopolitical risk" and "ECB publishes supervisory banking statistics on significant institutions for the third quarter of 2024".

The main findings of the Supervisory Review and Evaluation Process (SREP) for 2024 are as follows:

- **Relative stability of results:** The average SREP score remained stable overall at 2.6 (on a scale of 1 to 4). The majority of banks (74%) have maintained the same score as in 2023, while 11% have seen their score deteriorate and 15% improve.
- **Slight increase in capital requirements**: CET1 capital requirements increased slightly from 1.1% to around 1.2% of risk-weighted assets. This increase is attributable to minor adjustments to Pillar 2.
- **Banking sector resilience:** The eurozone banking sector has strong capital and liquidity positions, in excess of regulatory requirements. The aggregate CET1 ratio stood at 15.8% in mid-2024, a slight improvement on the previous year. Higher interest rates supported banks' profitability.
- **Continuing concerns:** Concerns persist regarding banks' internal governance, risk management, including climate risks, and operational resilience. Swift corrective action is needed in the face of an uncertain risk environment.

The ECB's supervisory priorities for the next three years focus on

- the resilience of banks to macro-financial threats and geopolitical shocks,
- the rapid remediation of known material deficiencies,
- managing the challenges of digital transformation and new technologies.

Third-quarter 2024 banking statistics

- **CET1 ratio**: The aggregate CET1 ratio stood at 15.72% in the third quarter of 2024, down on the previous quarter (15.81%) but up on the previous year (15.61%).
- **Profitability**: The aggregated annualized return on equity stood at 10.22% in the third quarter of 2024, up on the previous quarter (10.11%). This is the second-highest value recorded since the start of the time series in the second quarter of 2015.
- **Asset quality**: The ratio of non-performing loans (NPLs) excluding cash balances remained stable at 2.31% compared with the previous quarter. The proportion of loans with a significant increase in credit risk (Phase 2 loans) rose to 9.67%.

18 December 2024 - EBA publishes two reports on EU/EEA bank profitability and liquidity measures

On 18 December the European Banking Authority (EBA) published its Q3 2024 Risk Dashboard (RDB), which discloses aggregated statistical information for the largest institutions in the European Union and the European Economic Area.

According to the dashboard's findings:

- **EU/EEA banks' return on equity increased slightly**, due to the positive contribution of other operating income and the decline in all major expense items.
- **Net interest margin down slightly**. After the modest recovery seen in the first half of the year, outstanding loans fell slightly, driven by the decline in loans to non-financial companies, while loans to households remained stable over the quarter.
- **Asset quality remains stable,** with a slight increase in the non-performing loan ratio.
- Based on the results of the risk assessment questionnaire recently conducted by EBA, a**lmost half of banks expect asset quality to deteriorate over the next 6 to 12 months**, particularly in the consumer credit, SME and commercial real estate sectors. However, the share is lower than in previous surveys.

- On a fully loaded basis, **the core tier 1 capital ratio of EU/EEA banks decreased slightly** in the last quarter, remaining well above requirements.
- **Both the liquidity coverage ratio and the net stable funding ratio decreased**, but remain well above minimum requirements.

In addition, on 13 December 2024 the EBA published a report on liquidity measures, which monitors and assesses the liquidity coverage requirements currently in force in the EU.

According to the report, between June 2023 and June 2024, the liquidity coverage ratio (LCR) of EU banks increased by 3 percentage points to 167%. During this period, EBA observed changes in the composition of banks' funding deposits, while banks' holdings of liquid assets steadily increased. The average LCR of EU banks improved over the period, exceeding 100% in June 2024.

AML/CFT issues

16 December 2024 - EBA publishes report on the operation of anti-money laundering and combating the financing of terrorism colleges in 2023

On 16 December 2024, the European Banking Authority (EBA) published a report on the operation of anti-money laundering and counter-terrorist financing colleges in 2023.

Anti-money laundering and anti-terrorist financing colleges are coordination structures set up to strengthen the supervision of financial institutions exposed to money laundering and terrorist financing risks.

The report notes that the competent authorities continued to improve the functioning of the colleges in 2023. However, EBA has identified two key areas for improvement in particular:

- **Implement a risk-based approach to college organization** : EBA found that the operation of the colleges, particularly the frequency of meetings and the way in which information is exchanged, was not sufficiently tailored to the specific risks to which companies were exposed. This prevented the competent authorities from allocating their resources strategically.
- **Ensure meaningful and systematic discussions on the need for a common approach** : One of the main aims of the colleges is to enable the competent authorities to identify common money laundering and terrorist financing risks and coordinate their actions to deal with them. EBA has noted that few colleges engage in in-depth discussions on these aspects. As a result, competent authorities struggled to determine whether risks or issues required coordinated action.

EBA therefore made a number of recommendations:

- **To supervisors:**
  - Take into account a wider range of criteria when assessing the frequency of meetings and the organization of the college.
  - Plan a discussion dedicated to identifying common issues and the need for a common approach to the agenda.
  - Gather detailed information in advance of the meeting in a structured manner, so as to be able to identify the main potential common problems and possible common approaches.
  - Systematically present proposed conclusions at the end of discussions between members, and seek their views on these conclusions.
  - Proactively lead discussions on the need for a common approach, in particular by proposing concrete approaches likely to be accepted by members.

  - Consider a wide range of possible common approaches when determining which to propose to other members.
- **College members:**
  - Ensure that those attending the meeting have the necessary skills.
  - Share detailed information on identified risks and issues, ensuring that this information enables senior supervisors to identify potential cross-cutting issues and possible common approaches that can be agreed between members.
  - Proactively identify similarities between risks and issues identified by one member and those identified by other members.

13 December 2024 - EBA publishes an assessment of supervision by competent authorities to combat money laundering and terrorist financing

On 13 December 2025, the European Banking Authority (EBA) *published* the results of its fourth and final round of assessment of competent authorities' approaches to combating the risks of money laundering and terrorist financing (AML/CFT) in the banking sector.

The assessment shows that competent authorities have made significant progress in their approach to combating money laundering and terrorist financing.

EBA highlights several areas of progress in the management of AML/CFT supervision:

- Strengthening of risk assessment methodologies and tools
- Increased cooperation
- Improved understanding of risks
- Structural reorganization of the Authorities: creation of specific units dedicated to AML/CFT supervision and increase in human and financial resources allocated to this supervision
- Adoption of best practices

EBA stresses, however, that weaknesses persist in the competent authorities' risk assessment methodologies and implementation processes, which are not fully effective or dissuasive.

Next steps
EBA will carry out a final review in 2025 of all measures taken by the competent authorities, and publish a final report as part of the transfer of EBA's competences to the European authority dedicated to combating money laundering and the financing of terrorism (AMLA).

Legal issues

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Insolvency

13 December 2024 - Partial general agreement of the Council of the European Union on the Insolvency Law Directive

On 13 December 2024, the Ministers of Justice of the Member States of the European Union adopted a partial general approach on the proposal for a directive harmonizing certain aspects of insolvency law.

This text is part of the development of the Capital Markets Union, and aims to remove obstacles to cross-border investment. It covers four areas - preservation of the insolvency estate, actions by directors in the event of insolvency, asset tracking and transparency obligations.

This partial general guideline authorizes each country to designate courts or administrative authorities to facilitate access by insolvency practitioners to national bank registers. It also harmonizes the obligations of directors, who will have to declare insolvency within three months, unless they take steps to protect creditors.

Despite these advances, Estonia denounced the absence of simplified procedures to reduce the excessive costs weighing on its many small businesses, which are essential to its economy.

Agreements have been reached on 4 blocks of the text, and the Polish presidency, which begins in January 2025, will resume negotiations and hopes to reach an agreement by June 2025. In particular, it will seek to clarify the provisions on extraordinary measures mechanisms.

Single market and competitiveness issues

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11 December 2024 - ECON Committee rapporteur presents first draft of annual report on competitiveness

On 11 December 2024, rapporteur Lara WOLTERS (S&D, NL) presented her draft of the European Parliament's annual report on competition policy.

As a reminder, this report is an annual report for the European Parliament's opinion, intended to make general recommendations on the part of parliamentarians to the European Commission. The report has no legislative implications.

The rapporteur recognizes in the draft report the benefits of competition policy for consumers, through lower prices and the limitation of concentration.

The rapporteur considers in her draft report that over the last 25 years, industry concentration has increased, while dynamism has decreased. She therefore welcomes the DRAGHI report's proposal to create a tool to reduce barriers to entry in certain sectors.

Nevertheless, the draft report notes "*with concern the fragmentation of many markets, notably financial services, telecommunications and household energy, and calls for faster and deeper market integration where consumers benefi*t".

While at the same time noting "with concern", "the high degree of market concentration in the European financial sector, as well as its excessive dependence on non-European service providers."

Next steps:
MEPs can now table their amendments to the text. Once these have been negotiated, the final draft of the report should be adopted by the Economic and Monetary Affairs Committee (ECON).

December 2024 - Political groups begin to take position on simplification proposal

Ahead of the presentation of the simplification proposal expected on 26 February 2025 by Stéphane SEJOURNE (Executive Vice-President of the European Commission), several political groups have begun to take a stand.

It is difficult at present to assess the impact of the simplification proposal and its depth, although it seems likely that the proposal in the form of an omnibus proposal will include a revision of

- the Sustainability Reporting Directive,
- the Due Diligence Directive (CSDD),
- the Green Taxonomy regulation.

However, it is not yet known whether this package will include simplifications in other areas, or a revision of other texts linked to financial services. Sectoral "omnibuses" could appear at a later stage, but this remains the subject of internal Commission debates, notably within the College:

- Valdis DOMBROVKIS would like to see a (first) broad omnibus text encompassing the CSRD, CS3D, Taxonomy triangle, followed by "sectoral" omnibuses in a second phase;
- Stéphane SÉJOURNÉ, for his part, would be in favor of a single omnibus package that would cover a much larger number of texts (SFDR, REACH, etc.).

For the time being, the final decisions have yet to be made, but there are a number of stakeholders that have started to take position on this issue:

- **Renew and S&D** are reportedly working on position papers to counter the omnibus, refusing to reopen the Green deal texts and above all to review their objectives. They are aiming for publication before (or rather around) mid-January.
- **Wopke HOEKSTR**A, Commissioner for Climate, Carbon Neutrality and Clean Growth, and Michael McGrath, Commissioner for Democracy, Justice and the Rule of Law, also share this position, notably opposing the reopening of the CSDD directive.
- **Michael HAGER, Valdis DOMBROVSKIS' director of cabinet**, is said to have concluded a number of upstream agreements with German industry, the content of which is not yet known.
- **Axel VOSS (EPP, Germany)** has sent a letter to Stéphane SEJOURNE asking that the reductions in administrative burden be significant, and that the scope of texts eligible for simplification be broadened.

German Chancellor Olaf SCHOLZ has also written to European Commission President Ursula von der LEYEN, welcoming the forthcoming legislative package and calling for "a reduction in bureaucratic costs". It makes a number of requests relating to the revision of the Corporate Sustainability Reporting Directive (CSRD), the Corporate Social Responsibility Directive (CS3D) and the Green Taxonomy, including:

- A two-year postponement of the CSRD obligations;
- An increase in the sales and employee thresholds at which they apply.

Digital issues

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12 December 2024 - BIS publishes report on the regulation of Artificial Intelligence in the financial sector

On 12 December 2024, the Bank for International Settlements (BIS) published an article exploring the potential transformative impact of artificial intelligence (AI) on the financial sector, focusing primarily on operational efficiency, risk management and customer experience in the banking and insurance sector.

According to the article's authors, financial institutions are already using AI for a variety of purposes, including customer support chatbots, fraud detection (including anti-money laundering and combating the financing of terrorism) and risk assessment for credit granting and insurance underwriting.
In credit and insurance, AI can now be used to assess creditworthiness, value collateral and analyze unstructured data, enhancing the ability to predict risk and set premiums.

However, the adoption of generative AI remains cautious. Although financial institutions are investing heavily to integrate AI and optimize their internal operations, the use of generative AI in customer-facing services or high-risk activities remains limited. This reservation is linked to factors such as regulatory uncertainty, dependence on third-party suppliers and customer perception.

Expanding the use of AI offers transformative prospects, but may exacerbate certain risks. These include microprudential risks (credit, insurance, models, operations, reputation), consumer risks (conduct, protection) and macroprudential risks (financial stability). Some of these risks, such as model explicability or data biases, take on a particular magnitude with AI.

To address these challenges, AI-specific guidelines have been introduced, emphasizing themes such as reliability, transparency, fairness, ethics, as well as data confidentiality and security.
With the emergence of generative AI, additional issues such as sustainability and intellectual property are gaining in importance. These issues, while necessary, sometimes involve compromises when developing regulatory frameworks.

According to the article, financial authorities favor risk-adapted orientations. However, clarifications or adjustments may be required in certain critical areas:

- Governance: Clear supervision of AI activities, including human intervention to limit drift, is essential.
- AI expertise: A lack of skills could compromise the management of risks associated with the wider adoption of AI.

- Model risk management: The explicability of models needs to be strengthened to ensure their suitability and reliability.
- Data governance: Current rules on data privacy, security and management may require specific updates for AI.
- New players and business models: Financial services offered by non-traditional players or in multi-level ecosystems require regulatory adjustments to fill gaps.
- Third-party oversight: Increased reliance on large AI and cloud service providers highlights the need for direct oversight, although risk management often remains delegated to financial institutions.

9 December 2024 - Leading financial sector associations issue joint statement on FiDA

On 9 December 2024, the main financial sector associations - the Association of Financial Markets in Europe (afme), the European Association of Cooperative Banks, the European Banking Federation (EBF), the European Fund and Asset Managers Association (EFAMA), the European Savings and Retail Banking Group (ESBG) and Insurance Europe - issued a joint press release following the adoption by the Council of its negotiating position on the Financial Data Access Regulation (FiDA).

In this press release, the industry players call for a serious and thorough assessment of the proposed regulation and its effects on the entire value chain. The press release calls for the innovative capacity of European players to be preserved, and for "*additional time for a thorough examination*" of FiDA's impact, "*on both consumers and industry*". According to them, "*without such an approach, FiDA will not only fail to live up to its ambitions, but will also compromise the protection of EU/EEA citizens and the competitiveness of the European financial industry*".

In addition, the industry representatives put forward several proposals:

- **Strike a balance between value for customers, market demand and costs for financial institutions.** Indeed, they feel that in the impact study of the proposed legislation, costs have not been adequately assessed, and that customer and market demand for data sharing has not been demonstrated.
- **Consideration of privacy and data protection requirements.** The associations note that the draft FiDA regulation is expected to create new entities (Financial Information Service Providers - FISPs) "*which will receive large amounts of sensitive customer data*". According to the press release, strong regulation and supervision of FISPs (to the same standards as those applied to regulated financial institutions) is essential, while guaranteeing rigorous data protection for European companies. However, it would appear that for the industry, these key aspects of data sharing are not "*adequately addressed by the current design of the FiDA*".

In conclusion the players in the marketplace regret that these questions have been "*raised on several occasions*" without having received a response from the co-legislators.

Next steps:
As a reminder, following the adoption by the Council and Parliament of their respective positions, the trilogues should open in the coming weeks.

Tax issues

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E-invoicing

13 December 2024 - Parliament recommends validation of Council's proposed agreement on ViDA

On 13 December 2024, the rapporteur for the European Parliament's Committee on Economic and Monetary Affairs (ECON), Ľudovít ÓDOR (Renew, Hungary), presented his draft report for opinion on the VAT package for the digital age (ViDA).

The rapporteur hopes that the Parliament's report for opinion will be adopted without amendments, and calls for validation of the political agreement reached by the Council on the ViDA package.

As taxation is an exclusive prerogative of the Council, Parliament is only required to provide an opinion on the text under the special legislative procedure, which the Council is not obliged to follow. However, as the Council had substantially modified the Commission's proposal, Parliament had to be consulted again before it could formally adopt the text in the Council and close the legislative procedure.

Next steps
Parliamentarians must now agree to adopt the report for opinion in committee and then in plenary, under the simplified procedure.

Sustainable Finance

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17 December 2024 - Platform for Sustainable Finance proposes product categorization for SFDR

On 17 December 2024, the Platform for Sustainable Finance published a report on product categorization under the Sustainable Finance Disclosures Regulation (SFDR).

The Platform for Sustainable Finance is an advisory body to the European Commission, bringing together global sustainability experts from all stakeholder groups: private players from the financial, non-financial and entrepreneurial sectors, NGOs, civil society, academia and others. Its mission is to advise the European Commission on the implementation and improvement of the EU taxonomy and framework for sustainable finance. The documents it produces are not binding.

The Platform recommends classifying financial products into four categories, all based on precise minimum criteria, defined objectives and measurable performance indicators:

- **Sustainable**: Investments aligned with the taxonomy or sustainable without significantly harmful activities or assets, according to a simplified definition consistent with the taxonomy.
- **Transition**: Investments supporting the transition to a carbon-neutral and sustainable economy, in line with the Commission's recommendations.
- **ESG Collection**: Exclusion of harmful activities, investments in assets with better environmental and/or social criteria or incorporating various sustainability features.
- **Unclassified:** Products that do not fall into any of the above categories.

These categories are designed to facilitate the identification of products corresponding to investors' sustainability preferences through mandatory disclosure. The categorization system aims to avoid the fragmentation of national labeling regimes, while promoting growth.

The report also offers an assessment of the extension of categorization beyond the Financial Services Sustainability Disclosure Regulation (SFDR).

Next steps:
The Sustainable Finance Platform will present the proposals of this report during a webinar on 21 January 2025 from 1:00 pm to 2:00 pm.

Other topics

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11 December 2024 – The Polish Presidency presents its program

On 11 December 2024 the Polish Presidency released its program for its coming Presidency (starting January 2025).

According to its declaration the Presidency plans to focus on the following priorities :
- Strengthening of the Capital Market Union and foster greater investments (through the finalization of the open finance Regulation -FiDA-, the Benchmark Regulation and the Crisis Management and Deposit Guarantee Framework -CMDI)
- Supporting Ukraine
- Reviewing certain aspects of Fiscal regulation (DAC 9 directive).
- Identifying barriers to the fragmentation of capital marker and removing them : the Polish Presidency will continue to work on the Insolvency proposal.
- Deleting unnecessary burden and supporting EU Competitiveness.

The Polish Presidency explicitly mentions that : "***with regard to legislative work in the area of the Single Market, the Presidency will be ready to work on the proposal on combating late payment in commercial transactions***".

As we informed you before, it is expected that the Polish Presidency will try to pursue the work on the LPR. As such we will continue reaching out to the Polish Presidency and try to organize a meeting.

4 December 2024 - Christine LAGARDE addresses the European Parliament's Committee on Economic and Monetary Affairs

On 4 December 2024, Christine LAGARDE, President of the European Central Bank (ECB), was heard by the European Parliament's Committee on Economic and Monetary Affairs (ECON), as part of the regular hearings to which she is subject.

The ECB President opened her address to the Committee by presenting the macroeconomic situation in the eurozone. For Christine Lagarde, growth in the eurozone remains very fragile, with a stable job market that could deteriorate in the months ahead.

In her speech, Christine LAGARDE emphasized that inflation remains close to the ECB's targets, at around 2.7%, and that monetary policy should evolve in the light of inflation trends. Considering on December 19, 2024, that inflation would gradually reach ECB targets (2.1% in 2025, 1.9% in 2026 and 2.1% in 2027), the ECB President announced that key rates would be cut by 0.25%.

Turning to the economic governance framework, the President stressed the need to implement reforms to reduce the level of national debt.

December 2024 - The EPP wants to strengthen its power over the European Commission

According to several sources, the EPP would like to maintain significant control over the European Commission following validation by the College.

Accordingly, the EPP has decided to set up regular meetings between European Parliament Vice-Presidents and Commissioners to coordinate the positions of the two institutions according to certain priorities:

- **Budget**: Parliament Vice-President Siegfried MUREȘAN (EPP, Romania) with Polish Budget Commissioner Piotr SERAFIN
- **Migration and Justice:** Parliament Vice-President Tomas TOBÉ (EPP, Sweden) and Austrian Commissioner for Home Affairs and Migration Magnus BRUNNER.
- **Foreign Affairs and Development:** Parliament's Vice-President Andrzej HALICKI (EPP, Poland) with Croatian Commissioner for the Mediterranean Dubravka ŠUICA
- **Economy, internal market and environment**: Parliament vice-president Dolors MONTSERRAT (EPP, Spain) with Dutch climate commissioner Wopke HOEKSTRA.

This coordination should also be coupled with a monthly lunch, during plenary session weeks in Parliament, for the 14 EPP European Commissioners and the EPP group's parliamentary vice-chairmen and group chairman, Manfred WEBER.

While this information has yet to be confirmed, it already reflects the Commission's more political role in this legislature, and the EPP's desire to strengthen its influence on the European Commission and on proposed texts.

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