MONTHLY MONITORING REPORT

MAY 2025

Summary of content

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Consultations

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23 May 2025 – the European Commission launches a call for evidence on the European Data Union strategy

On 23 May 2025, the European Commission launched a call for evidence on its Data Union Strategy. This consultation follows on from the European Data Strategy of 2020, with the aim of creating an internal market where data circulates freely. However, recent technological and geopolitical developments have highlighted the need for an updated approach. Reports such as those by Draghi and Letta highlight the lack of cross-sector coordination and large datasets in Europe, holding back the integration of AI, particularly generative AI. The document identifies several obstacles: regulatory fragmentation, lack of access to industrial and linguistic data, dependence on non-European players, and complex data transfer rules.

The strategy has three main objectives:

1. Stimulate investment in data technologies and facilitate access to data, particularly for start-ups, via voluntary measures or funding.
2. Simplify the regulatory framework by harmonizing existing rules and developing digital tools to reduce the administrative burden.
3. Develop an international data strategy to secure EU data exports and encourage their import. The initiative also calls for the creation of digital infrastructures to automate regulatory compliance and strengthen data governance.

The strategy aims to foster the emergence of data-driven services and products, particularly in the field of AI, while respecting data protection and cybersecurity standards. This public consultation is being launched to gather the views of citizens, businesses, researchers and other stakeholders, and aims to shape the Commission's future data policy initiatives.

Next steps:
The call for contributions is open until 18 July 2025.

22 May 2025 - EBA launches consultation on amended disclosure requirements for ESG risks, equity exposures and aggregate exposures to shadow banking entities

On 22 May 2025, the European Banking Authority (EBA) launched a public consultation on amended disclosure requirements relating to ESG risks, equity exposures and aggregate exposure to non-bank financial entities (shadow banking).

This consultation concerns a proposal to amend the European Commission's implementing regulation on disclosure requirements (Pillar 3 of CRR3), in relation to ESG risks, equity exposures and aggregate exposure to the non-banking sector. **The consultation is open until 22 August 2025.**

<u>The EBA proposal contains the following elements:</u>

- EBA proposes a proportionate ESG disclosure framework aligned with the European Commission's initiative to simplify sustainability reporting (so-called “omnibus” proposals).
- No new obligations for large listed banks, but clarifications and simplifications are introduced to make existing obligations more comprehensible:
  - Introduction of materiality criteria for the frequency of certain disclosures
  - Complete and permanent harmonization with the regulation on taxonomy, particularly with regard to the Green Asset Ratio (GAR).
- Simplified requirements are proposed for small and medium-sized banks, depending on their size, complexity and listing status.
- Transitional measures and supervisory flexibility are provided to reduce the compliance burden, notably through :
  - The possible issuance of a no-action letter encouraging national authorities not to sanction certain ESG disclosure failures during the transitional phase.
  - Clarification of the application of the Green Asset Ratio (GAR), in line with regulations on green taxonomy.

Next steps :
The consultation is open until 22 August 2025.

2 May 2025 – ESMA consultation on the Technical Regulatory Standards under the ESG rating Regulation

On 2 May 2025, the European Securities and Markets Authority (ESMA), opened a consultation on draft regulatory technical standards (RTS) under the ESG Ratings Regulation.

The draft RTS covers the following aspects applicable to ESG rating providers:

- Information to be provided in applications for authorization and recognition.
- Measures and safeguards to be put in place to limit the risk of conflicts of interest for ESG rating providers engaged in activities other than ESG rating.
- Information to be disclosed to the public, to the elements rated, to the issuers of these elements, and to users of ESG ratings.

Next steps:
The consultation will be open until 20 June 2025. ESMA plans to publish a final report and submit the draft RTS to the European Commission for adoption in October 2025.

Banking regulation

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27 May 2025 – European Parliament study on competition in the Banking sector

On 27 May 2025, the European Parliament's research services (EPRS) published a study entitled "*The EU banking sector and competitiveness - Framing the policy debate*". It highlights the structural weaknesses of the European banking system, compares them to the US model, and proposes concrete policies for strengthening the Banking Union and improving financial stability.

The study explains that the EU's economic competitiveness depends to a large extent on its banking sector's ability to allocate capital efficiently, but that the banking sector remains too fragmented, with rules that are sometimes too complex and governance split between national and European levels. The report stresses that this fragmentation is detrimental to the efficient financing of the real economy.

The document compares the response of the EU and the US to two recent major banking crises. It shows that the US has adopted a more rigorous, centralized approach, fostering sector consolidation and greater resilience. By contrast, the EU is said to have often opted for "*regulatory tolerance",* which has hampered structural reforms.

The report recommends:

- The completion of the Banking Union, notably through the introduction of a common European deposit guarantee scheme.
- Simplification of capital requirements and resolution rules, while maintaining a sufficient overall level of capital.
- More centralized governance of macro-prudential tools, to avoid national divergences.
- Greater transparency and proportionality in the application of rules, particularly for smaller banks.

The report calls for a long-term vision. It insists that competitiveness must not be sacrificed in the name of stability, but that the two objectives can be achieved jointly through intelligent and coherent regulation.

Next steps:
The European Commission plans to publish a report on the banking sector in 2026.

Shadow-banking, factoring and commercial finance

14 May 2025 - Financial Stability Board addresses leverage in non-bank financial intermediation (NBFI)

On 14 May 2025, Martin MOLONEY, Deputy Secretary General of the Financial Stability Board, spoke at the 39th Annual General Meeting of the International Swaps and Derivatives Association (ISDA). In his speech, he compared the current initiative on leverage in NBFIs to that taken a few years earlier on the regulation of crypto actives. He argues that, as with crypto currencies, it's time for proportionate safeguards around leverage practices, as financial markets are becoming larger and more complex relative to the real economy, making them structurally less stable. He points out that leverage is used to amplify returns or hedge risks, but can also intensify losses. In particular, the forced withdrawal of leveraged positions can provoke spirals of selling that exacerbate market shocks and harm the real economy.

The FSB recently conducted a public consultation on new proposals to manage systemic risks associated with leverage in financial markets. 36 substantial responses were received, and although the final recommendations are not yet ready, Moloney shares some personal thoughts on the importance of this initiative for global financial stability.

7 May 2025 – ECB contribution to the Commission's targeted consultation on the market risk prudential framework

On 7 May 2025, the ECB released their contribution to the targeted consultation initiated by the European Commission on the market risk prudential framework. The consultation took place from 24 March until 22 April 2025.

The ECB notes the importance of this consultation, especially given the geopolitical uncertainty stemming from ongoing military conflicts and trade tensions. Furthermore, the ECB reiterates the relevance and effectiveness of the Fundamental Review of the Trading Book (FRTB) established by the Basel Committee on Banking Supervision (BCBS).

- The ECB believes that postponing the start date for the application of the full new market risk framework for a further year (i.e. to 1 January 2027), or substantially amending the framework, would not be necessary from a prudential viewpoint. This delay would not remove uncertainty as to the FRTB implementation and could unfairly penalize institutions that have duly put in the place the preparatory work.
- In order to maintain the momentum of the FRTB implementation, the ECB suggests, among others delaying the internal models approach (FRTB-IMA) and introducing the standardized approach (FRTB-SA) with targeted adjustments.
- The ECB believes that additional specifications are necessary to address implementation issues stemming from the above-mentioned suggestions.
- In relation to the alternative standardized approach (FRTB-SA) :
  - Any amendment should be duly justified, temporary, targeted and risk-based.
  - To cater for the uncertainty regarding the implementation of the Basel standards in other jurisdictions, an ascending scalar over a three-year period could be preferable to the proposal to apply a flat 0.9 multiplier to own funds requirements under the FRTB-SA.
  - With regard to internal model-related requirements, the proposals for temporary flexibility in applying the profit and loss attribution test as well as for phasing-in requirements for non-modellable risk factors would in the view of the ECB need to be accompanied by appropriate supervisory safeguards if introduced.
  - Regarding the proposals for amending the requirements related to capitalizing collective investment undertaking (CIU) exposures under the alternative standardized approach, the ECB would have strong concerns about allowing banks to carry out the look-through on a quarterly basis for material exposures.

- Last, whilst the purpose of the Delegated Act is to respond to developments affecting the regulatory level playing field, questions related to market risk supervision could also be taken into consideration.

CRR (Capital Requirements Regulation) and CRD (Capital Requirements Directive)

22 May 2025 - EBA publishes the onboarding plan for implementation of Pilar 3 Data Hub

On 22 May 2025, the European Banking Authority (EBA) published an onboarding plan to implement the Pilar 3 Data Hub (P3DH), a centralized platform designed to improve transparency and market discipline in the EU banking sector. This hub will provide public access to prudential data from financial institutions in the European Economic Area (EEA), in line with the disclosure requirements of Pillar 3 of the Capital Requirements Regulation (CRR).

The first phase of integration targets :

- Large institutions at the highest level of consolidation in the EEA. (BNP Paribas, Crédit Agricole, Société Générale, Deutsche Bank, ING Group, etc.).
- Large subsidiaries subject to reduced requirements. (BNP Paribas Fortis, ING Belgium, Santander Consumer Bank...)
- Other higher-level consolidated institutions, identified in accordance with Articles 6 and 13 of the CRR. (BNP Paribas SA, UniCredit SpA, ING Groep N.V, Deutsche Bank AG,...)

The plan describes a five-step process:

1. Collection of contact details for bank representatives.
2. EBA sends an individual letter to the institutions concerned.
3. Submission of contact information by institutions.
4. Creation of user accounts on the EUCLID platform.
5. Access to the platform via a login invitation.

Next steps:
The integration process is scheduled for 2025, with data to be made publicly available from December 2025.

22 May 2025 - MEPs accept the permanent introduction of liquidity rules

On 22 May 2025, the European Parliament approved, without amendment, a proposal for a regulation to make current liquidity requirements permanent, in particular the Net Stable Funding Ratio (NSFR). This ratio requires banks to fund their long-term and illiquid assets with stable sources of funding, in order to strengthen their resilience over a one-year period. The measure specifically concerns short-term securities financing operations and unsecured loans. The EU Council has also approved the text without change, meaning that only one inter-institutional negotiating session should be needed to politically complete this legislative revision, which must be in place before the existing rules expire at the end of June.

21 May 2025 - Basel Committee prioritizes Basel III implementation

On 21 May 2025, the Basel Committee held a meeting in Stockholm to discuss several key initiatives aimed at strengthening global financial stability and the effectiveness of banking supervision, including Basel III.

- Financial stability outlook

Members exchanged views on recent market developments and the state of global financial stability, highlighting heightened volatility and high uncertainty that require continued vigilance by banks and supervisors to ensure the resilience of the banking system.

- Lessons from the banking crisis of 2023

The Committee presented practical tools to help supervisors manage liquidity and interest rate risks in banking, and assess the viability of banks' business models. These tools, which do not modify existing rules, are intended to strengthen supervisory practices. A detailed report will be published by the end of 2025.

- Implementation of Basel III

The Committee confirms its commitment to full and rapid implementation of the Basel III framework, while analyzing how certain aspects (such as liquidity and interest rate risk management) worked during the 2023 crisis.

- Digitization and third-party risk management

The Committee reviewed feedback on its consultation on the management of risks linked to external service providers in the banking sector. A finalized framework of principles for this management will be published before the end of the year. Members also discussed developments linked to artificial intelligence and digital fraud, areas where monitoring will continue.

The Committee discussed ways of improving the banks' risk disclosure framework (Pillar 3), notably by making this data accessible in machine-readable format, thus facilitating its use by market players. A public consultation is scheduled for the end of 2025.

- Financial risks linked to extreme weather events

In June 2025, the Committee will publish a voluntary framework for disclosing climate risks.

Anti-Money Laundering

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AMLA

13 May 2025 - Appointment of AMLA board members: EU Council approves mandates

On 13 May 2025, the Council's agreement was drafted, after a vote in the European Parliament by the Economic and Monetary Affairs (ECON) and Civil Liberties, Justice and Home Affairs (LIBE) committees in March. The Conference of Presidents then approved the decision. On 8 May 2025, Marcus PLEYER, also selected by the European Parliament, withdrew his candidacy for personal reasons. AMLA is the European anti-money laundering authority.

Next steps:
The European Commission is responsible for the establishment and initial operations of the Authority until 31 December 2025.

Supervision

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21 May 2025 - EU Deposit Guarantee Scheme funds to protect depositors against bank failures reaches €79bn, says EBA

On 21 May 2025, the European Banking Authority (EBA) announced that all national deposit guarantee schemes (DGS) in the EU had reached the minimum level required by law. These funds, financed by the banks over ten years, are used to rapidly reimburse depositors in the event of bank failure.

Between 2023 and 2024, deposits covered increased by 3.2%, to reach 8,600 billion euros. Since their creation, the DGS have accumulated €79 billion, guaranteeing repayment of up to €100,000 per depositor per bank.

All European banks must contribute to these funds to ensure repayment within seven days in the event of default. The target level, set at 0.8% of covered deposits, had to be reached by 3 July 2024, which is now the case for all EU DGSs.

20 May 2025 – EBA publishes Achievements of the year

On 20 May 2025, the European Banking Authority (EBA) published the first part of its 2024 Annual Report, outlining the organization's key achievements and activities, including financial stability, sustainable finance, banking regulation, as well as risk assessment and industry resilience.

Among the key advances:

- Basel III reforms: significant progress in their implementation to strengthen bank resilience.
- Single Rulebook: strengthened by new guidelines on risks (credit, market, operational), capital instruments, liquidity requirements (NSFR) and SREP (Supervisory Review and Evaluation Process) guidelines.
- Sustainable finance: integrating ESG risks and combating greenwashing.
- Proportionality: reducing regulatory burdens for small banks.
- Governance: coordination with other European authorities on the assessment of executives, and publications on remuneration (gender equality, high incomes).
- Financial stability: two risk assessment reports, update of stress test methodology, climate stress test based on Fit-for-55 plan.
- DORA regulation: preparing the supervision of critical ICT suppliers, setting up the EU-SCICF framework, the European coordination framework for systemic cyber incidents.
- Innovation and consumer protection: monitoring of emerging technologies (decentralized finance, AI), supervision of digital finance, monitoring of non-bank lenders.
- Anti-money laundering (AML/CFT): harmonization of practices, coordination with national authorities, preparation for the creation of the future European Anti-Money Laundering Authority (AMLA) in 2025.

Next steps:
EBA will publish a consolidated version of the 2024 annual report by the end of June.

16 May 2025 - EBA repeals guidelines on specification of types of exposures to be associated with high risk

On 16 May 2025, the European Banking Authority (EBA) officially repealed its guidelines on specifying the types of exposures to be considered high-risk. These guidelines, originally published in March 2019, were intended to clarify which exposures should be classified as “high risk” under Article 128 of the Capital Requirements Regulation (CRR). However, with the entry into force of CRR 3, this category of exposure no longer exists in the regulations, with Article 128 now referring only to subordinated debt exposures.

This decision also reflects the evolution of the European regulatory framework, which aims to simplify and harmonize capital requirements. By abolishing this specific classification, EBA is aligning its guidelines with the new structure of CRR 3, while facilitating the transition to a more consistent and up-to-date regulatory framework.

Legal issues

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Late Payment

6 May 2025 - LPR: Polish Presidency circulates note

Ahead of the Competitiveness Council meeting on 6 May 2025, the Polish Presidency circulated a note concerning the proposed regulation on late payments (LPR). The Presidency wanted to gather the opinions of Member States ahead of the Council meeting in order to break the deadlock in negotiations on the text, which are currently at a standstill.

The Presidency therefore submitted the following proposals for consultation:

- **Payment terms:**
  - For B2B transactions: 60 days for payment and 60 days for verification, i.e. a maximum of 120 days.
  - For G2B transactions: 30 days for payment and 30 days for verification, i.e. a maximum of 120 days.
  - The introduction of an exception for G2B transactions in the healthcare sector: 60 days for payment and 30 days for verification, i.e. a maximum of 90 days.
- **Amendment to Article 5**: after the expiry of the payment periods (60/90/120 days depending on the type of transaction), unless otherwise agreed by the parties, the parties will have an additional 120 days during which no late payment interest will be charged.
- **Amendment to Article 8:** maintenance of the minimum lump sum compensation of 50 euros and, in addition, introduction of a solution whereby the amount of compensation will vary according to the importance of the obligation (percentages per transaction).
- Deletion of Article 10.
- Deletion of Articles 13, 14, and 15.
- Deletion of paragraph 2 of Article 4, following the deletion of Articles 13, 14, and 15.
- Deletion of the first half of the sentence in paragraph 1 of Article 16 (" Without prejudice to the right of creditors to lodge claims under Article 15, and to the obligations and powers of enforcement authorities under Articles 13, 14, and 15,") due to the deletion of Articles 13, 14, and 15.
- Proposal to create a public register of debtors in Member States.

Next steps:
Member States remain divided on fundamental aspects of the proposal.

Insolvency

13 May 2025 - MEPs discuss the Insolvency proposal in JURI Committee

On 13 May 2025, the members of the legal affairs committee of the European Parliament (JURI) discussed the amendments they tabled regarding the proposal for a directive harmonising certain aspects of insolvency law.

A similar amendments tabled by René REPASI (S&D, DE) and Kira Marie PETER-HANSEN (Greens/EFA, DK) define common minimum objectives for national insolvency laws:

> *"(a) maximising of legal certainty about a company's value;*
> *(b) improving efficiency of insolvency proceedings both in terms of cost and length, in particular for SMEs;*
> *(c) improving predictability a well as ensuring a fair and equitable distribution of value amongst creditors;*
> *(d) improving the protection of employees and preserving jobs."*

Many amendments (from Billy Kelleher (Renew, IE), Kira Marie Peter-Hansen for the Greens/EFA and Ton DIEPEVEEN (PfE, NL)) are aimed at excluding microenterprises from the scope of the directive.

Amendments to prioritize employee rights, ensure fair treatment of employees in insolvency proceedings, and safeguard jobs were tabled by René REPASI (S&D, DE), Jana TOOM (Renew, EE), Kira Marie PETER-HANSEN (Greens/EFA, DK), Billy KELLEHER (Renew, IE). René REPASI (S&D, DE)and Kira Marie PETER-HANSEN (Greens/EFA, DK) tabled several amendments to allow for pre-pack proceedings.

The access to insolvency practitioners and the level of guarantee provided by the regulation of such profession were widely discuss by the MEPs during the JURI meeting.

On more specific points:

- **Amendment 304 from René REPASI (S&D, DE) includes a definition of "contract for the lease of goods"** : *"a contract under which one party, the lessor, undertakes to provide the other party, the lessee, with a temporary right of use of goods in exchange for rent without the parties having agreed that ownership will be transferred after a period with right of use. The rent may be in the form of money or other value"*.
- **Amendment 307 from Maravillas ABADÍA JOVER (EPP, ES) suggests a definition of "affected creditors":** *"all those natural or legal persons holding claims against the insolvent debtor, including the holders of contingent claims, regardless of whether the insolvent debtor included them in its insolvency application"*.
- Amendment 328 from Kira Marie PETER-HANSEN (Greens/EFA, DK) proposes that **the payment of a third-party debt in a three-person relationship *"shall not be automatically considered as a legal act against no or a manifestly inadequate consideration"***.
- Amendment 375 from Daniel BUDA (EPP, RO) calls to ensure for maximisation of asset value for all creditors.

Single market and competitiveness issues

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21 May 2025 – Commission presents Omnibus for small mid-caps

On 21 May 2025, the European Commission published a set of documents relating to the omnibus initiative for "small mid-caps" (SMC), comprising a proposal for a regulation, a proposal for a directive, a recommendation and its annex, as well as a European Commission staff working paper.

In its recommendations, the Commission recognizes the need to take greater account of "small mid-caps", i.e. companies situated between SMEs and large corporations. It stresses that these companies must benefit from more appropriate regulation, as some current rules are too cumbersome or inappropriate for their size. The aim is to boost their competitiveness by easing regulatory constraints. The Commission is also committed to promoting consistent use of this new definition between European institutions and Member States, to ensure greater coherence in public policy and facilitate the transition of companies that exceed the SME thresholds.

The definition of "small mid-caps", as specified in the annex, is as follows:

"The small mid-cap category is made up of companies which are not considered small and medium-sized enterprises within the meaning of Recommendation 2003/361/EC, which employ fewer than 750 people and whose annual sales do not exceed 150 million euros or whose annual balance sheet total does not exceed 129 million euros." It is also specified that a company cannot qualify as a "small mid-cap" if 25% or more of its capital or voting rights are held, directly or indirectly, individually or jointly, by one or more public bodies.

- **Proposal for a regulation**

This proposal therefore aims to extend certain provisions currently applicable to SMEs to mid-sized companies (MSCs), and to propose simplification measures for the benefit of SMEs and MSCs in the following legislative acts:

- Regulation (EU) 2016/679, which establishes provisions on general data protection (GDPR).
    - Relief from the obligation to keep a register of processing operations (Article 30 of the GDPR) provided for SMEs is extended to SMCs.
    - SMCs to be taken into account in certification mechanisms (Article 42 of the GDPR).
    - The specific needs of SMCs will now have to be taken into account in codes of conduct (Article 40 of the GDPR) in the same way as those of SMEs.
- Regulation (EU) 2016/1036 on protection against imports at dumped prices from non-EU countries.
- Regulation (EU) 2016/1037 on protection against subsidized imports from countries not members of the European Union.
- Regulation (EU) 2017/1129, as amended by Regulation (EU) 2024/2809, which refers to the possibility of creating a lighter form of prospectus - the prospectus for EU growth issues.
    - A specific definition of SMCs is added, distinct from that of SMEs.
    - The use of the "EU Growth issuance prospectus" is now extended to SMCs in order to reduce the cost of their IPO and facilitate their access to financing.
- Regulation (EU) 2023/1542 sets out provisions for batteries.
- Regulation (EU) 2024/573 on fluorinated greenhouse gases (F-gas Regulation), which lays down rules on products and equipment containing fluorinated greenhouse gases.

- **Proposal for a directive**

The proposed directive amends the following directives:

- Directive 2014/65/EU on markets in financial instruments (MIFID II).
    - A definition of SMC is added, distinct from that of SMEs.

  - Currently, for a multilateral market (MTF) to be recognized as an SME growth market, at least 50% of issuers must be SMEs. This threshold can now be reached by combining SMEs and SMCs, thus facilitating SMC access to these specific markets.
- Directive (EU) 2022/2557 on the resilience of critical entities.
  - A definition of SMC is added.

Member States will now have to include in their resilience strategy, in addition to measures in favor of SMEs, existing measures facilitating obligations for SMCs identified as critical entities.

Next steps:
The two proposals will now enter the negotiation phase between the co-legislators. At this stage, no timetable has been communicated.

21 May 2025 – The European Commission publishes its strategy for the single market

On 21 May 2025, the European Commission officially published a strategy to strengthen the single market. The Commission wishes to present its future initiatives aimed at reducing internal barriers and enabling European companies to export or offer their services throughout the Union.

The strategy focuses on the following points:
- Removing internal barriers
- Simplifying rules
- Digitalization
- Support for SMEs
- Better enforcement of single market rules

The Commission reaffirms the “1 in, 27 out” principle, i.e., the widespread harmonization of regulations at the European level in order to reduce the fragmentation of the single market. The Commission nevertheless emphasizes that over-transposition or conflicts between existing regulations have created a significant regulatory burden on businesses.

It is interesting to note that the Commission, echoing the findings of the consultation on post-trade consolidation, stresses the need to remove existing barriers to the creation of a genuine Savings and Investment Union (SIU) by addressing national differences in “securities and company law,” “taxation,” and “insolvency.”

With regard to the measures, you will find below a more detailed account with the dates proposed by the Commission.

1. **Fewer barriers: removing the most harmful obstacles, with priority given to the “Terrible Ten”**

- Complex business creation and management
  - **Establishment of European company law to facilitate the creation of digital businesses throughout the single market – legislative proposal on the “28th regime” (Q1 2026**).
  - Revision of the Commission’s recommendation on business transfers – Q4 2025.
- Lack of ownership of the single market by Member States

- Appointment by each Member State of a "Single Market Sherpa" attached to the head of government. Their task will be to coordinate internal policies on the single market and to collaborate with their European counterparts – first meeting scheduled for Q4 2025.
- Strengthening of the Single Market Task Force (SMET) – annual high-level political meeting scheduled for Q4 2025.
- The Commission will consider, if necessary, a legislative proposal on an act on the prevention of barriers to the single market – Q3 2027.

2. **Development of services: a new sectoral approach**

- Development of guidelines on the proportionality of national regulations, particularly in retail – Q4 2026.
- Launch of an initiative on cross-border car rental (Q3 2025).

3. **Focus on SMEs: a central pillar of the strategy**

- Self-declaration tool for SME status from May 2025.
- Strengthening of the network of SME envoys and dedicated forum for sharing best practices – Q3 2025.
- Extension of SME-friendly measures to small mid-caps via a new Omnibus package – adopted with the strategy.
- Extension of the SME fund for 2026–2027 – Q4 2025.
- Commission recommendation on a voluntary SME standard (VSME) to better meet sustainability requirements in value chains – Q2 2025.
- Measures to improve SMEs' access to sustainable finance, in particular through the adaptation of the delegated act on taxonomy – Q4 2025 / Q1 2026.

4. **Faster and more digital: simplification through digitalization**

- Revision of the acquis on electronic invoicing in public procurement: transition to a regulation making the European standard mandatory – Q4 2026.
- Integration of digitization into standardization and public procurement law – Q2 and Q4 2026.
- Establishment of the European Digital Identity Wallet to facilitate cross-border digital interactions – Q4 2026
- Development of collaboration with Member States to simplify authorization and planning procedures in order to increase the supply of housing under the European Affordable Housing Plan and the European Housing Construction Strategy (Q1 2026)

5. **Single Market Omnibus initiative: towards a more fluid and less bureaucratic market**

- Enhanced monitoring of barriers via SMET and SOLVIT – from Q2 2025.
- Presentation of an annual single market enforcement strategy – Q1 2026.

16 May 2025 – Omnibus: Polish Presidency presents compromise proposal on CS3D, CSRD and Taxonomy

On 16 May 2025, the Polish Presidency submitted its 2nd compromise proposal on the draft directive amending the content of CS3D, CSRD and the taxonomy.

It should be emphasized that the proposals setting the threshold at 1,000 employees and a turnover of 50 million euros were maintained, despite pressure from certain member states to raise the turnover threshold to 450 million euros.

Among the Polish Presidency's proposals:
The scope of the directive is reduced, which also includes public interest entities (PIEs), which will not be subject to exceptions (Recital 8a).

- On the protection of business secrets, the Presidency proposes: "Sustainability reporting requirements should not oblige a company to disclose information such as intellectual capital, intellectual property, know-how or the results of innovation that would be considered trade secrets." (recital 9a)

- The Presidency's proposal clarifies that value chain companies not subject to sustainability reporting, with up to 1,000 employees, should be able to refuse to provide information that goes beyond voluntary disclosure standards. This measure is intended to avoid excessive demands, particularly on SMEs (Recital 9).

- On the revision of ESRSs, the text would enshrine in the level the expected outcome: "(i) remove data considered least important for general-purpose sustainability reporting, (ii) prioritize quantitative data over narrative text, (iii) further differentiate between mandatory and voluntary data" (recital 12 a).

- Removal of sector-specific standards and replacement by sector-specific guidelines from the European Commission illustrating the application of ESRS standards in a given sector, in particular with regard to the double materiality assessment aimed at identifying the relevant sustainability issues for a typical company in the sector (Recital 13).

- On voluntary reporting: the Presidency proposes that, pending the publication of sustainability reporting standards for voluntary use, companies that voluntarily publish sustainability information may do so in accordance with the Voluntary Standard for SMEs (VSME) developed by EFRAG (recital 14a).

- The scope of the CSRD directive has been reduced, and only companies with more than 1,000 employees will still be required to comply. Companies with between 501 and 1000 employees (wave 1) will no longer be subject to reporting from 2027, and member states will even have the option of exempting them from 2026. The same principle applies to wave 1 listed companies, which will no longer be subject to reporting from 2027. (Recital 18 / 18a / 19 and 19a on the legal clarification linked to the reduction in thresholds). Furthermore, if a member state chooses to apply the exemption from 2026, only companies that have not yet published their annual report for the 2025 financial year when the national law comes into force will be exempt from reporting for that year. Companies that have already published their annual report will not be able to benefit retroactively from the exemption for this financial year (recital 18a / 19a).

16 May 2025 – EBF highlights role of banks to achieve the Competitiveness Compass

On 16 May 2025, the European Banking Federation (EBF) called for a more proactive approach, focused on growth, innovation and controlled risk-taking, rather than a defensive posture focused solely on resilience. EBF Chairman Slawomir KRUPA stresses that European banks, well capitalized and resilient since the 2008 crisis, must now be supported by a regulatory framework that enables them to finance the EU's strategic priorities: innovation, energy, defense, security, sustainability and strategic autonomy.

The EBF emphasizes the need to free up bank capital to stimulate growth. It criticizes excessive capital requirements, in particular the additional layers imposed at European level over and above the international Basel standards. This regulatory overload hampers banks' ability to invest and support the real economy. The EBF therefore calls for a reassessment of these requirements, taking into account international developments, where some countries do not fully apply the Basel III standards.

Next steps:
As mentioned in the Savings and Investment Union (SIU), the EBF supports the preparation of a specific report to assess the competitiveness of the European banking sector and guide future policy as early as possible in 2026.

Savings and Investment Union

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5 May 2025 – Members of Parliament present their amendments to Aurore LALUCQ's draft report on the Capital Markets Union

On 5 May 2025, MEPs presented their amendments (amendments 1 to 339 and amendments 340 to 659) to the draft own-initiative report on the Capital Markets Union, for which Aurore LALCUQ (S&D, FR), Chair of the Committee on Economic and Monetary Affairs (ECON), is the rapporteur. As a reminder, this own-initiative report, which is not legally binding, follows on from the Draghi report and the Letta report and aims to enable Parliament to influence future European Commission initiatives.

The amendments cover a number of different topics:

1. **Competitiveness:**

MEPs such as ENGIN EROGLU (Renew, DE), Dirk GOTINK (EPP, DE) and Pierre PIMPIE (PfE, FR) propose to include competitiveness as an objective for the Union to achieve.

Christophe GOMART (EPP, FR) calls (AM 278) for the introduction of a competitiveness requirement throughout the legislative process, particularly in the mandate of the European Securities and Markets Authority (ESMA).

S&D group members such as Aurore LALUCQ (FR) and Eero HEINALUOMA (FI) want the European Supervisory Authorities to be more systematically involved in defining the Level 2 and Level 3 mandates of financial legislation in order to "*ensure that these mandates are evidence-based, proportionate and tailored to the needs of the financial sector*."

2. Financing the economy:

Overall, the political groups are calling for better mobilization of Europeans' savings to redirect them towards productive and European investments rather than deposits or financing the European economy.

Most groups are therefore calling for a strengthening of venture capital and equity financing in order to reduce dependence on bank financing.

3. Harmonization of rules on insolvency, securities law, taxation, and the 28th regime

Markus FERBER (EPP, DE) (AM 36) highlights the need to reduce market fragmentation, inconsistencies in tax policies and insolvency law, and excessive dependence on debt financing, which are some of the root causes of weak investment financing in the EU.

French MEPs from the Renew group (Pascal CANFIN, Stéphanie YON-COURTIN, Gilles BOYER) call on the Commission to identify the potential of the 28th regime to remove existing barriers to capital markets. This position is shared by Markus FERBER (EPP, DE) and the EPP group, who nevertheless stress that the Commission will have to identify the advantages and disadvantages of the 28th regime.

Michalis HADJIPANTELA (EPP, Cyprus) **supports the creation of a "*European business law code*," offering companies a voluntary 28th regime allowing them to operate within the single market**.

Christophe GOMART (EPP, FR) calls on the Commission (AM 489) to continue its work on harmonizing and simplifying securities law and taxation, in particular procedures for refunding withholding taxes.

Aurore LALUCQ (S&D, FR) and the S&D group MEPs (AM 101, 103 and 378) advocate harmonizing tax and capital insolvency rules. The S&D MEPs support "*effective minimum taxation of capital gains*" at European level in order to provide the Union with more own resources.

Spanish EPP MEPs Isabel BENJUMEA and Fernando NAVERRETE ROJAS call (AM 381) for the elimination of tax barriers caused by the complexity of withholding tax systems and propose harmonizing tax incentives at European level. Markus FERBER (EPP, DE) also proposes tackling "*the lack of EU-wide minimum standards for shareholders' general meetings*."

4. Securitization market

Christophe GOMART (EPP, FR) (AM 68 and AM 137) highlights the decline of the securitization market and calls for it to be strengthened. This position is shared by Ralf SEEKTAZ (EPP, DE), who stresses (AM 257) that securitization will be necessary to compensate for the loss of banks' financing capacity due to the introduction of the output floor.

French MEPs from the Renew group, such as Stéphanie YON-COURTIN and Gilles BOYER, support the establishment of a European securitization platform as proposed by the NOYER report.

MEP Jonas FERNANDEZ (S&D, ES) calls for measures aimed at reviving the securitization market to focus on " simplifying regulatory disclosure requirements and on simple, transparent, and standardized (STS) criteria." The MEP opposes "any proposal that would use securitization to weaken the EU's macroprudential framework and compromise its financial stability."

5. Reporting and simplification

MEP Markus FERBER (EPP, DE) wants the European Supervisory Authorities (ESAs) to move towards a "single reporting" regime and "considers that the European single window is an important initiative in this regard and calls for its implementation as soon as possible."

6. NBFI

S&D group MEPs such as Aurore LALUCQ (FR) are calling for a review of the Money Market Fund Regulation (MMFR), the Regulation on Transparency of Securities Financing Transactions and the various texts on non-bank financial intermediaries (NBFI).

Next steps:
MEPs must now adopt their position in the Committee on Economic and Monetary Affairs before validating it in plenary. The indicative date for the plenary vote is currently set for 8 September 2025.

Digital Finance

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27 May 2025 – AI Office organizes 5th webinar on AI

On 27 May 2025, the AI Office hosted its fifth webinar on the AI Continent Action Plan and Apply AI Strategy.

The webinar focused on the following aspects:

- The plan to develop European AI infrastructure, including AI Factories, Gigafactories, and the InvestAI Facility, as well as strategies to improve access to data through the Data Union and Data Labs. The webinar highlighted the importance of European Digital Innovation Hubs (EDIHs) and the GenAI4EU initiative to support the digital transformation of SMEs and the public sector. The Data Governance Regulation (DGA) and the Common European Data Spaces were also mentioned as tools for creating sector-specific data ecosystems with shared infrastructure and governance. Regarding talent retention, the webinar explained how the Blue Card Initiative aims to attract researchers and PhD students back to Europe.

- The opportunity to adopt sector-specific AI in areas such as healthcare, manufacturing, and climate, as well as efforts to attract and retain AI talent through skills programs and international recruitment.
- The expected role of the AI Act in fostering compliant innovation, including the upcoming creation of an AI Act Service Desk to support companies in complying with the rules.
- The experts also discussed the ongoing public consultation on the future "Apply AI" strategy, inviting stakeholders to shape the future of AI in Europe. Speakers emphasized the Commission's commitment to adopting a bottom-up rather than a top-down approach. Given that the industrial sector is essential in the European Union, the webinar highlighted the need to leverage AI as a productivity driver, particularly in autonomous vehicles and renewable energy.

Next steps:
The Commission is expected to present a number of initiatives.

14 May 2025 – European Parliament draft report on the impact of AI on the financial sector

On 14 May 2025, the European Parliament's Committee on Economic and Monetary Affairs (ECON) published its draft report on the impact of artificial intelligence on the financial services sector. The report mainly comprises a list of recommendations on the use of AI, and draws attention to the risk of overlap between existing sector-specific legislation and the Artificial Intelligence Regulation 2024.

The main points of the report:

- The report states that the use of AI is increasing strongly within the financial sector, particularly with a view to standardizing a number of processes. The report notes that, for the time being, this is limited to back-office services, which reduces major risk-taking.
- The deployment of artificial intelligence makes it easier to detect fraud or improve customer services.
- The report notes that the main risk of AI comes from the quality, reliability and representativeness of the data with which the models are trained. Robust data governance is needed to avoid systemic and discriminatory biases.
- The financial services sector has already put in place a gradual and cautious roll-out of AI usage in order to comply with the multiple sector-specific rules existing at national and European level.
- With regard to the Regulation on Artificial Intelligence, the report explains that a limited number of derogations are allowed to financial institutions when equivalent requirements exist within European legislation. However, the report denounces the lack of clarity regarding this legislative overlap.

To ensure responsible use of AI within the financial sector, the report highlights the following recommendations:

- Increase innovation and investment in AI. As the financial sector is the largest investor in digital services and products, the report notes that it can be key to mobilizing private investment in AI.
- Ensure that the European Commission clarifies how existing financial services legislation applies to the use of AI, and that the Commission guides industry players in the deployment of AI.
- Avoid the introduction of new sector-specific legislation on AI so as not to further complicate its deployment and so as not to limit its potential.

- Avoid overly strict implementation of existing laws so as not to deprive the financial sector of all the benefits of AI, and ensure good coordination between European and national authorities.

Next steps:
The vote in committee is scheduled for 13 October 2025 and the indicative date for the plenary session is 24 November 2025.

Taxation and e-invoicing

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15 May 2025 – Hearing on tax incentives at the European Parliament

On 15 May 2025, the European Parliament's Subcommittee on Fiscal Affairs (FISC) organized a hearing with Katharina NICOLAY and Sophia WICKEL (ZEM Research Center, Mannheim) as part of their research on the topic "Tax incentives and investment in the Union: best practices and ways to stimulate private investment and prevent harmful tax practices."

According to their research, it is widely accepted that tax incentives are useful to compensate for lack of investment in research and development (R&D), but that their effectiveness depends on their composition.

Among the key research points:
- The most effective mechanism for stimulating R&D investment is input-based tax incentives.
- In view of Pillar 2, a major tax reform initiated by the OECD and the G20 which aims to establish a global minimum tax rate, the research shows that there could be a reduction in incentives through a top-up tax.
- A well-balanced incentive scheme must incorporate broad eligibility and be well-targeted, simple and easy to administer.
- Volume-based refundable tax credits, offset against social security contributions or payroll taxes, with a broad scope of application, are a good practice.

Main best practices:
- Tax incentives should have a direct impact on liquidity, which can be offset by social contributions or payroll taxes, which are very effective in this respect as the liquidity effect takes place within a month.
  - The second best option for companies in a loss-making situation would be direct cash repayment; this would enable them to benefit more quickly from tax incentives.
- For upstream tax incentives to be effective, they need to be salient; transparent and easily accessible to maximize compliance costs and impact.

Following the presentation, a debate was held with a limited number of MEPs. Fernando NAVARETTE (EPP, Spain) questioned the effectiveness and necessity of Pillar 2. In his view, the results might have been different if they had not been analyzed with a view to matching Pillar 2. He considers that tax incentives are not the only regulatory tool and that they could interfere with existing national measures, which he deems sufficient.

MEP Niels FUGLSANG (S&D, Denmark) argued that Pillar 2 is important and does not destroy tax incentives. He also asked how these tax incentives and Pillar 2 could become key instruments in implementing the Green Deal. Finally, he enquired about national best practices from which the EU could draw inspiration to adopt what he saw as a more effective approach.

Sub-committee chairman Pasquale TRIDICO (The Left, Italy) questioned the need to assess what constitutes good and less good incentives for R&D investment. MEP Jussi SARAMO (The Left, Finland) asked whether the benefits of these incentives actually materialize, or whether they are merely theoretical.

Sustainable Finance

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6 May 2025 –the European Parliament adopts the political agreement on the Benchmark Regulation

On 6 May 2025, Members of the European Parliament approved the agreement reached during the Hungarian Presidency of the Council. Under the approved reform, the European Securities and Markets Authority (ESMA) will be responsible for authorizing and supervising the activities of index administrators established in the European Union, including those validating indices from third countries.

The key provisions are as follows:

- Reduced scope of application

Only critical, significant indices, EU Climate Transition Benchmarks (CTB) and EU Paris-aligned Benchmarks (PAB) will be subject to the regulation's most stringent requirements. Smaller, non-material indices are excluded from certain obligations to lighten the administrative burden.

- New criteria for significant indices

An index will now be considered significant by the European Parliament if it is used for financial instruments, financial contracts or investment funds with an average total value of at least €50 billion. These indices are then subject to strict regulations, particularly in terms of governance and transparency.

- Regulation of indices supplied by third countries

Reinforcement of recognition and endorsement rules for indices supplied by non-EU administrators. ESMA becomes the central authority for the supervision of these administrators.

- Framework for ESG (environmental, social and governance) indices

The governments are proposing to introduce a transparency requirement concerning the inclusion of ESG factors in methodologies. CTB and PAB indices must be clearly identified and registered with ESMA.

- Sanctions and corrective measures

ESMA or national authorities should be able to issue public notices prohibiting the use of certain non-compliant indices. Supervised entities must then cease using these indices in new products and replace them within 6 months.

- Centralized supervision by ESMA

From 2026, ESMA will directly supervise administrators of critical benchmarks, administrators of recognized or endorsed third countries and administrators of ESG indices.

Next steps:
The regulation will enter into force on the twentieth day following its publication in the Official Journal of the European Union and will apply from 1 January 2026.

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