MONTHLY MONITORING REPORT

JUNE 2025

Summary of content

The previous Monthly Monitoring Reports are available on EUF website.
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Consultations

Back to summary of content – Previous editions of the MRR

27 June 2025 - ESA consultation on integrating ESG risks into financial stress tests for banks and insurers

On 27 June 2025, the Joint Committee of the European Supervisory Authorities (ESAs – ESMA, EBA, and EIOPA) launched a consultation on the integration of sustainability risks—so-called "ESG" risks (Environmental, Social, and Governance)—into financial stress testing for banks and insurers.

The consultation specifically concerns a draft set of common guidelines for ESG stress testing in the banking and insurance sectors, as requested under the Capital Requirements Directive (CRD) for banks and the Solvency II Directive for insurers.

The guidelines aim to harmonize methodologies among European supervisors, better integrate ESG risks into stress tests, and help prepare the financial sector for environmental and social challenges. They outline expectations regarding governance, expertise, ESG data quality, and scenario planning.

Next steps:
The consultation is open until 19 September 2025.

18 Juin 2025 - EBA consultation on technical standards for acquisitions in credit institutions

On 18 June 2025, the European Banking Authority (EBA) launched a consultation on a draft Regulatory Technical Standards (RTS) aimed at defining the minimum list of information to be provided to the relevant competent authority when notifying a proposed acquisition of qualifying holdings in a credit institution. The consultation will remain open until September 18, 2025.

The purpose of these technical standards is to harmonize the minimum content of notifications sent to the competent authorities of target institutions, in order to ensure a consistent prudential assessment of the proposed acquisition, in line with the five assessment criteria set out in the Capital Requirements Directive (CRD):

- The reputation of the proposed acquirer;
- The suitability of the members of the target institution's management body the acquirer plans to appoint (if any);
- The financial soundness of the proposed acquirer;
- The ability of the target institution to comply, and continue to comply, with applicable prudential requirements;
- The existence of reasonable grounds to suspect that the proposed acquisition may be an attempt to launder money or finance terrorism, or increase such a risk.

In light of these criteria, the information required under the draft RTS notably concerns:

- The identity, any criminal convictions, financial soundness, and financial and non-financial interests in the target institution of the individuals or legal entities intending to acquire the holding;

- The reputation, knowledge, skills, and experience of the members of the management body, in cases where the proposed acquirer plans to appoint or replace members of the target institution's management body;
- The sound and prudent management of the target institution after the acquisition, including the acquirer's strategy for the transaction, estimates of the relevant prudential ratios, and information on the new group structure after the acquisition of the qualifying holding;
- The legitimate origin of the funds used for the acquisition, including when borrowed, as well as information on the assets to be disposed of by the acquirer and the channels used to transfer the funds.

Banking regulation

Back to summary of content – Previous editions of the MRR

7 May 2025 - Luke Ming FLANAGAN questions the Chair of the Supervisory Board

On 7 May 2025, Luke Ming FLANAGAN (The Left, Ireland) submitted a question for written answer with the subject: "Credit management regulation and practices in Ireland."

- The first question concerns credit originators: can a credit originator who transfers collateral to a credit buyer also be a credit manager and subsequently treat the collateral as legal owner under fiduciary terms agreed with the credit buyer and, in so doing, conceal the credit buyer's identity?
- He then asked what sanctions the regulator imposes if a credit service provider falsifies the public register of title deeds by failing to register the transfer of ownership from the credit originator to the credit purchaser, and seeks to obtain enforcement under the pretext of an uncorrected (and therefore falsified) registered title.
- Finally, he asked whether the Central Bank of Ireland (CBI) had reported to the ECB on its monitoring, under the Credit Servicers Directive, of the operation of servicing agreements in Ireland and, in particular, on the responsibilities of the credit purchaser with regard to interest rate changes and the forbearance undertaking in respect of borrowers in arrears under paragraph 29 of the Consumer Mortgage Credit Agreement Regulation. The MEP asked that this question be answered in the light of the 20 questions put to the CBI by the Finance Committee of the Dáil Éireann (Irish Parliament) and its "flippant and inadequate" response that "the central bank must take into account the particular facts of each scenario".

Shadow-banking, factoring, commercial finance and securitization

17 June 2025 - Securitization: the European Commission presents its initiative to relaunch the European market

On 17 June 2025, the European Commission presented its legislative initiative to revive European securitization, marking the first legislative initiative under the Union of Savings and Investments (SIU). This initiative takes the form of several texts:

1. A proposal for a regulation amending the current regulation for securitization, including the framework for Simple, Transparent and Standardized (STS) securitizations;

2. A proposal for a regulation amending the Capital Requirements Regulation (CRR) regarding prudential requirements for credit institutions' exposures to securitizations.

In addition to these legislative proposals, the Commission is considering Level 2 measures: a consultation open until 15 July 2025 on a draft delegated act amending provisions related to the Liquidity Coverage Ratio (LCR) and the treatment of securitization exposures.

The Commission reiterates the objective of the initiative: to facilitate securitization activities in order to better finance the real economy. More specifically, the proposed measures aim to:

- Ease the current regulatory and prudential framework, deemed "too conservative", which limits the potential use of securitizations in the EU;
- Reduce high operational costs;
- Allow investors to better diversify their portfolios;
- Ultimately, help credit institutions free up capital for new loans to households and businesses.

Breakdown of each proposed text:

1. Proposal amending the STS Regulation:

- Simplification of due diligence requirements:
    - Investors will no longer be required to verify the compliance of information when the selling party is established and supervised within the EU;
    - Risk assessment will be more principle-based and proportional, avoiding lengthy and redundant checklists;
    - Investors in the secondary market will have 15 additional days to document their due diligence assessments;
    - Very low-risk investments, such as those fully guaranteed by multilateral development banks or public entities, will be exempted from full due diligence requirements;
    - Risk retention and due diligence requirements will be waived where the first-loss tranche (at least 15% of the nominal value) is held or guaranteed by the Union or national promotional banks/institutions;
    - Delegation of due diligence tasks will be aligned with other sectoral regulations, ensuring that legal responsibility remains with the delegating investor.
- Reporting relief:
    - Reporting templates will be simplified, with at least a 35% reduction in required fields;
    - Clear distinction between mandatory and optional fields;
    - Loan-level reporting will be eliminated for very granular and short-term portfolios, such as certain consumer loans;
    - In securitizations backed by residential mortgages, auto loans, or leases, originators and sponsors must disclose available data on the environmental performance of the assets financed.
- Amendments to STS criteria:
    - The homogeneity criterion for SME loans will be relaxed: a portfolio will be considered homogeneous if at least 70% of the underlying exposures are SME loans (instead of 100% currently, for cross-border portfolios);
    - Insurance and reinsurance companies will be able to participate more easily in synthetic STS securitizations.
- Strengthened supervision:
    - Third-party verifiers of STS compliance must be authorized and supervised by their national competent authority;

    - Sanctioning powers will be expanded to explicitly cover breaches of due diligence obligations by institutional investors;
    - A "lead supervisor" will be designated for cross-border securitizations.

Lastly, the proposal clarifies that any entity managing a portfolio of purchased receivables or daily managing the underlying exposures (the "servicer") falls within the scope of the regulation. This is reflected by the inclusion of "servicers" in Article 1 of the STS regulation.

2. Proposal amending the CRR:

- Adjustment of capital requirements for securitization exposures:
    - Introduction of a new "risk-sensitive risk weight floor" concept for senior securitization positions. This floor will be proportional to the underlying portfolio's risk, with a minimum threshold to avoid excessive reductions;
    - Reduction of the "p-factor" to decrease overcapitalization and increase risk sensitivity.
- Creation of "resilient securitization positions":
    - A new category of senior securitization positions, deemed "resilient", will be introduced if they meet eligibility criteria that ensure low exposure to agency and model risks, and strong loss absorption capacity;
    - These positions will benefit from additional reductions to risk-weight floors and, in certain cases, reductions to the p-factor.
- Reform of the significant risk transfer (SRT) framework:
    - Mechanical tests will be replaced by a Principle-Based Approach (PBA) requiring at least 50% of unexpected losses to be transferred to third parties.

Next steps:
The Parliament and the Council will now discuss the Commission's proposal.

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13 June 2025 - Rapporteurs publish their amendments to the motion for a resolution on access to finance for SMEs

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On 13 June 2025, the amendments to the draft report by Jorge Martín FRÍAS (PfE, Spain) on access to finance for SMEs and expanding businesses were published.

In his draft report, the Spanish MP proposed several lines of action, the main ones being as follows:

- Reducing bureaucratic burdens
- Mobilizing private capital
    - Focusing on the Savings and Investment Union.
    - Using public funds as catalysts to attract private investment.
    - Relaxing Basel III rules and securitization to facilitate lending.
- Bridging the financing gap
    - Encourage the mobilization of European institutional investors.
- Strengthening the competitive ecosystem
    - Creation of a 28th voluntary legal regime to harmonize certain aspects of business law.

Regarding the amendments to the Basel III rules:

- PPE: calls for flexible implementation of Basel III
- S&D: in favor of strict application of Basel III, but with targeted exceptions for SMEs.

- The Greens: oppose any generalized relaxation of Basel III, but accept proportionate adjustments for SMEs.
- Renew: in favor of a targeted revision of Basel III to facilitate access to credit for SMEs.
- ECR: calls for exempting SMEs from Basel III requirements in certain cases.

Several amendments call for greater flexibility in the application of Basel III, including:

- Exemptions for SMEs in capital requirements.
- Revision of securitization rules to free up bank capital.
- Encouraging bank investment in expanding businesses.

The amendments converge towards a proportionate approach, avoiding penalizing SMEs while maintaining financial stability.

Overall, the EPP strongly supports regulatory simplification for SMEs, emphasizes the role of local and regional banks in business financing, and proposes tax incentives for private investors.

The S&D emphasizes social justice and financial inclusion, wishes to strengthen public guarantees for loans to growing businesses, and calls for better coordination between banks and public funds.

The Greens insist on sustainable financing and bank transparency, propose to make bank aid conditional on environmental and social criteria, and encourage ethical and cooperative banks.

Renew Europe proposes strengthening co-investment platforms and European venture capital funds, and calls for harmonization of banking rules to avoid market fragmentation.

The ECR group calls for a massive reduction in regulatory burdens and supports a liberalization of the banking sector to stimulate competition.

Next steps:

The European Parliament's Committee on Economic and Monetary Affairs (ECON) is due to adopt its final decision. The plenary vote is scheduled for 20 October 2025.

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

27 June 2025 - Finance Watch presents 5 principles to support CRD-based transition plans

On 27 June 2025, Finance Watch published a report that aims to fill the current methodological gaps in transition risk assessment, particularly in the prudential plans required by the Capital Requirements Directive (CRD). Finance Watch points out that, although CRD plans do not require explicit climate targets, they should enable banks to identify the risks associated with a transition not aligned with European and international climate objectives.

According to Finance Watch, there is a lack of harmonized methodologies for assessing transition risks, data on sectoral trajectories is insufficient or not easily accessible, assessment at counterparty and portfolio level is too complex, and regulatory uncertainties persist as to how supervisors will apply the guidelines.

To remedy these problems, Finance Watch has put forward the following 6 principles:

1. Transition risk assessment is a multidimensional exercise
2. Deviation from a trajectory compatible with the Paris Agreement must be assessed on the basis of credible benchmarks.
3. The risk of a transition falling behind schedule must be taken into account.
4. An increasing deviation from a Paris-compatible trajectory increases proportionally more than the transition risk.
5. The risk of deviation must be reassessed iteratively.
6. The granularity used to assess the risk of deviation must be adequate.

In terms of recommendations, Finance Watch calls on the European Commission to clarify sectoral trajectories and guarantee access to data. Finance Watch also urges banks to integrate transition risks into their overall strategy, and calls on supervisors to use complementary methodologies.

16 June 2025 - EBA publishes key regulatory technical standards on capital requirements for operational risk and related supervisory reporting

On 16 June 2025, the European Banking Authority (EBA) published three final draft technical standards essential for the implementation of the EU banking package. These standards will enable supervisors to better monitor institutions' compliance, ensuring more consistent and enhanced supervision.

- RTS on the calculation and adjustments of the Business Indicator (BI), a central element for the standardized application of capital requirements for operational risk.
- ITS on the linkage with the FINREP accounting framework, to ensure data consistency while reducing implementation, management, and operational costs.
- ITS amending operational risk reporting, to maintain the relevance of the prudential reporting framework.

The EBA clarified the methodology for calculating the Business Indicator (BI) to better reflect operational risk in banks' accounts. In cases of mergers or disposals, specific rules apply to adjust the data used. The components of the BI have been mapped to the corresponding fields in the FINREP reporting framework. Finally, the reporting framework has been strengthened to improve the monitoring of capital requirements while limiting the administrative burden on banks.

12 June 2025 - NSFR: approval of the text on transitional ratios applied to securities financing transactions

On 12 June 2025, the Council adopted a draft regulation aimed at maintaining certain liquidity rules for EU banks by making permanent the transitional ratio levels applied to short-term securities financing transactions (SFTs) under the Net Stable Funding Ratio (NSFR).

This regulation amends Regulation (EU) No. 575/2013 on prudential requirements for credit institutions (CRR). CRR2 had transposed the NSFR from the Basel III framework into EU law to ensure that banks maintain stable funding over a one-year horizon. The EU had initially applied transitional NSFR factors for certain short-term transactions, valid until 28 June 2025.

The new text confirms that the stable funding factors will remain at 0%, 5%, and 10% for short-term SFTs, instead of increasing to 10%, 15%, and 15% as originally planned.

- 0%: Applies to certain financing operations backed by highly liquid sovereign bonds, particularly in the case of repurchase agreements (repos) or securities lending transactions with specific counterparties (e.g., central banks).
- 5%: Applies to similar transactions but involving slightly less liquid assets or counterparties with slightly higher risk.
- 10%: Proposed as the new standard from 28 June 2025 for certain operations that previously benefited from a 0% or 5% factor, aiming to strengthen prudence without disrupting markets.

This decision is in line with the EBA's recommendations.

The maintenance of these more favorable transitional measures is justified by several reasons:

- Preserving liquidity in European financial markets;
- Avoiding a competitive disadvantage for EU banks compared to their international counterparts, particularly in jurisdictions that have already adopted lower ratios than those in the Basel standards;
- Stabilizing the sovereign bond and repo markets.

Next steps:
The changes, now definitive, will be published in the EU's Official Journal and will come into force on 29 June 2025.

EDIS

25 June 2025 - Provisional agreement in trialogue on the CMDI package

On 25 June 2025, the co-legislators—the European Parliament and the Council of the European Union—reached a provisional agreement on the Crisis Management and Deposit Insurance (CMDI) package for EU banks.

As a reminder, the European Commission proposed an ambitious reform of the CMDI framework in April 2023. The goal was to make resolution more realistic and consistent for smaller banks, particularly by filling funding gaps through access to industry-funded safety nets and by reducing the burden on uninsured depositors. The European Parliament adopted its negotiation mandate in April 2024, and the Council of the EU did so in June 2024.

Following trilogue negotiations, the co-legislators agreed on a final proposal, including the following points:

The European co-legislators agreed that when troubled banks do not meet the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), they may, as a last resort, use deposit guarantee scheme (DGS) funds or resolution funds—especially the Single Resolution Fund (SRF) in the Banking Union—to finance their resolution, without resorting to depositors. This so-called "gap-filling" mechanism allows for the temporary replenishment of the bank's capital and eligible liabilities buffers. It will, however, be strictly regulated to safeguard financial stability.

- **Public Interest Assessment (PIA)**

The new framework also clarifies the Public Interest Assessment, which is a prerequisite for any resolution procedure. It expands the criteria allowing authorities to favor resolution over liquidation when it better protects financial stability or depositors, including at the regional level.

- **Least-cost test**

The updated framework harmonizes the least-cost test, which conditions access to DGS funds. It specifies that such funds can only be used if doing so is less costly than liquidation and only up to the amount of the bank's guaranteed deposits.

- **Creditor hierarchy**

The text confirms that depositors covered by the DGS have repayment priority, followed by uncovered retail depositors and SMEs. This hierarchy aims to enhance depositor protection, support trust in the banking sector, and ensure continuity of banking activities.

Next steps:
Parliament and Council must now formally adopt the new framework.

Payments

Back to summary of content – Previous editions of the MRR

20 June 2025 - EBA report on standardized terminology for payment accounts

On 20 June 2025, the European Banking Authority (EBA) published a report in which it reviewed the standardized terms for the most common payment account services, in line with the Payment Accounts Directive (PAD).

As a reminder, these standardized terms, defined by the EBA in 2018, aim to help consumers make informed choices by facilitating the comparison of fees and offers related to payment accounts, including across borders. The EBA is required to review these terms regularly.

The EBA considers that the current list of standardized terms remains appropriate and does not require immediate changes. While it acknowledges the interest in including instant transfers, their addition would entail excessively high costs for national authorities and the industry. Therefore, the EBA prefers to maintain the current standards and plans to revisit the issue in four years—or sooner if there are major changes in the market or legislative framework.

18 June 2025 - PSD/PSR: the Council of the EU adopts its position

On 18 June 2025, the Committee of Permanent Representatives (COREPER) of the EU Council approved its general approach regarding the proposed regulation and directive on payment services (PSR and PSD3).

The Council's political agreement proposes:

1. Maintaining a 12-month reimbursement period for a credit granted by a payment service provider (PSP):
   - The general approach keeps the Commission's original wording, thus maintaining this explicit maximum 12-month deadline.

2. Information sharing between PSPs to combat fraud:
   - The text (Article 83a) does not extend information sharing beyond PSPs.

3. The concept of gross negligence:
   - The general approach provides a list of examples of circumstances to consider: “innovativeness and complexity of the fraud, means or strategies used by third parties to illegally take over the payment service user’s personalized security credentials; whether the payment service user has previously fallen victim to the same type of fraud; in the case of a new type of fraud, whether the payment service providers have complied with their obligations under Article 84, including with regard to their most vulnerable groups of customers; whether the payment service user has taken adequate steps to properly ensure the confidentiality of their personalized security credentials; any known characteristics of the payment service user that might make the user more likely to fall victim to fraud; whether the payment service providers offered clear, specific and bespoke warnings to the payer; whether the payment service user failed to have regard to specific, directed interventions made by their payment service provider.”
   - The text clarifies that this list is neither exhaustive, cumulative, nor binding, and does not preempt decisions of national or European courts.
   - The burden of proof for gross negligence would remain with the PSP.

4. The reimbursement period in case of fraud:
   - The text proposes increasing the deadline from 10 to 15 working days.

5. The involvement of telecom operators and online platforms in fraud prevention:
   - Article 59a is introduced for “cross-sectoral cooperation for the purposes of fraud prevention and detection”;
   - It requires providers of “electronic communications services” to take “organizational and technical measures” to detect and prevent fraud within their sphere of competence;
   - They should also establish dedicated communication channels with payment service providers to better share information;
   - The Commission would facilitate drafting a “voluntary code of conduct.”

Next steps:
With the Parliament having already validated its position in April 2024, trilogues should be able to begin under the Danish presidency.

Anti-Money Laundering

Back to summary of content – Previous editions of the MRR

11 June 2025 - EBF takes a stand on the regulatory technical standards (RTS) proposed under the new AMLA mandates

On 11 June 2025, the European Banking Federation (EBF) responded to the European Banking Authority's (EBA) consultation on draft regulatory technical standards (RTS), developed in response to a request from the European Commission concerning new mandates for AMLA, the authority against money laundering and terrorist financing.

Main concerns and recommendations:

- Need for harmonized risk assessment: According to the EBF, leaving national supervisors to manage directives could lead to fragmentation and increase compliance burdens.

- Operational impacts and costs: The proposal to assess 272 data points would be a disproportionate burden on financial institutions, especially with tight deadlines. EBF recommends defining a priority data set for start-up.
- Clarification on group-level reporting: The EBF requests clarification on the scope of group-level assessments, particularly for non-EU entities, joint customers and intra-group transactions.
- Proportionate approach to customer due diligence (CDD): EBF insists on a risk-based approach and warns against overly rigid requirements, which could harm financial inclusion, customer experience and increase costs without significantly improving anti-money laundering effectiveness.
- Risk-sensitive measures: the EBF favors simplified procedures (SDD) for low-risk customers and calls for targeted enhanced due diligence (EDD) based on real risk, with proportionate standards for politically exposed persons (PEPs).
- Sanctions control: The EBF recommends aligning control obligations with existing EU best practice, targeting the customer and natural or legal persons holding effective control, to avoid unnecessary operational burdens.

Supervision

Back to summary of content – Previous editions of the MRR

30 June 2025 - the EBA and ECB support the harmonization of NACE classification across all financial reporting

On 30 June 2025, the European Banking Authority (EBA) and the European Central Bank (ECB) approved the recommendation of the Joint Banking Reporting Committee (JBRC) on the revision of the Statistical Classification of Economic Activities in the European Community (NACE).

After a thorough assessment of the implications for European statistical reporting, supervisory and resolution frameworks, the JBRC concluded that harmonized implementation of the revised NACE statistical standards was essential to reduce costs for banks and improve the analytical quality of reporting. The JBRC therefore recommends that institutions start using the updated classification for all reports with a reference date after 1 January 2026.

The following reports are expected to be affected by the transition to NACE 2.1 statistical standards:

- ECB-supervised reporting:
  - **AnaCredit**: for the economic activities of counterparties according to the NACE standard.
  - **Statistics on the securities portfolios of banking groups (SHSG**): for the economic activities of issuers of non-ISIN securities.
- Under the EBA's prudential reporting framework:
  - **FINREP:**
    - F 06.01 Breakdown of loans and advances other than those held for trading, assets held for trading or sale to non-financial corporations by NACE code.
    - F 20.07.1 Geographical breakdown by residence of the counterparty of loans and advances other than those held for trading purposes granted to non-financial corporations by NACE codes.
  - **Large exposures**:
    - C 27.00 Identification of the counterparty.
  - **Prudential benchmarking of credit risk**
  - **Pillar 3 disclosures:**

        - Non-performing loans - EU CQ5: Credit quality of loans and advances to non-financial corporations by industry.
        - ESG - Model 1: Banking book - indicators of potential climate transition risk: Credit quality of exposures by sector, issuance and residual maturity.
        - ESG - Model 5: Banking book - Indicators of potential physical risk related to climate change: Exposures subject to physical risk.
    - **Ad hoc ESG – Same as Pillar 3 ESG**

Next steps:
Institutions will be required to start using the updated classification for all reports with a reference date after the 1 January 2026.

27 June 2025 - EBA shares its risk assessment report for spring 2025

On June 27 2025, the European Banking Authority (EBA) published the spring edition of its Risk Assessment Report, highlighting geopolitical tensions as a major risk factor for the banking sector.

This report is based primarily on statistical data as of the end of 2024; the forecasts it contains reflect banks' expectations at that time and do not account for geopolitical or market developments that occurred in early 2025.

The main findings of the report are as follows:
- Strong capital and profitability: As of the end of 2024, banks reported solid capital levels and historically high profits, but geopolitical uncertainty and market volatility could undermine this stability.
- Healthy liquidity: Liquidity levels remain well above regulatory requirements, although risks could emerge with increased volatility.
- Credit risk: This may rise for banks exposed to sectors affected by tariffs or supply chain disruptions.
- Increasing operational risk, particularly due to cyberattacks and fraud.
- Funding plans show that banks mainly rely on deposits and secured debt to support asset growth.
- EU/EEA banks are exposed to climate risks, both physical and related to the green transition, with significant disparities between institutions and countries.

Legal issues

Back to summary of content – Previous editions of the MRR

Late Payment

24 June 2025 – SMEs United shares Intrum Payment report

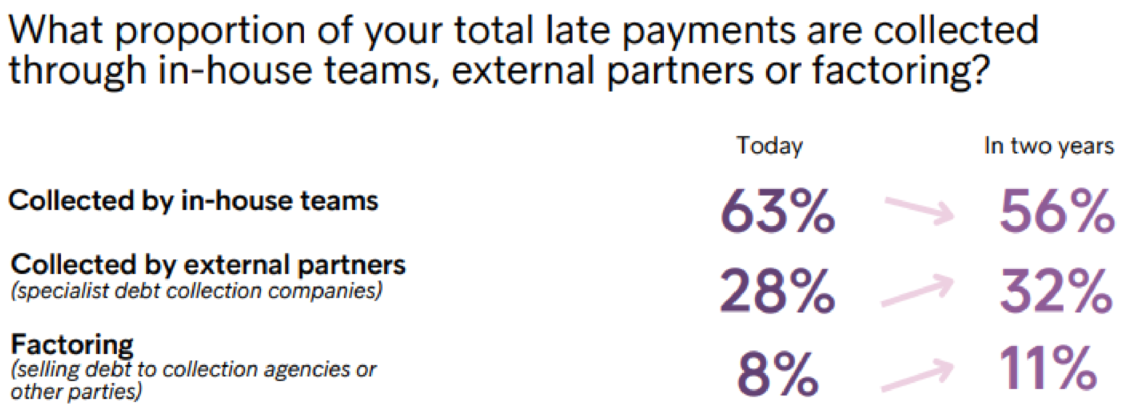
On 24 June 2025, SME United shared its analysis of the report developed by Intrum firm in April 2025 titled **'The European Payment Report 2025.** Intrum is a leading European credit management company that provides a wide range of services related to debt collection and credit management.

The report provides a comprehensive overview of the financial health and payment behaviors of over 9,000 businesses across 25 European countries. A central theme is the persistent issue of **late payments**. On average, **11% of revenues are paid late**, and over a third of executives report that payment delays have not returned to pre-pandemic levels. This is particularly damaging for SMEs, with nearly a quarter of business leaders fearing closure within two years if economic conditions don't improve. The report states that this could put **10 million companies and 40 million jobs at risk**.

Many businesses exceeded their 2024 revenue expectations and are still pursuing growth. However, to maintain customer relationships, **56% of executives have accepted unfavorable payment terms**, and nearly half have extended payment deadlines to avoid client bankruptcies. The report also highlights the growing role of **artificial intelligence (AI)** in managing payments. While **58% of executives believe AI can significantly improve late payment management**, actual adoption remains limited. Only 22% of companies think customers prefer AI in payment discussions, despite evidence that younger consumers are more comfortable with AI bots. The report concludes that AI holds substantial promise for improving efficiency and cash flow, especially in consumer-facing sectors like retail, utilities, and public services.

It is worth noting that Intrum report mentions that *"a growing number expect to increase their use of factoring within the next two years (8 per cent of companies say they will be doing this in two years compared with 11 per cent today)".*

The report underlines that European businesses are at any time, on average, waiting on total receivables of some €10.5trn, with Public Sector being in all EU Member States being responsible to pay late.



Intrum report also mentions EUF at page 18 "*in line with current market conditions, data from the EU Federation for Factoring and Commercial Finance shows that factoring turnover in Europe is growing. In 2023, it reached €2.44tn – up 2.1 per cent on 2022*".

The report advocates prudently to use the LPR proposal to amend the rules and reduce late payments.

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18 June 2025 - LPD: European Commission sends formal notice to Portugal and Slovakia

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On 18 June 2025, the European Commission sent letters to Portugal and Slovakia regarding their failure to fully implement the Late Payment Directive (LPD).

As a reminder, these two countries were condemned by the CJEU in July 2024 for their unsatisfactory implementation of the LPD. Despite this, the Commission considers that the measures announced by these two states have not addressed the concerns raised by the Court.

As a result, Portugal and Slovakia now have two months to respond and remedy the shortcomings raised by the Commission. In the absence of a satisfactory response, the Commission may refer the cases to the Court of Justice, requesting the imposition of financial penalties.

It should be noted that the Commission considers that late payments "*have a negative impact on businesses by reducing their liquidity, slowing their growth and weakening their resilience" and that they "also limit the ability of businesses to adopt greener practices and embrace digital transformation*."

5 June 2025 - LPD: Belgium condemned by the European Court of Justice

On 5 June 2025, the Court of Justice of the European Union condemned Belgium for failing to fulfill its obligations under the Late Payment Directive (LPD).

The European judge found that the federal government, the Walloon Region, and the Brussels-Capital Region had failed to comply with the payment deadline of 30 calendar days after the date of receipt of an invoice (Article 3 of the Directive).

Belgium acknowledged the facts and indicated that it was working to remedy the situation.

However, the Court rejected the complaint based on the violation of the provisions providing for compensation for the recovery costs that a creditor may incur in the event of late payment by the debtor (Article 6). It ruled that the Commission's appeal was inadmissible on this point, as the letter of formal notice initiating the proceedings did not mention this complaint.

The complaint based on late payments by municipalities in the Brussels-Capital Region was also rejected, as the Commission's letter of formal notice did not mention the municipal level, rendering this claim invalid.

Insolvency

24 June 2025 - Insolvency: Parliament adopts its position

On 24 June 2025, the Legal Affairs Committee (JURI) of the European Parliament adopted its position on the proposal for a directive to harmonize certain aspects of insolvency law, with 19 votes in favor, 4 against, and no abstentions.

The key amendments aim to:

- Strengthen creditor protection (particularly concerning actions to annul prejudicial transactions),
- Improve insolvency practitioners' access to asset registers, and
- Simplify the traceability of debtor assets, especially in cross-border situations.

Key points include:

- The Parliament supports the introduction of "pre-pack" procedures, designed to facilitate the rapid sale of distressed businesses, but calls for stronger safeguards to ensure transparency and fairness in the process.
- The amendments emphasize the need to balance procedural efficiency with creditor protection, while also aiming to preserve business continuity and reinforce the responsibilities of company directors.
- The Parliament proposes deleting the chapter on simplified winding-up of microenterprises, arguing that the framework lacks sufficient creditor protections and poses risks of abuse or legal uncertainty.
- It is also proposed to further formalize the role of creditors' committees and ensure fair representation of their interests.

The report also provides that Member States will be required to designate a competent authority responsible for accessing interconnected EU-wide bank account registers, in order to enhance asset traceability in insolvency proceedings.

Next steps:
Now that the EU Council has adopted its position, the trilogues can begin under the Danish Presidency.

12 June 2025 - EU Member States adopt their position on the Insolvency proposal

On 12 June 2025, EU Justice Ministers adopted their position on the legislative proposal aiming to harmonize certain elements of corporate insolvency law. This agreement, linked to the 2022 insolvency directive proposal as a part of the Capital Markets Union, will open the trilogues negotiations once the European Parliament adopts its position on the text.

The directive proposal aims to reduce current obstacles by harmonizing certain rules at European level, in particular by **promoting so-called “pre-pack” mechanisms**. This mechanism enables the sale of a company to be organized before insolvency proceedings are officially opened, with the aim of optimizing the valuation of its assets.

The Council proposal provides for the automatic transfer of certain so-called **“executory” contracts to the purchaser, without requiring the agreement of the co-contractor,** thus guaranteeing the continuity of the business.

In addition, the text introduces the possibility of **setting up creditors' committees** in certain situations, in order to involve creditors - particularly small creditors - more closely in the proceedings.

The Council position also includes an **emergency clause (Title 9),** inspired by the lessons learned from the Covid-19 crisis. It authorizes Member States to temporarily derogate from certain rules in order to prevent the systemic effects of a massive wave of insolvencies. The Polish Presidency emphasized that this clause could also be useful in the face of future economic shocks, notably linked to climatic or geopolitical crises.

On the other hand, the Council compromise **no longer includes the creation of a simplified liquidation procedure for micro-enterprises**, initially envisaged in Title 6. Title 6 including articles 39 and 43 with regard to the appointment of insolvency practitioners and for leaving the debtor in possession was deleted altogether. While some countries, such as Ireland, Finland and the Netherlands, were supportive of this, others, including France and Portugal, expressed their disappointment in a joint declaration, believing that such a measure could have strengthened the competitiveness of these small structures.

With regard to EUF points of interest :

- **Article 6** on preferences provide on point 3 that :

*"3. By way of derogation from paragraphs 1 and 2, Member States shall **may** ensure **provide** that the following **detrimental** legal acts cannot be declared void **are not void, voidable or unenforceable pursuant to this Directive**:*

1. *legal acts performed directly against fair consideration to the benefit of the insolvency estate **debtor's assets**;*

- **Article 27** on liquidation phase point 1 provides that :

"The assignment shall not require the consent of the debtor's counterparty or counterparties"

However, Member States introduced the following paragraph 1a :

"1a. Member States may provide that the consent of the debtor's counterparty or counterparties is required depending on the type of contract, the quality of the parties, or the interests of the business. Member States may, in particular, provide that the consent of the counterparty or counterparties is required for netting arrangements, including close-out netting arrangements, on financial markets, energy markets and commodity markets if such arrangements are enforceable under national insolvency law".

- **Article 27** point 2 with regard to the power of Courts to terminate executory contracts has been deleted.
- **Article 34** point 3 on the protection of the interests of the creditors, Member States proposed the following amendment :

*"3. Member States shall ensure that security interests **or other encumbrances** are released **in the course** of the pre-pack proceedings **mechanism** under the same requirements that would apply in winding-up **the insolvency** proceedings **under national law"***.

Dispute Resolution

26 June 2025 - Provisional agreement between the Council and the Parliament on alternative dispute resolution

On 26 June 2025, the European Parliament and the Council of the EU reached an agreement on rules for alternative dispute resolution.

The main new features of the agreement are as follows:

- Business response times: Traders will have to respond to alternative dispute resolution (ADR) bodies within 20 days (or 30 days in complex cases). In the absence of a response, the ADR entity may close the file.
- Extension of scope:
  - Still limited to contractual disputes (including pre-contractual obligations such as advertising).
  - Extended to disputes between an EU consumer and a non-EU trader, if the latter targets the EU market and accepts ADR.
- Use of automated systems:
  - The agreement frames the use of AI, machine translation and other digital tools.
  - Consumers must be informed if an automated system is used and can request a human review.
- European digital tool:
  - The Commission will develop a free, user-friendly tool to guide consumers through ADR procedures, with automatic translation and information on rights.
- Incentives for Member States:
  - Financial: reduced fees, free participation, reimbursement of costs, training, co-financing of sectoral ADR bodies.

        - Non-financial: awareness campaigns, certifications for participating companies.
    - Target sectors: Member states are encouraged to focus on sectors with high complaints or low participation in ADR (e.g. air transport, tourism).

Next steps:
The agreement is provisional and has yet to be formally adopted by the Council and Parliament.

Single market and competitiveness issues

Back to summary of content – Previous editions of the MRR

28th Regime

11 June 2025 – 28th regime: the Commissioner for Justice presents his initial proposals

On 11 June 2025, the Commissioner for Justice and Consumers, Michael McGrath, responded to a written question from MEP Oihane AGIRREGOITIA MARTÍNEZ (Renew, ES) on the 28th regime.

The MEP was specifically concerned about the interaction between the 28th regime and specific Basque rules on taxation and law.

The Commissioner's response, while not addressing the MEP's concerns, is particularly interesting as it clarifies what the Commission intends to propose and the timetable for the 28th regime. The Commissioner considers that this new legislative proposal will be essential for the Union and will include, in particular:

- A single set of rules for businesses, including a European framework for business law based on digital solutions.
- The possibility for companies to conduct their activities in the single market through a European legal status.
- The Commission has not yet decided whether this will be done through a European legal form or by creating a harmonized legal status in the law of each Member State (regulation vs. directive).
- Regardless of the solution chosen in the Commission's proposal, the 28th regime will apply in all Member States, and all entrepreneurs will have the opportunity to choose between the 28th regime or a national legal status when setting up their business.
- The tax aspects still need to be determined based on the outcome of future consultations.

In terms of timing, the Commission indicates that the public consultation on the 28th regime will be launched before summer 2025 and the proposal should be adopted in the first quarter of 2026.

5 June 2025 - The European Parliament's Legal Affairs Committee holds a workshop on the 28th regime

On 5 June 2025, the European Parliament's Legal Affairs Committee (JURI) organized a workshop on the 28th regime and the new legal framework needed for innovative companies.

Apostolos TOMADAKIS, Head of the Financial Markets and Institutions Unit and Head of Research at the European Capital Markets Institute (ECMI), presented his work on the challenges of the 28th regime in the unification of Europe. The ongoing research project explores the concept of the “28th regime” as a potential solution to the persistent fragmentation of European capital markets. This regime would exist alongside national frameworks, offering a harmonized and optional legal and supervisory structure to facilitate cross-border financial activity. Preliminary observations from the research demonstrate that such a regime, if implemented under the aegis of the European Securities and Markets Authority (ESMA), could significantly enhance market integration, support the EU's green and digital transitions, and unlock private capital by reducing regulatory complexity and promoting investor confidence.

However, the note also highlights the risks and challenges of this approach. While the 28th regime could streamline operations and promote competitiveness, it could also exacerbate disparities between member states and complicate the wider objectives of Capital Markets Union. The success of this initiative depends on a careful design that reconciles national sovereignty with the need for a unified financial market. Ultimately, the paper calls for a pragmatic and inclusive strategy that aligns with Europe's ambitions for sustainable finance and global leadership in capital markets.

Anu BRADFORD, commercial law expert and professor at Columbia University, shared the following 4 observations:

- There is no single digital market in Europe, it is very difficult for companies to adapt to 27 different markets.
- There is no capital markets union in Europe. Companies often have to rely on banks rather than venture capital, and banks are much more reluctant to take risks.
- Legal and cultural barriers to risk-taking are very high in Europe. Failure is not an option in Europe. The EU has some of the most punitive bankruptcy laws. Innovation must make it possible to fail and try again.
- We can't be the world leader in innovation if we don't have access to talent. Europe must do better in terms of attracting talent.

Jacques ZILLER, former professor at Paris 1 Panthéon - Sorbonne and the University of Pavia in Italy, gave a detailed overview of the legal basis of the 28th regime. In his view, it is essential that the instrument be adopted throughout the European Economic Area, which therefore includes Iceland, Norway and Lichtenstein. He therefore calls for a name other than the 28th regime.

To simplify company registration and reduce fragmentation in Europe, Professor Florian MÖSLEIN of Marburg University proposes the following recommendations:

- A single European company register managed by an EU body
- Ensure full implementation of the principles of uniqueness
- Implement governance protections while integrating the multilingual aspect, as well as enabling governance protections with an opt-in
- Leverage DLT and digital identity solutions for real-time verification to ensure reliability and remote authentication
- Maintain robust legal safeguards by integrating a number of functionalities into interfaces

Anne SANDERS, professor at the University of Bielefeld (Germany), is in favor of a “horizontal” approach to the scope of the 28th regime. This means making tools designed for innovative companies accessible to all types of business, and thus avoiding an excessive administrative burden.

Axel VOSS (EPP, Germany) voiced his support for the 28th regime and called on member states to move away from their 20th century thinking on border barriers to business growth. He doubted that all member states would support this proposal.

René REPASSI (S&D, Germany) asked whether it was really necessary to put tools in place to facilitate the long-term growth of scale-ups, such as asset locks or employee stock options?

Ton DIEPEVEEN (Patriots for Europe, Netherlands) referred to the CJEU's assimilation of tax incentives to state aid, and how this would be compatible with EU competition law.

Next steps:
The European Commission launched calls for contributions and consultations on the 28th regime on 8 July 2025.

Digital Finance

Back to summary of content – Previous editions of the MRR

16 June 2025 - GDPR: agreement on cross-border implementation of the text

On 16 June 2025, the Council of the European Union and the European Parliament reached a political agreement on a regulation aimed at improving cooperation between data protection authorities in cross-border cases — i.e., under the GDPR.

The regulation introduces common procedural rules for investigations conducted by data protection authorities in cross-border matters. It clarifies, in particular, the rights of the parties involved, processing deadlines, and the modalities of cooperation between the lead supervisory authority and the concerned authorities. This framework aims to reduce differences in interpretation and limit procedural blockages.

The text also introduces enhanced procedural safeguards, such as the right to be heard at key stages of the investigation and the opportunity to submit comments on draft decisions.

The regulation strengthens the role of the European Data Protection Board (EDPB) in resolving disputes between national authorities. It provides for more effective mediation and coordination mechanisms in order to reach joint decisions within reasonable timeframes.

Next steps:
The political agreement must now be formally adopted by the European Parliament and the Council.
Once published in the Official Journal of the European Union, the regulation will come into force after a transitional period allowing national authorities to adapt to the new rules.

Sustainable Finance

Back to summary of content – Previous editions of the MRR

27 June 2025 - Omnibus: shadow rapporteurs circulate their amendments

On 27 June 2025, amendments to the omnibus directive amending the CSRD and CS3D directives were tabled by the shadow rapporteurs Pascal CANFIN (Renew, France), Lara WOLTERS (S&D, Netherlands), Kira-Marie PETER-HANSEN (Greens/EFA, Denmark) and Arash SAEIDI (La gauche, France) on the omnibus directive.

Concerning the CS3D directive

- MEPs seek to strengthen the obligation to implement a credible climate transition plan.
- Pascal CANFIN proposes deleting the reference to 1.5°C to better align transition plans with the Paris Agreement, and defends the reasonable efforts approach and an obligation of means rather than results (aligned with the CRSD) (amendment 21-22).
- The rapporteurs also wish to reintroduce the civil liability regime.

Concerning the CSRD directive

- On auditing, Pascal CANFIN proposes that medium-sized to large companies benefit from an audit exemption for the first two years of sustainability reporting. After that, they will have to carry out an audit every two years. For the first report, only the audit of quantitative data is mandatory, before extending the audit to the entire report for subsequent years.
- Lara WOLTERS proposes that the Commission adopt limited assurance standards by October 2026. She also proposes that the Commission provide guidance to auditors "to ensure that they do not require compliance beyond the provisions of this legislation and the relevant delegated act".
- Regarding thresholds for CSRD, Pascal CANFIN proposes the introduction of an intermediate category between 500 and 1,000 employees, notably to align reporting obligations with the NFRD: "An intermediate category is introduced for large undertakings with an average number of employees during the financial year that is more than 500, but fewer than 1,000 (herienafter "medium-large undertakings). These medium-large undertakings should report in accordance with simplified sustainability reporting standards, to be developed and adopted by the Commission, through a subset of the existing ESRS, with a delegated act no later than 12 months after entry into force of this Directive." (amendment 3).
- The other rapporteurs wish to return to the original threshold of 250 employees. Lara WOLTERS proposes that companies with 500 employees or less should be subject to a simplified regime (amendment 5).
- Pascal CANFIN, mentions maintaining the principle of double materiality in the revision of the ESRS: "(iii) still be respecting the application of the double materiality principle [...]" (amendment 8). He also advocates the introduction of an "S-ESRS" category, adapted to the intermediate category, representing around a third of the requirements of classic ESRSs, while respecting the double materiality principle (amendment 9).
- Pascal CANFIN proposes that sector reporting standards should be non-binding sector guidelines (amendment 11).

Next steps:
Negotiations within the JURI commission will begin after the summer.

27 June 2025 - The CSRD/CS3D Omnibus does not provide a structural solution to the problem of administrative overload, says CEPS

On 27 June 2025, CEPS published an article noting that the European Union is facing a regulatory overload when it comes to sustainability reporting. According to CEPS, what began as an ambitious initiative to steer markets towards environmental and social objectives has become a regulatory burden, particularly for SMEs.

The three regulatory frameworks in question that are generating this overload are the CSRD, the CS3D and the EU Taxonomy Regulation. CEPS observes that these frameworks, although distinct, impose interconnected operational requirements, creating excessive complexity.

To ease the administrative burden on companies, the European Commission has put forward an Omnibus Directive that addresses these 3 regulatory frameworks.

However, here are the main problems with the Omnibus Directive according to CEPS:

- It focuses too much on reducing the number of companies concerned or the frequency of reporting.
- It ignores the fundamental problem: the operational convergence of obligations.
- It lacks transparency (no summary of consultations, no impact assessment).

The article points out that the fundamental problem is the lack of functional convergence. There is no direct legal duplication between the texts, but companies are using the same data systems, internal processes and risk assessments to meet several requirements, creating a functional overload not addressed by the Omnibus Directive.

To address this issue, CEPS recommends:

- Review the Omnibus Directive with a full impact assessment.
- Provide integrated guidance to harmonize the requirements of the three frameworks.
- Enable companies to use a single due diligence system.
- Update ESRS standards to reflect cross-obligations.
- Launch a long-term simplification strategy.

Next steps:
The European Parliament is in the process of adopting its position on the Omnibus Directive. The EU Council adopted its negotiating mandate on June 23, 2025.

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24 June 2025 - Debate in the Committee on Legal Affairs (JURI) on the Report by Deputy Warborn (EPP, Sweden)

On 24 June 2025, the European Parliament's Committee on Legal Affairs (JURI) held a debate on the draft report by Jörgen WARBORN (EPP, Sweden) on the proposal for a directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain sustainability requirements and the duty of care applicable to undertakings.

Rapporteur Jörgen WARBORN (EPP, Sweden) welcomed the Commission's proposal, but felt that it was not sufficient from the EPP's point of view. He emphasized the need to reduce costs to enable Europe to strengthen its competitiveness. He recalled the three key pillars of sustainable development: environmental, social and economic, stressing that they are all equally important.

The MEP explained that sustainability is often described in absolute terms, as if a choice had to be made between climate and profit. He believes that previous work started with good intentions, but that these do not always guarantee good results. Without wishing to reduce ambitions, he considers that cost reduction is essential for companies, and that a sustainability agenda that runs counter to competitiveness will not work.

The report's 10 key priorities:

- CSRD: Align and raise the threshold to €450 million sales and 3,000 employees
- Abolish mandatory climate transition plans
- Maintain the level 1 approach in CS3D with clearer language
- Full exemption from subsidiarity in CSRD to avoid double reporting
- Extend the full harmonization clause to avoid gold-plating

- Align terminology between CSRD and CS3D
- Make the SME shield operational; limit the data that large companies can demand from out-of-scope businesses
- Reinforce protection of trade secrets
- Increase flexibility around contract suspension in CS3D
- Set a clear date and proceed with limited assurance

Lara WOLTERS (S&D, Netherlands) said on behalf of S&D that the Commission's proposal had been rushed and was deeply inadequate, and that the EPP was making matters worse. She said the report removes responsibility rather than reducing the administrative burden.

She added that the employee threshold proposed by the Commission would already exclude companies that have been declaring for more than ten years, and that the fact that the EPP wants to triple this threshold runs counter to the S&D position. She pointed out that the report does not include any measures to ensure that children are in school rather than in sweatshops. In her opinion, if costs really are the EPP's priority, it must be recognized that climate costs will not disappear and will continue to rise in the long term.

Pascal CANFIN (Renew, France) agreed with the EPP on the need to reduce costs, even beyond the Commission's proposal, but pointed out that we cannot focus solely on money. He made three points:

- To set up the Savings and Investment Union, more data is needed, which means taking the CSRD seriously.
- The report maintains the abolition of civil liability, which runs counter to the single market approach; amendments will be proposed to reinstate it.
- He is surprised that advantages are granted to non-European companies, as very few of them reach the threshold of 3,000 employees, which gives them a competitive advantage.

Kira-Marie PETER HANSEN (Greens, Denmark) recognizes the need to simplify and reduce the administrative burden for companies, but feels that the report is pure deregulation. She said that a large number of member states would be excluded from the scope, which would disrupt the market. She considers the Commission's proposal and the report to be populist and symbolic.

She added that the report removes the necessary foundations for ecological transition. She insisted on the importance of a risk-based approach and the maintenance of civil liability, believing that companies must be able to be held responsible in the event of non-compliance.

Arash SAEDI (The Left, France) called the report a complete demolition of the Green Pact objectives. He said it would allow companies to continue using forced labor and forced displacement without impunity.

He said that the EU had finally begun to act and that multinationals would no longer be able to hide behind subcontractors, but that the Commission was now participating in this demolition with the complicity of member states. He cited Macron as an accomplice, claiming that the French president had called for the directive to be scrapped altogether. He denounced the deletion of references to climate change in the report and announced that La Gauche will totally reject the report.

Adrian VASQUEZ LAZARA (EPP, Spain) congratulated his colleague on the report. He stressed the importance of not compromising the production strategy and that reporting should not be a luxury but a prerequisite. He stressed the need to guarantee civil liability, traceability of electronic products and to make life easier for banks and SMEs.

Angelika NIEBLER (EPP, Germany) reaffirmed that it is essential to reduce bureaucracy, as highlighted in the Draghi report. She believes that if the EU fails to do so, it will endanger the social market economy. She described the report as excellent and expressed her support for it.

She illustrated the administrative burden on companies by showing a 430-page dossier that required millions of euros and 50 employees to be produced. She denounced the excessive resources devoted to these reports.

Mario MANTOVANI (ECR, Italy) also congratulated the rapporteur and stressed the relevance of the report, particularly for SMEs. He felt that the financial burden of the Commission's proposal was unbearable, and that it was essential to eliminate over-transposition. He concluded by stressing the importance of delegated legislation by October 2026.

René REPASI (S&D, Germany) reiterated the importance of the debate and the need to find a compromise. He regretted that the report did not represent a middle ground but went far beyond the Commission's proposal, despite the need to reduce the administrative burden, which he acknowledged. He remains optimistic, however, that common ground can be found.

A representative of the Commission (DG FISMA) stated that, as far as the scope of the CSRD is concerned, the threshold of 1,000 employees represents the best balance. Concerning the notion of chain of activities, its use in the CSRD would severely limit reporting on the risks and impacts of the downstream value chain, including scope 3 GHG emissions, and deprive investors of important information. He concluded by announcing the forthcoming adoption of a delegated act to revise and simplify existing reporting standards (ESRS), with EFRAG making rapid progress.

A representative of the Commission (DG JUST) confirmed that the Commission is maintaining its position on CS3D. Regarding the employee threshold, increasing it would not only reduce the burden on companies, but also the impact of the directive. The Commission supports full harmonization and wishes to avoid over-transposition. Finally, he pointed out that the climate transition plan in the CS3D does not duplicate the CSRD, but that they are complementary.

In his closing remarks, Jörgen WARBORN (EPP, Sweden) said that he thought his report was in fact balanced, contrary to what other MEPs claimed. He said that some political groups wanted the proposal deleted entirely and that the Council goes further than his proposals, which is why he thinks his report is balanced.

The MEP said that while the European economy was the same as the US economy 20 years ago, it has developed at a much slower pace since then. He believes that their plan for CSRD and CS3D will generate a lot of growth for businesses, and that the resulting tax revenues will be reinvested in areas such as security and defense.

The MEP believes that no political group intends to increase costs, which is why he thinks it is possible to find common ground on this issue.

Next steps:
The MEPs will now debate on the amendments that were tabled by 27 June 2025.

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23 June 2025 - Omnibus: EU Council validates negotiating mandate

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On 23 June 2025, the EU Council approved its official position on the omnibus directive.

For the CS3D Directive:

- For CS3D, the thresholds are set at 5,000 employees and €1.5 billion in revenue.
- A targeted approach whereby companies would only be required to conduct in-depth assessments for their direct business partners, while still needing to map their business chain and go beyond their direct relationships when they have, or are reasonably assumed to have, objective and verifiable information suggesting a negative impact at the level of an indirect partner (Recital 21a).
- Transition plans: The transition plan must be based on "reasonable efforts" (not the best efforts anymore). Moreover, companies should retain the obligation to adopt a transition plan but with more flexibility regarding its content. These plans are aligned with the model of transition plans from the CSRD directive (obligation of means, not results). There is also the introduction of a two-year transitional period starting from July 26, 2029, during which the submission of transition plans will be optional (Recital 26a).

For the CSRD Directive:

- The thresholds are set at 1,000 employees and €450 million in revenue (Recital 12).
- On the review clause: The Council calls for the directive to be adjusted to allow for an evaluation of the relevance of its scope, taking into account the needs related to the Green Deal and the impact on business competitiveness. In the event that this review leads to an extension of the scope, the establishment of a simplified reporting regime could be considered to ensure compliance with the principle of proportionality (Recital 19aa).
- Summary of the main proposals of the Council:
    - Introduction of rules governing the registration and supervision of third-country auditors who certify sustainability information of foreign companies listed in the EU, with temporarily relaxed conditions during a transitional period (Recital 4a).
    - The scope of the directive is reduced, which also includes the EIP (Public Interest Entities), which will not be subject to exceptions (Recital 8a).
    - On the protection of trade secrets: Companies can omit data covered by trade secrets, such as intellectual property, know-how, or innovation results (Recital 9a).
    - "SME CAP": Companies in the value chain that are not subject to sustainability reporting and have up to 1,000 employees should be allowed to refuse to provide information beyond voluntary standards. This measure aims to avoid excessive requests, particularly toward SMEs (Recital 9).
    - Revision of the ESRS: The Commission plans to revise these standards through a delegated act within 6 months of the directive's entry into force. The main reforms will include removing irrelevant data, prioritizing quantitative data, a better distinction between mandatory and voluntary requirements, and clarifications on the principle of materiality. The revision will also aim to clarify ambiguous provisions and improve consistency with other EU legislation, particularly regarding financial services (Recital 12a).
    - Removal of sector-specific standards with a replacement by sectoral guidelines from the European Commission illustrating the application of ESRS standards in a given sector, especially regarding the evaluation of double materiality to identify relevant sustainability issues for a typical company in the sector (Recital 13).
    - On voluntary reporting: The Presidency proposes that until the publication of sustainability reporting standards for voluntary use, companies voluntarily publishing sustainability information can do so according to the Voluntary Standard for SMEs (VSME) developed by EFRAG (Recital 14a).
    - The scope of the CSRD is reduced, and only companies with more than 1,000 employees will still need to comply with this directive. Companies with 501 to 1,000 employees (from Wave 1) will no longer be subject to reporting from 2027, and Member States will even have the option to exempt them starting in 2026. The same principle applies to listed companies from

Wave 1; they will no longer be subject to reporting from 2027. (Recital 18 / 18a / 19 and 19a on the legal clarification related to the reduction of thresholds). Moreover, if a Member State chooses to apply the exemption from 2026, only companies that have not yet published their management report for the 2025 financial year at the time of the national law's entry into force can be exempted from reporting for that year. Companies that have already published their management report will not be able to retroactively benefit from the exemption for that year (Recital 18a / 19a).

Next steps:
The European Parliament's position is still under discussion in the JURI Committee. The plenary vote to validate the Parliament's negotiating mandate is scheduled for October 2025.

20 Juin 2025 - EFRAG provides a progress report on the simplification of ESRS

On 20 June 2025, EFRAG published a progress report on its work regarding the simplification of the ESRS.

EFRAG aims to reduce more than 50% of the mandatory data points, relying on six main levers:

- Simplification of the double materiality assessment:
  - Top-down approach centered on the business model to identify truly material topics.
  - Reduction in the level of evidence required, provided that the materiality is clear.
  - Introduction of a materiality filter for all data points.
  - The possibility of reporting only on material sub-themes without needing to document everything.
- Improved readability and conciseness of sustainability reports, with smoother integration into corporate reports:
  - The option to include an executive summary at the beginning of the sustainability statement, presenting material topics, their link to strategy, governance, performance, and planned trajectories.
  - Flexible granularity: highly detailed data (indicators, metrics) can be placed in dedicated sections or annexes.
  - Information related to the European taxonomy can also be presented in a specific annex.
  - Information on immaterial topics can be added in an annex if deemed useful.
  - Repetition of information on the same topic is discouraged.
- Revision of the link between minimum disclosure requirements (MDR) and thematic specifications:
  - Maintenance of cross-cutting requirements in ESRS 2, but with fewer mandatory points.
  - A drastic reduction of the mandatory “shall” requirements related to PATs (policies, actions, and targets) in thematic standards, retaining only strictly essential elements.
  - PATs should only be disclosed if the company has them, and only if they relate to material topics.
  - A single centralized data point will allow the listing of material topics without PATs, without the need to justify their absence.
- Improvement of clarity, accessibility, and understanding of the standards:
  - Clarifying and reducing voluntary disclosures, often mistakenly understood as mandatory.
  - Clearly separating in the standards what is mandatory and what is optional, to facilitate reading and reduce the burden on companies and auditors.
- Introduction of additional measures to lighten the burden on companies:
  - Clarification of rules in the event of acquisitions/divestitures.
  - Integration of exemptions provided by IFRS standards (excessive cost, sensitive data).

- Reduction of indicators imposed by European regulations (e.g., SFDR) that are deemed not very useful.
- The possibility of not providing certain indicators if reliable data is not available, while remaining transparent about the limitations.
- Specific relief for immaterial activities, financial institutions, and uncertain financial estimates.
- A desire to clarify the reporting scope, especially for GHG emissions and the value chain.

- Strengthening interoperability with other reporting frameworks:
  - Enhancing interoperability between the ESRS and IFRS S1/S2 standards from the ISSB.

Next steps:

- ***July / August: Public consultation***
- ***July: First draft of the technical opinion***
- ***October: Finalization and transmission of the technical opinion to the European Commission***

20 June 2025 - ESMA press release on the publication of sustainability reports for PIEs

On 20 June 2025, the European Securities and Markets Authority (ESMA) shared a press release regarding the publication of the first sustainability reports for public interest entities according to ESRS standards.

In its release, ESMA highlights the uncertainties due to the simultaneous implementation of ESRS, delays in transposing the CSRD Directive and "Omnibus" legislative developments.

Together with the competent national authorities (ANC), ESMA reaffirms its commitment to ensuring transparent and credible reporting, and to limiting greenwashing.

In this context, ESMA recalls the role of its GLESI guidelines, applicable from January 2025, which will serve as a common framework for supervision. It also points out that a period of learning and adaptation is expected, with a gradual, flexible and proportionate approach.

NCAs will be encouraged to give priority to dialogue and educational measures, while ESMA will continue its efforts to harmonize supervision at European level.

13 June 2025 - Basel Committee on Banking Supervision publishes voluntary framework

On 13 June 2025, the Basel Committee on Banking Supervision released a voluntary framework for the disclosure of climate-related financial risks. The framework includes various qualitative and quantitative "tables":

The Committee acknowledges that the quality of climate data is gradually improving. It therefore considers it necessary to incorporate a degree of flexibility into the final framework. It also recognizes that a set of quantitative indicators and qualitative information is essential for properly assessing banks' exposure to climate risks. The Committee will monitor developments in reporting and disclosure practices, particularly in member jurisdictions, and will consider whether adjustments to the framework are needed in the future.

Qualitative tables:

- CRFRA: Governance, strategy, and climate risk management.
- CRFRB: Information on transition, physical, and concentration risks.

Quantitative tables:

- CRFR1: Exposure and financed emissions by sector (transition risk).
- CRFR2: Exposure to physical risks.
- CRFR3: Real estate exposure (mortgage portfolio) by energy efficiency level.
- CRFR4: Emission intensity by physical production and sector.

6 June 2025 – Rapporteur on the Omnibus on simplification presents its draft report

On 6 June 2025, the draft of the report of MEP Jörgen WARBORN (EPP, Sweden), rapporteur for the JURI Committee on the Omnibus Directive was made public.

Among the main amendments proposed:

- **Application thresholds:** he proposes raising the thresholds to 3,000 employees and €450 million in turnover, in line with the EPP's position.
- **Reporting standards**:
  - They should be as quantitative as possible, avoid duplication, and ensure interoperability with international standards (amendment 45).
  - They should take into account the difficulties encountered by subject companies, particularly when reporting on a chain of activities in which their partners are not subject to reporting obligations (amendment 46).
  - If a company does not have access to all the data concerning its chain of activities, it may explain the steps taken, the obstacles encountered, and its future intentions, without any time limit.
- Equivalent treatment for non-European companies: no differentiation in thresholds would be provided for companies established outside the EU.
- **A parent company/financial holding company that is not involved in management could be exempted from the reporting obligation, provided that an operational subsidiary is designated to take responsibility for it.**
- **Terminology:** the term “value chain” is replaced by “chain of activities” (to better correspond to the CS3D concepts).
- **Framework for SMEs**: a “cap” is introduced to avoid overburdening small structures. Companies should not directly solicit their business partners, but should rely on reasonably accessible information (public, from research or previous collaborations).
- **Transition plans**: the amendments propose reducing the intensity and mandatory nature of the transition plan currently provided for by the CSRD (strategy aligned with the Paris Agreement) for “any climate-related plan, if any.” (amendment 28)
- **Trade secrets**: the rapporteur proposes an explicit exclusion of information related to intellectual property, know-how, etc. that constitutes trade secrets.

The rapporteur does not revisit the issue of regulated financial companies or the removal of the review clause to include financial services in the CSRD.

Next steps :
MEPs must now negotiate the amendments a adopt their position in a vote in commission.

Institutional

Back to summary of content – Previous editions of the MRR

19 June 2025 - Denmark presents its program for its Presidency of the Council

On 19 June 2025, Denmark presented its program for its Presidency of the Council of the EU, which will run from 1 June 2025 to 31 December 2025.

With regard to European competitiveness, Denmark will focus on the following priorities:

- Continue the legislative simplification already underway
- Continue the green transition as an engine for growth
- Strengthen the internal market
- Strengthen the Savings and Investment Union (S & IU)

For the financial sector, the Danish Presidency aims to strengthen the EU's economic resilience and competitiveness in an unstable international context. It advocates regulatory simplification, the mobilization of private investment, and the modernization of EU economic governance. The Presidency will give priority to negotiations on the Commission's omnibus packages and other simplification proposals.

The first omnibus package, on sustainable finance rules, will be given particular priority. Emphasis will also be placed on the fourth package, which introduces a new category of companies (Small mid-caps) as well as amendments to the General Data Protection Regulation (GDPR).

Savings and Investment Union (UEI):

- The Presidency intends to give priority to the development of the Savings and Investment Union, in particular through the forthcoming revision of the securitization framework.
- Advance planned negotiations on integrated financial supervision, the Retail Investor Strategy (RIS) and the Financial Information Sharing Framework (FIDA).
- The Presidency also intends to facilitate the trilogues on the revision of the CMDI (Crisis Management and Deposit Insurance) framework to harmonize banking crisis management and deposit guarantee schemes.

Payments, digital and green finance

- Continue negotiations in relation to the “payment” package via the revision of the Payment Services Directive and Regulation (PSR/PSD3).
- The Presidency will focus on how a future 28th regime could create favorable conditions and reduce burdens for innovative European companies.
- Prioritize the adoption of the legal framework for the digital euro, aimed at simple, secure and low-cost digital payments.
- The Presidency intends to launch negotiations on the Sustainable Finance Disclosure Regulation (SFDR), with a view to better integration of climate risks and greater transparency.

Taxation & customs

- The Presidency's ambition is to conclude negotiations on the revision of the energy taxation directive, to encourage renewable energies.
- Prioritize initiatives to combat tax evasion: update the EU list of non-cooperative jurisdictions, and strengthen the Directive on Administrative Cooperation (DAC).

- Prioritize and strengthen the Carbon Border Adjustment Mechanism (CBAM) to limit carbon leakage and strengthen green competitiveness.
- Continue discussions on customs reform, particularly in view of the growing challenges of e-commerce.

Budgetary policy:

- The Presidency will focus on the implementation of EU budgetary rules, including medium-term structural fiscal plans and excessive deficit procedures.
- Support the reform of the European budgetary framework to allow greater flexibility in defense spending (REARM Europe Plan, SAFE instrument).
- The Presidency intends to propose a new Competitiveness Fund to be included in the next Multiannual Financial Framework (MFF) post-2027.