NEWSLETTER / SUMMER 2022 / ISSUE 22

EUFederation

Connecting and Supporting the Commercial Finance Industry Worldwide

Contents:

Welcome from Fausto Galmarini

Chair EUF

Dear Reader,

It's always a pleasure to introduce the EUF newsletter with the aim of having an effective dialogue with the members, giving them some updates since the last autumn edition.

The last semester has been marked by two different events: on one side the big rebound of the global GDP after the economic crises for the Covid-19 pandemic and on the other side the beginning of the conflict between Ukraine and Russia and the military escalation.

The European factoring market has been favorably impacted by the economic trend. After a one-year drop due to the international pandemic, in year 2021 it recorded the amount of 2 trillion euro with an increase y/y of 12%. Still two thirds of the worldwide turn over are made in Europe in which factoring remains clearly connected to the GDP with a high level of penetration (11.4%). These data show once again that factoring has a key role in supporting economic recovery, employment and wealth creation in Europe.

Moreover the conflict between Russa and Ukraine is changing dramatically the macro-economic scenario that is now very complex and worrying for the high level of inflation, the surging prices of raw materials, energy and shipping costs. There is a downward trend in GDP and a potential risk of stagflation and all the European Countries will be hardly engaged to face this difficult new economic context.

The EUF continues its efforts with regulators and legislators to ensure they are fully aware of the benefits that the factoring industry has to offer to the real economy, especially the SMEs, even in time of economic crises, as proven over the years.

The EUF also works on several prudential issues in order to seek appropriate support for business. One of the most important task concerns the new Definition of Default with the purpose not to burden the industry with unjustified levels of own funds or provisioning for past due 90 days that in factoring don't represent a real sign of default like in the banking lending. Talks are still ongoing with the European Banking Authority (EBA) to achieve an adapt treatment. One solution could be the increase from 30 to 90 days of the technical days necessary for the accounting

reconciliation of the collected payments. Another could be the adoption of the facility level approach (now possible only for AIRB Banks) with the application of the rule, invoice by invoice, also for Banks that use the Standardized Approach. European banking players from the Chief Risk Officers group (CRO) have asked for an adapted treatment as well.

The EUF wants to avoid that a rule thought for capital requirements could be exploited with the purpose to accelerate the invoices payment. This is a civil law aspect for which the EC issued a specific directive, implemented by all the European Countries.

And last but not least in the coming months we will have to work on the implementation of Basel 3 in the European CRD and CRR. It's a long road because the entry into force has been postponed from 2023 to 2025 but we want to meet the European Commission, the European Parliament and the European Council to convince them to open the door for adapted treatment for factoring with mandates to the EBA to assess the right calibration.

These are tasks that require a big effort of all the members to collect the data necessary to prove our capability to manage the risks, reducing them. We know that factoring is a less risky activity but without data we'll not have many chances to reach the goal with the Regulators. All the members can count to the expertise and the support of the EUF for this crucial work. So, let's start!

The Chairman

THE EUF CONTINUES ITS EFFORTS WITH REGULATORS AND LEGISLATORS TO ENSURE THEY ARE FULLY AWARE OF THE BENEFITS THAT THE FACTORING INDUSTRY HAS TO OFFER TO THE REAL ECONOMY, ESPECIALLY THE SMEs, EVEN IN TIME OF ECONOMIC CRISES, AS PROVEN OVER THE YEARS.

The Legal Committee

Factoring - in or out of the shadows?

MAGDALENA WESSEL
EUF Vice-Chair and Chair of EUF Legal Committee

For those who are avid readers of the EUF Newsletters and who have followed the EUF's activities closely over the last decade or so, shadow banking is not a new or unknown issue. Despite several efforts to clarify that factoring should not be considered part of shadow banking, the wide-spread understanding of shadow banking activities (especially among legislators and supervisory authorities) over the last years has continuously also covered factoring, seeing factoring companies as non-bank financial intermediaries that engage in e.g. credit risk transfer.

In the context of this ever recurring issue of factoring companies generally being classified as shadow banking entities, the EBA set limits to banks' exposures to such shadow banking entities in their guidelines from December 2015; reporting duties were also introduced. With a view to the implementation of CRR II, these guidelines are currently under and will be recast as binding Regulatory Technical Standards (RTS).

Last year, the EBA published draft RTS which contained criteria to identify shadow banking entities. Due to the range of "banking services and activities" under Articles 1 and 2 of the draft RTS also encompassing factoring, factoring companies (whether authorised and supervised or not) would generally fall under the scope of last year's draft RTS. Entities which fall under e.g. the CRR on a consolidated level or which are under EU law exempted or optionally excluded from e.g. the CRR would not be considered shadow banking entities.

The EUF responded to the EBA during the consultation of these draft RTS and pointed out that in order to avoid misunderstandings and misconceptions, it should be clarified in the RTS how the identification of "shadow banking" entities by national legislation and supervisory authorities is viewed.

In quite a few countries, national legislators or supervisory authorities have deliberated and decided to explicitly exempt certain (otherwise authorised and supervised) entities from e.g. the CRR (in part or in whole) – would such exemptions based on national laws also be enough for a company to not fall within the category of shadow banking entities according to the EBA's RTS?

The EUF felt that such national laws or exemptions should lead to the same result as exemptions on an EU-level, i.e. such nationally exempted companies should not be considered as shadow banking entities and therefore not be subject to the limitations and reporting duties for bank's exposures to shadow banking entities – an important aspect in relation to the refinancing of factoring companies through banks.

LAST YEAR, THE EBA PUBLISHED DRAFT REGULATORY TECHNICAL STANDARDS WHICH CONTAINED CRITERIA TO IDENTIFY SHADOW BANKING ENTITIES.

On May 23, 2022, the EBA published its final report on these draft RTS which will now be submitted to the EU Commission for endorsement and which include a number of amendments to the draft RTS presented in the summer of 2021. These amendments show that

the EBA picked up on the EUF's point that national law exemptions should also be included or reflected in the RTS: Art. 1 paras. 1 and 2 of the current or final draft RTS on criteria for the identification of shadow banking entities now explicitly refer to the national law of the Member States, so undertakings which are either authorised and supervised in accordance with any of the legal acts referred to in Annex I of the RTS including as laid down in the national laws, or undertakings which are exempted or optionally excluded from e.g. the CRR, including as laid down in the national laws, shall not be identified as shadow banking entities.

This is exactly the kind of clarification the EUF advocated for - a success for the EUF in this issue, and an encouragement for the EUF to stay in touch with the EBA on other issues which remain unresolved!

Magdalena Wessel

IN QUITE A FEW COUNTRIES, NATIONAL LEGISLATORS OR SUPERVISORY AUTHORITIES HAVE DELIBERATED AND DECIDED TO EXPLICITLY EXEMPT CERTAIN ENTITIES

The Economics and Statistics Committee

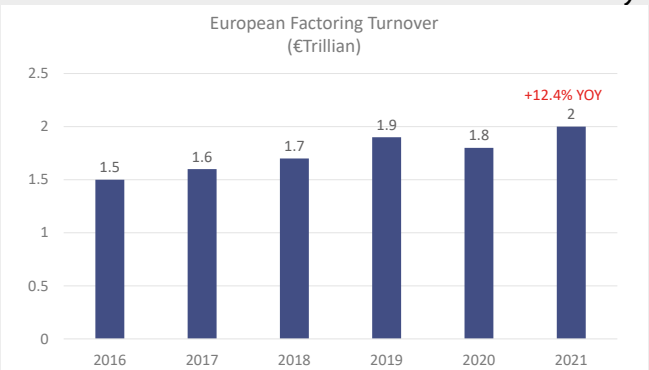
Strong recovery of factoring after pandemic decrease – 2021 figures

MAGDALENA CIECHOMSKA-BARCZAK
Chairwoman of the Economics and Statistics Committee

Factoring volume of turnover in the European market, collated by the EUF Economic and Statistic Committee for 2021, has shown a significant increase: over 12%1 year on year.

The total amount reached 2,0 trillion € comparing to 1,8 trillion € in 2020. The European factoring market is the most developed in the world, accounting two thirds of the worldwide turn over. Such volume, exceeding even the levels of 2019, indicates a strong recovery after the decrease of 2020 caused by pandemic. Despite the last years' drop, a compound average growth rate of European factoring turnover calculated for the last 6 years equals 6,2%.

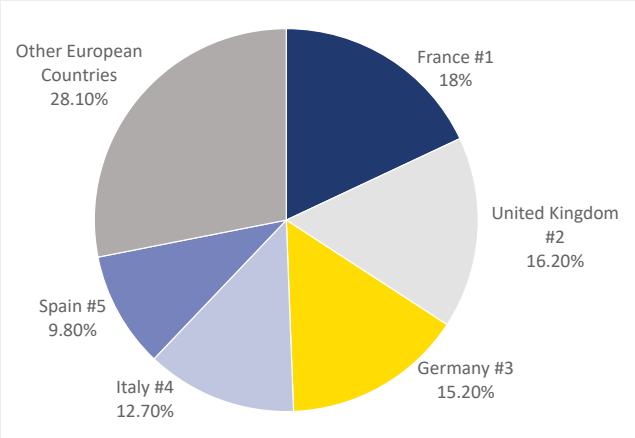
According to the information received from the EUF members and partners, return on the growth path was possible thanks to the strong rebound of the European economy, inflation (especially in second half of the year), surging prices of raw materials, shipping costs, energy etc. and far broader among the businesses perception of factoring as a widely accepted working capital financing product, particularly important in times of uncertainty.



Graph 1. Factoring turnover 2016-2021

The main part of the European turnover was done by the EUF members – 94,3%, and according to some EUF estimations the majority of turnover is done by Banks or financial intermediaries owned by Banks – over 95%. The level of concentration on the European factoring market in 2021 was 72%, just like in the past year.

The top five countries were the same: France, United Kingdom, Germany, Italy and Spain. There was a shift between countries on the podium- United Kingdom returned, after a year of being no.3, at vice leader's position of the European factoring market.



Graph 2. Top 5 factoring countries in the EU

The speed of recovery after post covid crisis varied between the EUF members and partners countries, and hence there were substantial differences in yearly factoring turnover dynamics.

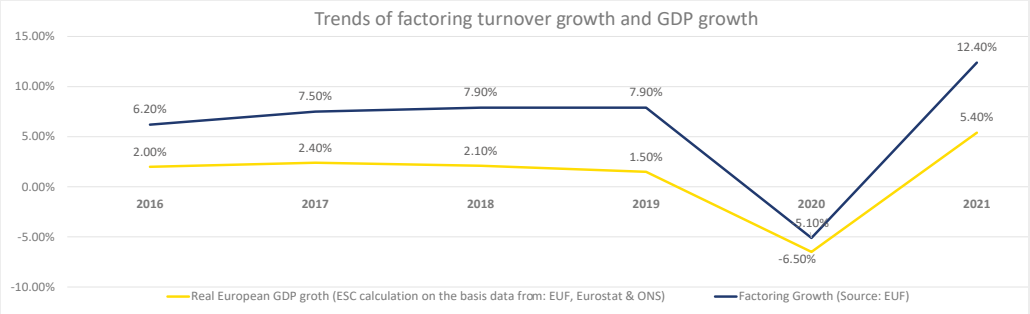
There were 4 EUF member countries which had dynamics higher than 20% - Czech Republic 28%, Poland 26%, Greece and Belgium – 22%.

On the other side there were 2 EUF member countries with y/y growth lower than 10%: Croatia (+8%) and Spain (+9%). All the other EUF members and partners countries had y/y growth

EUF Statistics
31 December 2021

4. TURNOVER VOLUMES					
Turnover volumes by Country (Millions of €)					
31 December 2021	Notes	Total Turnover	pct var. on the previous year (Total)	GDP Penetration	European Market Share
Austria*		30 459	14%	7.6%	1.5%
Belgium*		99 368	22%	19.6%	4.9%
Bulgaria	(1)/(2)	4 274	30%	6.3%	0.2%
Croatia*	(1)	1 230	8%	2.2%	0.1%
Cyprus	(2)	3 200	9%	13.7%	0.2%
Czech Rep*	(1)	9 430	28%	4.0%	0.5%
Denmark*	(1)	21 910	18%	6.5%	1.1%
Estonia	(3)	3 900	0%	12.7%	0.2%
Finland	(3)	28 000	0%	11.1%	1.4%
France*		364 870	13%	14.7%	18.0%
Germany*		309 358	11%	8.7%	15.2%
Greece*		17 656	22%	9.7%	0.9%
Hungary	(1)/(2)	10 671	23%	6.9%	0.5%
Ireland	(2)	28 617	1%	6.8%	1.4%
Italy*		258 350	10%	14.6%	12.7%
Latvia	(2)	823	1%	2.5%	0.0%
Lithuania	(2)	3 200	19%	5.8%	0.2%
Luxemburg	(3)	339	0%	0,5%	0.0%
Malta	(3)	696	0%	4.8%	0.0%
Netherlands*		131 940	16%	15.3%	6.5%
Poland*	(1)	78 950	26%	13.7%	3.9%
Portugal*		34 487	10%	16.3%	1.7%
Romania	(1)/(2)	5 990	21%	2.5%	0.3%
Slovakia	(2)	2 263	41%	2.3%	0.1%
Slovenia	(2)	2 000	14%	3.8%	0.1%
Spain*		199 364	9%	16.3%	9.8%
Sweden	(3)	21 473	0%	4.0%	1.1%
EU Total Turnover	(1)/(2)/(3)	1 672 818	12.5%	11.6%	82.4%
EUF Members (*)	(1)	1 557 372	13.0%	12.6%	76.7%
Norway*	(1)	28 105	10%	6.9%	1.4%
Switzerland	(3)	593	0%	0.1%	0.0%
United Kingdom*	(1)	328 429	13%	14.9%	16.2%
European Countries	(1)/(2)/(3)	2 029 944	12.4%	11.4%	100.0%
EUF Members or Partners (*)	(1)	1 913 905	12.9%	12.7%	94.3%

Notes:
1) Pct variation has been corrected in order to avoid biases due to exchange rates fluctuation.
2) Estimates on the basis of available information
3) Estimates of the turnover - the previuos year's turnover implemented



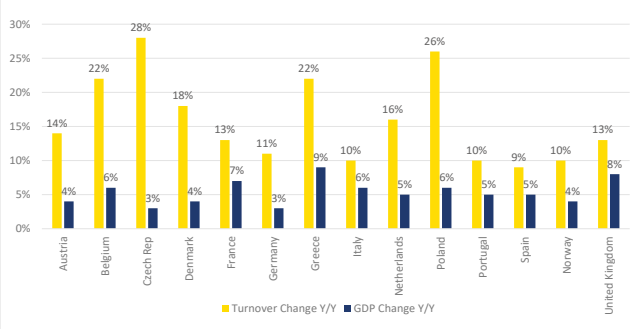
Graph 3. Factoring and EU GDP trends comparison

Continued on page 8

equal or above 10%. Due to that outstanding increase of factoring turnover, also this year's GDP penetration ratio was higher than last year's one (11,4% comparing to 10,6%2 in 2020). And consequently - growth of factoring turnover was much higher (over 2 times) than European GDP increase, where the yearly growth ratio of the European economies of the EUF members and partners countries was about 5,4% in 2021.

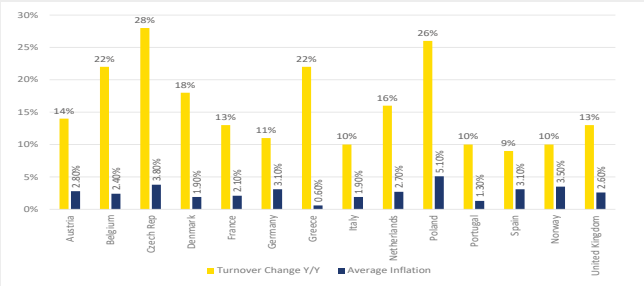
Graph no. 4 shows correlation between factoring turnover change y/y and GDP change y/y in countries which are EUF members and partners.

The highest factoring growth ratio recorded by Poland, Greece and Belgium was related to the significant increase of their GDP. In case of Czech Republic, such correlation is not obvious. In the top 4 markets (France, Italy, Spain and UK), which are the most mature, the correlation ratio between factoring growth and GDP growth is similar and differs from 1,5 to 1,8 times. In Germany this correlation was almost equals 4x. All the other EUF members and partners countries had a correlation ratio of 2x and higher.



Graph 4. Changes y/y in factoring turnover compared to y/y change in country's GDP.

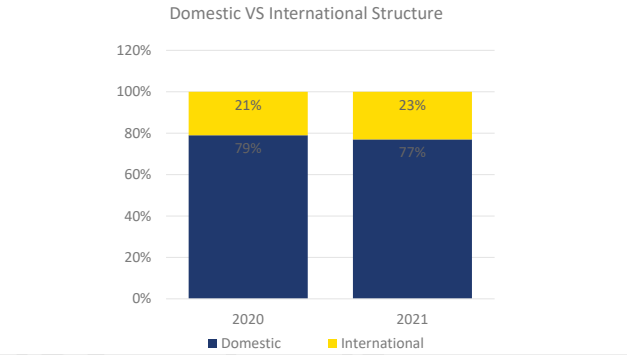
Graph 5 shows the comparison of factoring turnover growth and the yearly average inflation rate in each EUF member and partner country shows that also the impact of inflation on factoring volumes wasn't essential. In fact in Poland the inflation rate was much lower than the factoring growth and the same in 3 other countries (Greece, Belgium and Czech Rep.).



Graph 5. Structure of 2020 turnover – domestic and international factoring

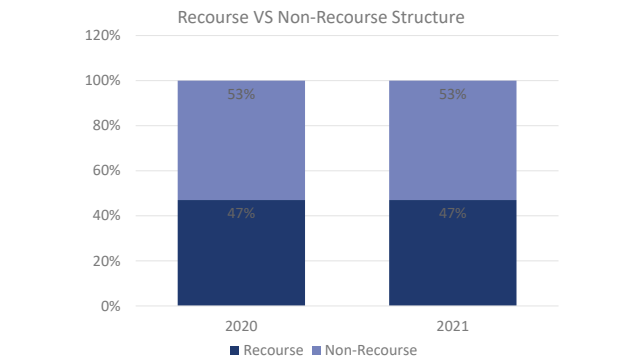
Analysis done on the above data shows that in each EUF member/partner country, the growth of factoring turnover was much higher than GDP and inflation rate summed up. It is a clear sign of the growing awareness of factoring as an effective working capital financing.

Domestic factoring in 2021 was still dominant, representing 77% of the total turnover, comparing to 79% in 2020 but the increase in international factoring was much higher than in domestic factoring (23% versus 11%).



Graph 6. Change in turnover structure (domestic vs. international) 2019-2020

For a second year in a row non-recourse factoring turnover was higher than the recourse one. In 2021 it exceeded 53% of the total turnover as in 2020 (52% in 2019 and 50% in 2018). But for the first time since 2018 yearly increase of non-recourse factoring (13%) was lower than increase of the recourse one (15%). The higher volume of non-recourse factoring confirms that the clients prefer to get the debtor risk coverage especially in times of uncertainty in a macro economic scenario.



Graph 7. Structure of 2021 turnover – recourse vs non-recourse factoring

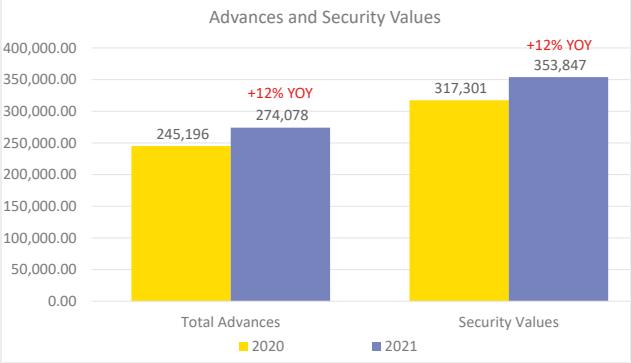
The estimated amount of funds made available to clients by European factors in 2021 was over 274 bn euro, 12% higher than in 2020 and almost

at the level of 2019.

Advances were secured by assets valued at 354 bn euro (increase by 12% y/y) and 6% higher than in pre pandemic 2019.

The ratio between advances granted and its security values equals 77% and was at the same level as in 2020. The haircut is still wide and allows to the Factors to reduce the potential losses in the event of default. Factoring is historical one of the less risky financial products.

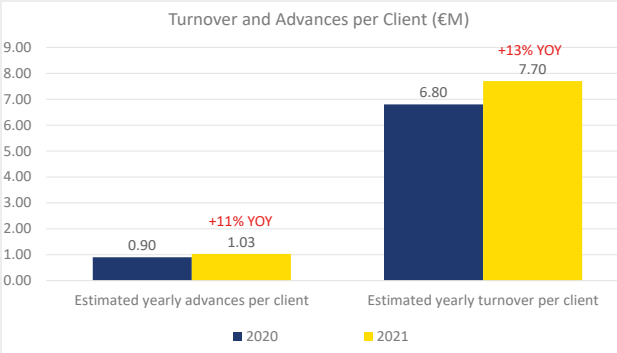
Regarding the credit rotation the average DSO decreased from 65 days in 2020 to 64, with a positive impact on factoring turnover growth in 2021.



Graph 9. Advances and Security Values in 2021 and 2020

In 2021 average funds granted per client were 1,03M EUR, 11% higher than in 2020, and 5% higher than in 2019. Given that the number of clients was the same, in 2021 there was an increase in the average amount of the advances.

Also the average turnover per client increased in 2021: 13% on year 2020 and 12% on the pre pandemic year.



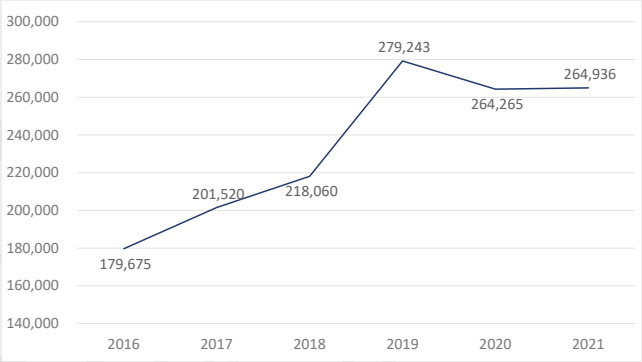
Graph. 10. Turnover and Advances per Client 2020-2021

Level of average amount of advances per client shows high diversification of credit risk.

Estimated number of European active clients in 2021 reached 264k, and was almost at the level of 2020 but below the number of 2019. It can be justified by the economic unpredictability for which the Factors focused only on well-known clients, with stable financial conditions or belonging to economic sectors where the impact of pandemic was lighter.

Graph 11: No of Clients 2016-2021

In conclusion, data collected by the EU Federation for Factoring and Commercial Finance for 2021 confirm that the trend of factoring turn over is



only partially co-related to the European macro economic scenario because in 2021 the volume was much higher than the increase of GDP and inflation together. Apart from 4 countries (UK, France, Italy and Spain) in all the other EUF countries factoring performed more than 2 times better than their GDP.

It indicates that factoring is more often perceived by the entrepreneurs as a reliable source of funding which provides. apart from an immediate payment, also additional values such as debtor rating and debtor risk coverage (in case of non-recourse factoring), which are appreciated by the clients especially in times of uncertainty.

THE ESTIMATED AMOUNT OF FUNDS MADE AVAILABLE TO CLIENTS BY EUROPEAN FACTORS IN 2021 WAS OVER 274 BN EURO, 12% HIGHER THAN IN 2020 AND ALMOST AT THE LEVEL OF 2019.

DIEGO TAVECCHIA
Chairman of the PRC Committee

Toward a relevant and proportionate prudential regulation for factoring: where are we now?

When dealing with prudential regulation, and in particular when proposing changes, the EUF has always tried to reach a balance between the need to assure a sound and prudent management of the banks and financial companies carrying out factoring activity and the need to recognize the very low risk profile of the activity.

One of the biggest challenges the industry faces in finding this balance is to make regulators understanding the differences between factoring and bank lending, that from the point of view of the policymakers are far less evident than among practitioners. In this perspective, those principles and those practises that represent the very strengths of the factoring companies, sometimes unexpectedly backfire them: the trilateral relationship between the factor, the client and the portfolio of buyers; the tailor-made approach in the design of the agreement; the difference in nature between trade receivables and bank credit obligation; the strict control of the cash flows coming from debtors; the advanced credit management practices; the use (and not abuse!) of credit insurance to mitigate risk…all these features shape a divergence from traditional credit lines that is never easy to fit into a (comprehensibly) bank-centric regulation.

ONE OF THE BIGGEST CHALLENGES THE INDUSTRY FACES IN FINDING THIS BALANCE IS TO MAKE REGULATORS UNDERSTANDING THE DIFFERENCES BETWEEN FACTORING AND BANK LENDING, THAT FROM THE POINT OF VIEW OF THE POLICYMAKERS ARE FAR LESS EVIDENT THAN AMONG PRACTITIONERS

A certain reluctance of policymakers to provide for exemptions or deviations of the banks' rules in a regulation which, after all, is addressed to banks is understandable in principle. In practice, this reluctance might affect substantially the level playing field.

First, factoring and invoice discounting are no longer a prerogative of non-bank lending players alone. Independent companies are still important within the industry, but in many European Countries most factoring volumes are now made by banks or within banking groups. And, in parallel, most banks offer factoring directly or through subsidiaries. Some banks are specialized in factoring. While for a big bank with multiple business lines the impact on capital requirements of a rule which doesn't fit to factoring might be limited and drowned in the overall requirement, such impact might be much more significant for a specialized institution.

Second, invoice finance is no longer a niche service (if it ever was). In 2021, receivables amounting to 11,6% of the EU GDP passed through a factoring company and was most likely paid in advance. Half of it was guaranteed under a non-recourse agreement. It doesn't look really a "niche".

Third, the scope of the regulation is fragmented across Europe, but this is going to change. The EBA, in its advice to the EU Commission on non-bank lending, write (among other things) that: […] the EBA thinks that there is merit in analysing further whether a more harmonised EU regulatory framework should be introduced to capture in particular non-bank lending provided by FinTechs and BigTechs and passported activities, in order to avoid regulatory arbitrage and ensure that the same activities must comply with similar regulations. […] further insights should be pursued in considering the costs and the benefits of the introduction of a minimum harmonisation framework to be applied at entity or activity level to enhance the resilience of the non-banking sector, ensure the continuity of the financing of the EU economy and provide more protection to consumers. Some consideration should be given to the introduction of minimum common requirements – at EU level – for adequate governance and a robust and risk management framework, a solvency ratio and a measure to capture adequately the risks of long-term funding.

Although the conclusions of the EBA on the need for further harmonization of prudential requirements seems quite shareable, I would have liked, in general, a more frequent use through the paper of the words "relevant" and "proportionate".

I like to highlight those two words (that are not mine, but of EBA itself – from the feedback statement of the LOM Guidelines) because they really seem to me the key to a proper regulation of specialized activities: "relevant" because not every provision of the Basel regulatory framework makes sense for every specialized business, "proportionate" because a less complex business model must be reflected in less requirements (or less stringent requirements).

The current framework for capital requirements, risk mitigation, default definition provides for a recognition of the specificities of purchased receivables that can and must be improved. The requirements often penalize this activity with respect to other, more risky forms of financing thus reducing the overall risk sensitivity.

In the view of the factoring industry, an intensification of the efforts to gather evidence of the difference with traditional banking will be required convince policymakers that our activity

THE CURRENT FRAMEWORK FOR CAPITAL REQUIREMENTS, RISK MITIGATION, DEFAULT DEFINITION PROVIDES FOR A RECOGNITION OF THE SPECIFICITIES OF PURCHASED RECEIVABLES THAT CAN AND MUST BE IMPROVED. THE REQUIREMENTS OFTEN PENALIZE THIS ACTIVITY WITH RESPECT TO OTHER, MORE RISKY FORMS OF FINANCING THUS REDUCING THE OVERALL RISK SENSITIVITY.

deserves a "relevant and proportionate" prudential framework.

In that perspective, "same risk same rules" can also be read from another angle: "different risks, different rules": and the risk of factoring is definitely different from banking.

Sustainability in the value chain, sustainability in the financing industry

MAGDALENA WESSEL
EUF Vice-Chair and Chair of EUF Legal Committee

It is no secret and (given the ever more tangible effects of e.g. climate change) even less of a surprise that sustainability issues have climbed to the very top of the political priorities' list over the last years. Sustainability issues are increasingly permeating every aspect of our professional and private lives, from e.g. fair working conditions and combating corruption in enterprises and other workplaces to reducing ecologically harmful waste and wastefulness at home. In the corporate world and more specifically also in the finance sector, ESG criteria (environment – social – governance) have become part of the day-to-day active vocabulary of CEOs, risk managers and other decision makers. However, there is still potential for increased focus on sustainability issues, and both European and national legislators are more than ever active in this area.

The EU Green Deal, including the EU Taxonomy regulation for green investments, as well as legislative works on establishing more widely usable and suitable ESG ratings or on providing more and better data about the non-financial performance of (in particular large) companies through the Corporate Sustainability Reporting Directive (CSRD) are only some examples of political and legislative developments in this regard over the last few years.

> SUSTAINABILITY ISSUES ARE INCREASINGLY PERMEATING EVERY ASPECT OF OUR PROFESSIONAL AND PRIVATE LIVES

In late February 2022, the EU Commission published its proposal for an EU Directive on Corporate Sustainability Due Diligence (CSDD)1. This proposal for a CSDD directive has been expected for quite a while, and was preceded by different surveys and analyses on EU level, inter alia a Commission consultation on sustainable corporate governance in February 2021, to which also the EUF provided a response. Moreover, in some countries such as France and Germany, national laws on CSDD have been adopted or are already in force and can hence also be seen as part of the development towards this EU directive, even though the new draft CSDD directive seems to be wider in scope and more demanding of the companies that are subject to the directive's requirements.

Unlike many previous regulatory endeavours regarding sustainability issues, this new draft CSDD directive focusses not solely on environmental issues, but also on social and governance aspects. The proposed CSDD directive wants to promote sustainable and responsible corporate behaviour throughout worldwide value chains by requiring companies of a certain size and economic power (more than 500 employees and more than EUR 150 million in net turnover worldwide) to identify and under certain circumstances also avert, stop or at least mitigate negative effects of their activities on human rights and on the environment. Moreover, the proposed CSDD directive enables victims of e.g. human rights violations to take legal actions for damages and foresees the direct involvement and duties for directors of companies that fall within the directive's scope.

The proposed CSDD directive generally covers all sectors, including the financial sector and hence also factoring companies of a certain size, and it also covers the whole value chain, including any upstream and downstream established business relationships (cf. art. 3(g) of the draft CSDD directive). It is arguable whether industries and sectors which differ greatly in what they do and how they do it should be covered by the same directive and thus (generally) the same requirements – there is undoubtedly merit in the argument that the differences between e.g. the so-called "real economy" and the financial sector are large enough to justify differentiated measures and requirements.

This is supported by the fact that a large part of the financial sector is already regulated and supervised (on EU and national level), and that for a few years now, this regulation and supervision of the financial sector has already covered sustainability aspects.

This raises the question whether the CSDD directive should perhaps delineate more clearly between the financial sector and its competent supervisory authorities and other industries of the "real economy", e.g. by excluding the financial sector from its regulatory scope altogether. Financial regulatory and supervisory authorities such as the ECB, the EBA and the national competent authorities (NCAs) of the EU member states are not only better qualified and more experienced with regard to the financial sector, but they also already have wide expertise in the area of sustainable finance, also with regards to regulation – a thought perhaps worth pursuing further, also in the interest of avoiding unclear competences and inconsistent regulation and supervision.

Nevertheless, the current proposal for a CSDD directive apparently also covers the financial sector, as can be seen in the frequent reference to and definition of "regulated financial undertakings" (cf. art. 3(a) (iv) of the draft CSDD directive). It is worth noting that the definition of "regulated financial undertakings" currently only covers a limited array of undertakings in the financial sector which are regulated by or fall in the scope of certain EU legislation; however, other forms of regulation (e.g. through national laws, which in turn may be based on EU legislation) are not covered.

This definition of which company can be qualified as a "regulated financial undertaking" is relevant for the definition of the value chain of said company: According to art. 3(g), the value chain in these cases is limited to the activities of the clients receiving certain financial services, thereby also limiting the due diligence requirements to be fulfilled to these clients only. Hence, e.g. a CRR credit institution will be subject to other (more limited) requirements under the CSDD directive than a nationally supervised and regulated factoring company, even though the level of regulation and supervision should not have any bearing on the extent of corporate sustainability due diligence requirements.

THIS DEFINITION OF WHICH COMPANY CAN BE QUALIFIED AS A "REGULATED FINANCIAL UNDERTAKING" IS RELEVANT FOR THE DEFINITION OF THE VALUE CHAIN OF SAID COMPANY

The EUF is currently deliberating the aforementioned arguments while working on a response to the EU Commission's consultation on the proposal for a CSDD directive.

Considering that sustainability issues will remain a top political, legislative and supervisory priority in the foreseeable future, the EUF ExCom supports the idea of creating a working group or committee dedicated to more detailed deliberations and discussions of sustainability issues. Suggestions from the EUF member associations regarding both participants and content are very welcome!

EU FEDERATION FOR FACTORING AND COMMERCIAL FINANCE

The EUF is the Representative Body for the Factoring and Commercial Finance Industry in the EU. It is composed of national and international industry associations that are active in the EU.

The EUF seeks to engage with Government and legislators to enhance the availability of finance to business, with a particular emphasis on the SME community. The EUF, acts as a platform between the factoring and commercial finance industry and key legislative decision makers across Europe bringing together national experts to speak with one voice.

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