



**Draft Regulatory Technical Standards on criteria for business relationships, occasional transactions and linked transactions as well as lower thresholds under Article 19(9) of Regulation (EU) 2026/1624**

**5.2 Overview of questions for consultation**

**Question 1: Do you find the criteria listed in Article 2 of the draft RTS effective to identify business relationships properly? If not, could you please indicate why, where possible substantiated by relevant data?**

Article 2 provides guidance on how to distinguish between business relationships and occasional transactions. No objections.

**Question 2: Do you find the criteria listed in Article 3 of the draft RTS effective to identify linked transactions properly? If not, could you please indicate why, where possible substantiated by relevant data?**

Article 3 provides guidance on how to identify linked transactions. No objections.

**Question 3: Do you consider it necessary to add additional criteria that should at least be taken into account when considering the different elements of the definition of a business relationship to ensure the proper identification of business relationships? If so, could you please indicate which criteria and for which sector(s)?**

Article 2(19) of EU Regulation 2024/1624 defines a business relationship as a “business, professional or commercial relationship connected with the professional activities of an obliged entity, which is set up between an obliged entity and a customer, including in the absence of a written contract and which is expected to have, at the time when the contact is established, or which subsequently acquires, an element of repetition or duration.”

Business relationships between obliged entities and external parties can differ significantly depending on commercial motivations. Generally, a business relationship refers to a standard customer relationship, such as a bank account or credit arrangement, which triggers customer due diligence (CDD) measures as outlined in the regulation and Draft RTS. However, obliged entities also engage in commercial relationships with external parties who may not fully qualify as customers. Examples include beneficiaries of letters of credit or guarantees, warehouses holding pledged inventory, sellers or buyers in Supply Chain Finance/Reverse Factoring structures, and sub-suppliers in Deep Tier Supply Chain Finance arrangements.

The authors recommend introducing additional criteria for business relationships, especially for sellers and buyers in Supply Chain Finance and Reverse Factoring contexts, given established



industry practices. Criteria for identifying such relationships are detailed in the Standard Definitions for Supply Chain Finance (<http://supplychainfinanceforum.org/>) and the Wolfsberg Trade Finance Principles (Wolfsberg Group Trade Finance Principles - Wolfsberg Group).

Industry definitions for Supply Chain Finance, Payables Finance, and Receivables Discounting (see <http://supplychainfinanceforum.org/>) clarify the roles of parties involved – pls refer to ‘Additional Observations’. In a Receivables Purchase program, a counterparty is typically established when a bank’s customer requests support for their own or a trading partner’s business. The bank has no direct relationship with the third party, who does not have an account, facility, or dedicated relationship manager at the obliged entity. These counterparties are sponsored by a global line of business, and interactions are limited to the program’s scope. Due diligence is performed on the primary customer (Party X), and the bank relies on the commercial relationships Party X establishes.

For example, under a Receivables Discounting program, buyers of Party X are included, while under a Payables Finance program, sellers of Party X are involved. The key parties are:

- **Bank A:** the obliged entity as defined in the EU Regulation 2024/1624 and the consultation for Regulatory Technical Standards
- **Bank B:** Another obliged entity, that may be regulated under EU Regulation 2024/1624 if domiciled within the EU region
- **Party X:** the (fully adopted) client of Bank A, typically holding an account at Bank A and enjoying a credit facility granted by Bank A
- **Party Y:** the (fully adopted) client of Bank B, holding an account at Bank B and party to a receivables purchase agreement executed between Bank A and Party Y.

In reverse factoring, the debtor (Party X) is central to the process, being subject to comprehensive due diligence. The debtor selects which suppliers participate and which liabilities are included. Suppliers cannot assign receivables without the debtor’s approval. Thus, whether a business relationship is established between Bank A and a supplier (Party Y) is questionable, as the supplier’s access to services depends on the debtor’s decisions. Even if a framework agreement exists between the bank and supplier, it does not necessarily indicate a business relationship.

The authors propose that the RTS criteria for business relationships should reflect the nuanced nature of relationships in supply chain finance, distinguishing between customer and non-customer relationships. For non-customer relationships, minimum risk-based checks are recommended, as outlined in the Wolfsberg Trade Finance Principles:

- Collect counterparty name and address (at minimum, name)



- Conduct sanctions screening against relevant lists
- Review internal 'red flag' lists based on factors such as unusual transactions or negative media
- Evaluate risks to determine if further review is needed based on internal risk tolerance

Additional checks may be required if risk factors emerge during onboarding, ongoing review, or transaction processing. Enhanced due diligence is suggested if Party X falls into a higher risk category or the nature of trade indicates prudence. It is also recommended to understand the trade cycle, compliance systems, and payment flows. If new risk factors arise during a Receivables Purchase program, further checks for Party X or Party Y may be warranted.

**Question 4: Do you consider it necessary to add additional criteria that should at least be taken into account when considering the different elements of the definition of linked transactions to ensure the proper identification of linked transactions? If so, could you please indicate which criteria and for which sector(s)?**

No additional criteria to identify a linked transaction.

**Question 5: Do you consider the criteria for identifying business relationships and linked transactions listed in Article 2(3) and Article 3(2) of this draft RTS proportionate? If not, could you please indicate why, where possible substantiated by relevant data, and which alternative criterion you would find more proportionate?**

The criteria for identifying business relationships should be applied in a distinctive manner that factors in the nature of the service that is rendered by the obliged entity to a client or a counterparty.

There are no public data available on the quantity of business relationships between obliged entities and counterparties in the context of reverse factoring. Given the popularity of the product in Europe and across the globe it is fair to assume the quantity of such business relationships between obliged entities in Europe and the respective counterparties exceeds 1 million relationships.

**Question 6: Do you foresee any operational challenges in implementing this draft RTS? If so, could you please indicate which, where possible substantiated by relevant data? Do you have any suggestions that would make the criteria better suited operationally?**

The draft RTS in its current form would potentially force obliged entities executing Reverse Factoring programs and regulated by EU Regulation 2024/1624 to apply CDD measures for a substantial number of counterparties that are not typical clients of these obliged entities and do not even fall



into the client scope of the respective business division of the obliged entity (typically, these counterparties are smaller companies usually not served by a Corporate Banking division, but other business lines within an obliged entity).

**Question 7: Do you see a need for the introduction of an additional lower threshold for a specific obliged entity, sector or transaction? If so, could you please indicate why, where possible substantiated by data, and at which value the threshold should be set?**

The challenge highlighted in this consultation cannot be resolved by quantitative thresholds but needs to be addressed by defining the scope of what qualifies as a business relationship under EU Regulation 2024/1624 and the respective RTS on business relationships.