

EBF RESPONSE TO THE EBA DISCUSSION PAPER ON THE REVIEW OF THE NPL TRANSACTION DATA TEMPLATES

GENERAL COMMENTS

Aiming towards rationalization

- Following the principle of *report once* shared by European authorities and the banking industry, it is of utmost importance the rationalization of the NPL requests to facilitate data comparability and remove overlaps, streamline and increase the efficiency in the reporting processes, facilitate data sharing and increase coordination among authorities, and achieve a reduction in the reporting burden.
- The harmonization of different NPL reporting requests may represent a small step towards achieving the ultimate goal of a fully-fledged integrated reporting system; the same system for which the EBA has received the mandate by the Council and Parliament to prepare a feasibility study (Article 430c of CRR2). This is also aligned with the Recommendation #8 of Cost Compliance Study recently published by EBA. Furthermore, the need for rationalization of different NPL requests also responds to the guidance contained in the Directive on credit servicers and credit purchasers. The Directive asks to avoid any possible duplication and overlap towards achieving a significant reduction in the reporting burden.
- The draft ITS on NPL transaction data should have a clarification to ensuring that the new templates would cover and absorb any existing reporting requirements for NPLs avoiding any additional burden for sellers already reporting such information e.g., including but not limited to ESMA template.
- Standardised loan-level data should be provided in the form of a unique standardised format that does not entail disproportionate reporting burdens, overlap or duplication of templates e.g., the current situation with ESMA and EBA templates.
- While standardisation is, in principle, a good idea and a solid data base can certainly have a positive influence on the price, we consider it is not fully clear yet whether the objective can be achieved with the NPL transaction data templates as presented in the Discussion Paper (DP). It is not only that these templates remain too extensive and burdensome but the context around the project should be further carefully assessed. Furthermore, we are convinced that such templates can only create a widely accepted

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standard if these strictly follow market interest only. Accordingly, any supervisory and statistical purposes as well as interest by transaction platforms/advisors should not play part on the discussion.

Further streamlining of templates

- We welcome the reduction of total data fields from 462 in the existing templates to 230 as proposed in the DP. We however consider the number of data fields remains too extensive considering, for example, the need expressed by investors, regulatory reporting requirements or disclosures requested on the matter. We therefore urge EBA to continue the work done by further reviewing the data templates and reassessing the criticality of data fields based on practical experience from past NPL transactions in order to make the templates more in line with current market standards to all market participants.
- We, for example, consider several data fields proposed by the DP can be excluded without altering by any means the objective of the revised templates since various data fields are not requested by investors and/or do not contribute to the expected simplification of the template.
- Although standardisation and streamlining are legitimate aims, they need to be balanced against the actual needs of the participants of secondary markets. According to market participants, the demand for more or better structured information about the purchased NPLs is rather limited. In most cases, the lack of information is not the main reason for a failed transaction.

Data fields and templates

- The categorisation should be questioned in principle. Data fields which are classified as *critical* should only include data which is essential for a valuation of the receivables i.e., no loan-by-loan price to be possible without them. Some of the data fields currently classified as *critical* may be relevant for a valuation but not indispensable.
- *Critical* fields should be a minimum set of core data that are applicable for all transactions regardless of the value and complexity of the NPL in transaction.
- The originally *non-critical* data fields which have been reclassified as critical for all asset classes are too extensive. We consider it is important to refrain from reclassifying as *critical* any data field previously considered as *non-critical*. Also, given that in most cases the data is publicly available, data fields should not be classified as critical only to ease the work by the investors that find easier to value the loan assets without the need to verify by themselves for current data. Ensuring a minimum of investor due diligence is also of paramount importance.
- Moreover, the aspect of availability of data should be taken better into consideration. Many of the requested details are either not raised by the creditor as they are not relevant for the bank credit process, or raised but not stored in the credit systems in a systematic way that would allow an easy processing but require burdensome manual processes.
- Data fields presented in the data dictionary and their definitions should be aligned with existing regulatory definitions and data already required for reporting purposes.
- We also note that some data could in reality be detrimental to the market process of building up of the price, in particular when they would force sellers to disclose confidential information based on proprietary assessments; the formation of the bid price should reflect the analysis of the potential buyers based on their assessment of

the value considering their own particular strategy and should not be influenced by the perspective of the seller e.g., provisioning level, estimated recovery cash flows, etc. This aspect should be duly considered before making any field mandatory.

Mandatory aspect

- The whole idea of the project, supporting the NPL market, may backfire if excessive templates become mandatory. While the current experience by some is that there is a huge demand and liquidity on the buy side, there is still some resistance due to the complexity and cost associated with transactions. The option of making the NPL templates mandatory could effortlessly discourage transactions due to excessive administrative burden or significant associated costs, not helping to reduce such resistance. Such administrative burden and cost efforts would not benefit the templates if most of the required information is not relevant.
- Data collection, processing and validation always come at a price, which may be simply too high for certain loan types. We consider key the need to safeguard a degree of flexibility towards parties when engaging into NPL secondary market transactions. In this context, it should be considered that there is no evidence that lacking information is a stumbling block for the well-functioning secondary markets. According to market participants, experience does not prove such a connection. Accordingly, a mandatory use of the templates seems a disproportionate burden for banks. Moreover, making the templates mandatory for banks only would create an unlevel playing field compared to all non-banking players that could resale NPLs on the secondary market.

Privacy and legal aspects

- Privacy must be a key consideration to be taken when defining the *critical* fields that link borrowers and guarantors with legal procedures, personal income, and personal data.
- In most jurisdictions, client data is protected by banking secrecy, irrespective of whether the client is an individual or a company, and data protection law. We consider the selection of requested data does not sufficiently consider these legal barriers to a disclosure of data to third parties. As the requirements of data protection and banking secrecy vary between the Member States, it is likely that there will be deviations in the number of data provided in the different Member States which can lead to heterogeneous reports.
- From a legal perspective, a couple of issues are foreseen. For instance, in terms of liability, what happens if the information provided is incorrect? Also, would the requirement to fill out the templates be applicable to non-European loans? It is important to note that information requirements and NPL secondary markets have their nuances across different jurisdictions. Secondary markets of NPL work differently in, for instance, South America. Is it possible that the buyer/seller does not actually need that information?

Implementing new templates

- As pointed out during then meeting between EBF, together with a group of national banking associations and banks, and EBA held in February 2021, given the potential effort required by banks to adapt their current practices to EBA templates' requirements, it should be considered, as an incentive, the possibility for banks to access central databases including aggregated data on transactions performed in the

market (based on information collected via the EBA templates) for specific asset classes in order to enable benchmarking.

- To have enough time for adapting to the new templates, we recommend the adoption of appropriate phase-in arrangements. This is particularly important for banks with regard to UTP portfolios which could require a longer testing phase since the number of such transactions in the market is still limited compared to bad loan portfolio sales for which sellers might need time to implement the EBA templates for such asset class.

Level playing field

- The principle should be defined in a way that would ensure sufficient information to support an efficient, balanced, and transparent NPLs transactions market without introducing any potential bias regarding information provided.
- The regulatory tool should ensure any template enforced to credit institutions should also be enforced to all other actors that could be active on the secondary markets.

Combination of a concise data template and an additional set of free format data

- As stressed out in various occasions and in this response, the NPL transaction templates cannot cover all relevant information for all portfolios under all circumstances without leading to extreme complexity. As a matter of fact, the list of available data is very different from one portfolio to another, and it can be even more diverse when considering transactions all over Europe. Therefore, it would not be prudent to impose templates that aim to cover all kind of data provided for all kind of transactions.

On the other hand, NPL sellers are usually keen to provide any information they have in the format that they have when this can contribute to provide a more in-depth description of a portfolio. To be noted, this information can be relevant in relation with one specific buyer (due to a specific expertise that this buyer has developed). Also, sellers may have some specific information that can be seen as a competitive advantage vs. other sellers, and they may not wish to disclose their know-how to the whole market.

Should a template cover the full scope of potential information, it would become excessively burdensome for the sellers to check and adapt all the fields they have in order to insert them in a standard data dictionary format. In addition, the data might be deteriorated due to translation in the standard format.

Consequently:

- filling an exhaustive data template would be impossible, and
- limiting the information to the "reasonable" template would not be sufficient to give a clear view over the debt, without deteriorating the situation.

It thus seems that the only reasonable way would be to combine a short data template and an additional set of free format data.

Other aspects

- The templates cover some information in excess: a relevant number of fields can be summarized into just one field making things easier to understand and manage, and

still be more comparable. We consider that extra information does not necessarily add more.

- The set of data to be provided should depend critically on the credit status: telling about interest rate or maturity in a loan defaulted already for several years has no added value neither for the seller nor the buyer. What remains is simply a claim on a past due debt with no maturity. Moreover, some of the information in these cases ceases being available as time passes. This information in a recently defaulted loan, in the opposite case, can be very relevant.
- Documentation and systems: due diligence to set what is missing. Subject to the debtor size or complexity of the position, the recovery value can only be understood through a thorough review of the multiple debtor documentation i.e., paper documentation-files. Trying to tabulate everything into an IT file can lead to mistakes in the understanding of the real value of the debt and situation of the debtor.
- Contract level: for a loan sale and, in particular, for the legal transfer, the contract level is essential since in a loan agreement several loans are often granted to several borrowers. Since the IT systems of many banks usually operate from the loan level, manual rework is often required to comprehensively mirror the contract level required for the legal assignment e.g., the mapping of the different utilisations to the different loans with, in some circumstances, different collateral and different (co-)borrowers to the respective loan agreements.
- Litigation process' information is misrepresented: there are plenty of legal proceedings that cannot fit directly into neither a template on the insolvency process (judicial part in template T2) nor to a collateral one (judicial part in template T4). In some countries, litigation processes are more complex than this.
- Mortgage guarantees: in some countries, data relating to the mortgage guarantees, differently from other type of guarantees such as personal or other real guarantees, have an own registration amount which might differ from the underlying collateral. In this context, additional information could be provided, by banks in these countries, for a clear representation of portfolio data. Additionally, the relationships between the loans and the guarantees, and between the mortgages and the property collaterals could also be considered. The lien, currently foreseen by the *Collaterals* template, could be reported at mortgage level, also considering that not all banks have evidence of the lien at property level.

It should be detailed how to handle specific cases of multiple borrowers and guarantors for the same contract. In such cases, it may be useful to have a *Relationship* table that links the co-debtors to the actual joint-debtor. The same would apply between guarantors and co-guarantors.

- Judicial and extrajudicial proceedings: currently, the EBA template includes data on judicial proceedings in the *Counterparty* template as well as in the *Collateral and Enforcement* template when relating to the properties, whilst extrajudicial agreements are not reported at all (only repayment plans are shown). The inclusion of data on judicial proceedings in the *Counterparty* templates and in the *Collateral* template is not in line with market standards, and technically it has the consequence of:
 - o potentially doubling the *Counterparty* template rows relating to a certain debtor when such debtors has more than one proceeding ongoing; and
 - o potentially doubling the *Collateral* rows relating to a certain asset when such assets are involved in more than one proceeding at the same time.

RESPONSES TO QUESTIONS PRESENTED IN THE DISCUSSION PAPER

Section 1 (Scope and structure)

1. Do you agree with the proposed data structure and the relationship between templates? If not, please provide an explanation.

We agree that homogeneous templates would be helpful in some NPL transactions, especially from investor's side, although we consider they should not be mandatory and therefore left for the parties in each transaction to decide whether they consider appropriate its use. Furthermore, templates should only include a short number of fields that are actually relevant for these purposes and should refer to data easily obtainable by the seller banks through automatic extraction from their IT, thus avoiding operational risks.

2. Do you agree with the deletion of data categories 'NPL portfolio' and 'Swap'? If not, please provide an explanation.

Yes, we agree.

Section 2 (Data templates)

3. Do you think the suggested list of data fields capture all the relevant information on the counterparty needed for NPL valuation and financial due diligence? If not, please indicate which other data fields should be included and provide explanation for this.

Since we consider the existing data fields are too comprehensive and complex already, no additional data fields should be added. In fact, as explained throughout our response, the number of critical data fields should rather be reduced.

As a particular comment towards streamlining the *Counterparty* template, we consider this contains information very focused on companies and not so much on individuals. In this template it is important to consider the financial status of the client: failed, default, refinanced, performing, etc, and provide some of the information only according to that situation e.g., 1.09 to 1.43 are characteristics to play a relevant role under a recent default but not if the default has already taken place for some years.

4. Do you think any specific data fields should be excluded from the template? If yes, please specify the data fields and give explanations to your answer.

We consider that any data field which is not needed or deemed important for a valuation should be excluded. This applies in particular for such data where the purpose is mainly to ease a swift valuation of the NPL or to ease the takeover of servicing. Additionally, every data field envisaged in an official EBA template raises expectations on the buyer side that may not be fulfilled. This could have a negative impact on the price if such expectations did not exist before or, at least, did not exist in this form as it may lead to the general impression of poor data quantity or quality.

Moreover, all data fields which contain personal data should be prudently revised if there is a legal basis for processing of such data (see Art 6 GDPR).

The following lists the critical data fields that should be excluded from the template as not required by investors on NPLs' transactions as well as those that should, at least, be reduced in its ranking and thus not considered as critical any longer.

- *Cross Default in Counterparty Group (1,02), Cross Collateralisation in Counterparty Group (1,03), Cross Default for Counterparty (1,44) and Cross Collateralisation for Counterparty (1,45)*: cross default relationships may be too complex to deliver in a standard template.
- *Annual Income (1,09), Currency of Annual Income (1,10), Income Self-Certified (1,11) and Employment Status (1,12)*: information available on the bank may not be complete or updated in NPLs. If important for investors, they should check from external parties.
- *Internal Credit Rating at Origination (1,13), External Credit Scoring at Origination (1,16) and Current Internal Credit Rating (1,18)*: it is not relevant to disclose such an internal data. It may also not be comparable among different entities and the risk exists to be misunderstood by stakeholders/market. Once in NPL, banks do not keep updating the internal credit rating.
- *External Credit Rating at Origination (1,14), Source of External Credit Rating at Origination (1,15) and Source of External Credit Scoring at Origination (1,17), Current External Credit Rating (1,19), Source of Current External Credit Rating (1,20), Current External Credit Scoring (1,21) and Source of Current External Credit Scoring (1,22)*: such information is not always available or necessary for assessing a counterparty. In case this information would be key from buyer side, buyers may access to it from external parties. In case of a private rating usually disclosure restrictions happen. If external credit scores are not public, banks are usually not entitled to forward or disclose these due to contractual restrictions.
- *Basis of Financial Statements (1,29), Financial Statements Type (1,30), Date of Latest Annual Financial Statements (1,31), Currency of Financial Statements (1,32), Fixed Assets (1,34), Current Assets (1,35), Cash and Cash Equivalent Items (1,36), Total Assets (1,37), Total Liabilities (1,38), Total Debt (1,39), Annual Revenue (1,41) and Annual EBIT (1,42) and Financials Audited (1,43)*: no financial statement numbers or information as the investor has to analyse the financial statement as a whole nonetheless and it is part of their due diligence not to rely on figures in a data tape.
- *Market Capitalisation (1,40)*: it is not frequently used as an informative data field as it does not contribute towards assessing the borrowing capacity of the entity. No financial statement numbers or information as the investor must analyse the financial statement as a whole nonetheless and it is part of their due diligence not to rely on figures in a data tape. It is rather recommended to capture it from external sources.
- *Deposit Balance with Institution (1,46) and Currency of Deposit (1,47)*: this information is not related to the sale, so banks do not see the usefulness for disclosing it as it is also a very volatile number needless for valuation reasons. Such information may be also bounded by banking secrecy rules and there may be limited legitimate interest in disclosing.
- *Eligibility for deposit to offset (1,48)*: a bank cannot sell the deposit to allow offsetting for an investor. It was considered as *important*, not as *critical* in the previous NPL templates. It is neither a regulatory requirement nor a critical field.
- *Description of Legal Procedure Type (1,51)*: legal information should be informed at contract level since one debtor may have different procedures for different contracts. It is also correct that a single procedure could group more than one contract (typically unsecured) and secured are treated separately.

- *Commencement Date of Insolvency / Restructuring Proceedings (1,52) and Distribution made to the Seller (1,55)*: information of insolvencies updated are available in public databases. Banks should not be responsible to keep such information updated.
- *Stage Reached in Insolvency/Restructuring procedure (1,53)*: there is no standard for various stages and therefore any description might be misleading and might differ between various sellers.
- *Proof of Claim Filed by the seller (1,54)*
- *Date of Obtaining Order for Possession (1,58)*: in that case it would not be a collateral anymore.
- *Legal Fees Accrued (1,59)*: these fees are calculated only when procedures are finished. Furthermore, legal fees by the seller are usually still with the seller and therefore not relevant. Legal fees by an administrator might not be available as the administrator is appointed by the court and not by the bank and therefore, the administrator is not obliged to disclose an actual number.

Furthermore, the following data fields should not be considered as *critical*:

- In the case of unsecured NPLs (under litigation):
 - *Cross Collateralisation for Counterparty (1,45)*
 - *Jurisdiction of Court (1,57)*

5. Do you agree that data fields on current external and internal credit scores and current external and internal credit scores at origination should be included in the template (for both private individual and corporate counterparties)?

As explained in the previous question, we consider these fields should not be included in the revised templates since these are not relevant pieces of information for a portfolio or single ticket sale.

6. Do you agree that data fields on corporate's latest available financial statement amounts should be included in the template?

We do not consider such information should be included. This information would be relevant for performing loans, but most of the clients included in NPL portfolios are in default. In addition, the company's balance sheet does not always reflect the reality of its situation plus the pure number probably might be misleading given different accounting rules which therefore make the values non always comparable. In addition, this information is not always stored in sellers' IT systems. We further consider it is rather part of the buy side's due diligence the assessment of financial statements as a whole and not to rely on potentially outdated financial statement amounts given in a template.

It is of utmost importance that the revised templates strike a balance between the benefits to sellers and buyers. Consequently, the purpose of the templates should not be towards making the task easier to buyers at the expense of the sellers.

Finally, we consider that data fields on corporates' latest available financial statement amounts should not be included in the template as they are not *critical*. As matter of fact, they were not considered as such in the previous version of the NPL templates.

7. Do you agree that data fields related to corporate counterparties' assets and liabilities, market capitalisation should be included in the template?

We do not agree as long as Balance Sheet and P&L data are typically not available in NPL portfolios. Also, while the information may be relevant for PL or recent NPL, when talking about non-recent NPL, accounting reports do not tell much about the value. In that case, some similar information such as the existence of assets can be obtained (not the value, but just the existence of an asset). That said, and since such information about assets that the counterparty owns is requested by the bank to the public registries at different times during the recovery management process, the information is not easily available in the bank's systems i.e., not tabulated and only paper documentation is available.

In addition, we consider important to reiterate that cross-default relationships may be too complex to fulfil in a standard template.

Relationship

8. Do you agree with the proposed Template 2 of Annex I? If not, please provide an explanation to your answer.

We agree with the proposed template.

Financial instrument

9. Do you agree with the inclusion of the data fields related to interest rates and other information as per contractual agreement for the valuation and financial due diligence of NPLs, especially when they are not more than 90 days past due? Please provide a data field- specific explanation to your answer.

We do not agree since this information is not crucial for NPL valuation and financial due diligence which are likely to make up most of the receivables to be sold and which should be the main purpose of the template. In fact, most of information related to interest rates may have no relevance in price formation, hence transparency may not be essential at this level of detail. Moreover, the legitimate interest that substantiates data disclosure requires in our view data minimization to fit the purpose rather than a deep dive as proposed in the templates.

Also, data fields from 3,09 to 3,11 and from 3,16 to 3,38 are relevant for performing loans only and not in case of NPLs that are in deep default or failed.

10. Do you agree with the inclusion of the data fields related to forbearance measures for the valuation and financial due diligence of NPLs?

We do not consider that detailed information on forbearance is useful to price formation. It should be sufficient to confirm existence of a forbearance measure to convey the message that there was already a measure of this nature already taken. As such, we consider not all given data fields should be included since some of the data is not crucial for valuation and financial due diligence.

It should also be noted that data fields from 3,68 to 3,77 are relevant only in case of performing loans, but not in case of NPLs that were already long defaulted or written-off. They are only necessary when loan repayment instalments are issued again.

11. Do you think the suggested list of data fields capture all relevant information on financial instruments needed for NPL valuation and financial due diligence? If not, please indicate which other data fields should be included and provide explanation for this.

While we consider the type of data included is reasonable, the data required is too extensive from the seller's perspective and the effort to collect and check such data may not justify the purpose. As such, we believe some data fields, not crucial for valuation, should be excluded from the template as detailed in question 12.

12. Do you think any specific data fields should be excluded from the template? If yes, please specify the data fields and give explanations to your answer.

It would certainly help increasing the acceptance of the templates by banks if these would concentrate on data which is absolutely necessary for a valuation. Current market practice shows that this is much less than what is provided in the templates. In addition, a careful review of the categorisation of data fields as *critical* is still required.

It is important to note that data that may be important for the valuation and be a value driver but may still not be a necessary condition i.e. a buyer may still be able to value the portfolio on a loan-by-loan basis without the information. If this is the case, such data should be classified no higher than *important*.

Therefore, we consider the following data fields should be excluded from the template as they are neither mandatory as per reporting requirements nor requested by investors in NPL transactions:

- *Date of origination (3,04)*: not always available. Some products like overdraft conceptually do not have it and in other cases it may not be available due to data migration from extinct entities.
- *Governing Law of Loan Agreement (3,05)*
- *Asset Class (3,06)*: such information can be derived from the type of loan and the collateral type.
- *Final Bullet Repayment (3,08)*: requires manual analysis with high cost in terms of time and operational risk.
- *Current maturity date (3,09)*: since it is not relevant when the contract has already been early terminated.
- *Principal Balance (3,11) and Total Balance (3,12)*: once early terminated, the outstanding balance blends principal, interests, costs and recoveries and applications do not keep track of principal as a standalone concept.
- *Accrued Interest Balance (Off book) (3,13)*
- *Legal balance (3,14)*: the field Legal balance could be replaced by a litigation flag (Yes / No) and it should be transferred to the template on legal proceedings.
- *Accounting stages of Asset Quality (3,15)*: the inclusion of pricing loans may introduce a negative (or positive) bias in buyer. They should do their own analysis based only in economic terms not in accounting terms.
- *Loan Commitment (3,16)*: once early terminated there should be no contingent debt.
- *Current Interest Rate (3,17)*

- *Current Interest Rate Type (3,18)*
- *Description of Current Interest Rate Type (3,19)*
- *Current Interest Base Rate (3,20)*
- *Current Interest Margin (3,21)*: in case of a default/insolvency scenario, there is just a claim.
- *Current Interest Rate Reference (3,22)*
- *Start Date of Interest Only Period (3,23)*
- *End Date of Interest Only Period (3,24)*: requires manual analysis with high cost in terms of time and operational risk.
- *Start Date of Current Fixed Interest Period (3,25)*
- *End Date of Current Fixed Interest Period (3,26)*: in case of a default/insolvency scenario, there is simply a claim.
- *Type of Reversion Interest Rate (3,27)*
- *Current Reversion Interest Rate (3,28), Interest Cap Rate (3,29) and Interest Floor Rate (3,30)*: Non-existent or outdated information. If possible obtaining, it would require manual analysis with high cost in terms of time consumer and operational risk.
- *Last Payment Date (3,31) and Last Payment Amount (3,32)*: requires manual analysis with high cost in terms of time and operational risk.
- *Next Principal Scheduled Repayment Amount (3,33), Next Interest Scheduled Repayment Amount (3,34), Next Principal Scheduled Repayment Date (3,35), Next Interest Scheduled Repayment Date (3,36), Interest Payment Frequency (3,37), and Principal Payment Frequency (3,38)*: this information is not relevant when the contract has already been early terminated. In case of a default/insolvency scenario, the bank simply has a claim so this field cannot be mandatory.
- *Total past-due amount (3,39)*: any data field that simply sum up the amounts given in other data fields are dispensable.
- *Days in Past-Due (3,40)*
- *Time in Past-Due (3,41)*: requires manual analysis with high cost in terms of time and operational risk.
- *Number of Past-Due Events (3,42), Balance at default (3,45) and Charge-off Date (3,46)*: non-existent or outdated information. If possible obtaining, it would require manual analysis with high cost in terms of time consumer and operational risk.
- *Non-Performing Reason (3,43)*: *accounting data should not be disclosed.*
- *Internal Credit Rating at Origination (3,50) and Current Internal Credit Rating (3,53)*: part of the due diligence of the investor to derive its own current credit-rating.
- *External Credit Rating at Origination (3,51), Source of External Credit Rating at Origination (3,52), Current External Credit Rating (3,54), and Source of Current External Credit Rating (3,55)*: public information and in case of a private rating usually disclosure restrictions.
- *Specialised Product (3,56)*
- *Recourse to Other Assets (3,60)*
- *Start Date of Lease (3,62)*

- *End Date of Lease (3,63)*
- *Lease Break Option (3,64) and Type of Lease Break Option (3,65):* refer to information which are not usually exchanged by market players.
- *Currency of Lease (3,66)*
- *Type of Lease (3,67)*
- *Type of Forbearance (3,68)*
- *Principal Forgiveness (3,69) and Date of Principal Forgiveness (3,70):* promises are not documented in the systems and typically forgiveness is done only when contracts are paid in full.
- *Start Date of Forbearance (3,71)*
- *End Date of Forbearance (3,72)*
- *Repayment Amount Under Forbearance (3,73)*
- *Repayment Frequency Under Forbearance (3,74)*
- *Interest Rate Under Forbearance (3,75)*
- *Clause to Stop Forbearance (3,76) and Description of the Forbearance Clause (3,77):* most of such data may not prove supportive for price formation and effort for collection thereof is disproportionate. Should these two fields remain, further clarity about these is required.

13. Do you agree with the data fields related to lease? Please provide a data field-specific explanation to your answer.

As noted in the previous question, we consider all data fields related to lease, except Lease Identifier (3,61) should be excluded from the templates.

Collateral and enforcement

14. Do you think the suggested list of data fields capture all relevant information on collateral needed for NPL valuation and financial due diligence? If not, please indicate which other data fields should be included and provide explanation for this.

While we consider that most of the information crucial for valuation is correctly included, some data fields are not relevant by any means to the purpose of proper price formation e.g., number of rooms, usable area etc. Moreover, there are data fields that may be completely out of the control of the seller to provide.

Consequently, the proposed list of data fields remains too extensive. Such list would also require a high amount of administrative work for the seller to prepare since many fields, for example, may require manual input.

15. Do you think any specific data fields should be excluded from the template? If yes, please specify the data fields and give explanations to your answer.

Some data fields should be excluded from the template as keeping these would not contribute to the targeted simplification of the templates:

- *Register of Deeds Number (4,06)*

- *Type of Occupancy (4,08)*: banks typically do not have that information.
- *Condition of Property (4,09)*: banks typically do not have that information and is subjective. Investors typically hire external parties of their confidence to check it and challenge results in their roll-ups.
- *Geographic Region of Property (4,12)*: not critical for valuation
- *Year of Construction (4,15) and Year of Refurbishment (4,16)*: banks typically do not have that information.
- *Number of Lettable Units (4,18), Number of Units Vacant (4,19), Number of Units Occupied (4,20) and Land Area (M2) (4,21)*: information should be obtained from external public sources (registry) since data is non-existent and, if possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.
- *Number of Car Parking Spaces (4,22)*: information should be obtained from external public sources (registry) since data is non-existent and, if possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk. Some are in the control of the seller yet administrative burden to provide them is too high compared with the purpose.
- *Currency of collateral (4,23), Latest Valuation Amount (4,24), Date of Latest Valuation (4,25), Internal / External Latest Valuation (4,26), Type of Latest Valuation (4,27) and Latest Estimated Rental Value (4,28)*: these would lead to a bias in the determination of the bid price that would distort competition.
- *Current Annual Passing Rent (4,29) and Amount of VAT Payable (4,30)*: banks typically do not have that information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.
- *Percentage complete (4,32)*: this data is subjective and difficult to be exact and updated.
- *Value of Energy Performance Certificate (4,33)*: banks typically do not have that information. Sometimes available from third parties, together with the subjective current state of the properties.
- *Enforcement Status Third Parties (4,35)*: banks typically do not have that information.
- *Latest Residual Value (4,38), Date of the Latest Residual Valuation (4,39) and Estimated Useful Life (4,40)*: part of the buy side due diligence. Also, banks typically do not have that information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.
- *Year of Manufacture (4,41), Manufacturer of Non-Property Collateral (4,42), Name or Model of Non-Property Collateral (4,43), Engine Size (4,44) and Collateral Insurance (4,45)*: in various jurisdictions, these are hardly or even never used since in these jurisdictions the pledge assets are not usually repossessed as a payment of a consumption credit.
- *Collateral Insurance Coverage Amount (4,46)*: banks typically do not have that information. Also, these are arguable useful besides costly to obtain.
- *Jurisdiction of Court (4,47), Court Auction Identifier (4,51), Date of Court Appraisal (4,53), Sold Date (4,61) and Next Auction Date (4,62)*: this information can be provided if the transaction is completed and does not need to be provided in advance as soft data but can also be handed over later with the relevant documents. Not critical for valuation.

- *Current Market Status (4,54), On Market Price (4,55), Gross Sale Proceeds (4,57) and Costs at End of Sale (4,58)*: banks do not market collaterals until they are enforced. Also, banks typically do not have that information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.
- *Net Sale Proceeds (4,59)*: requires manual analysis with high cost in terms of time and operational risk.
- *Court Auction Reserve Price for Next Auction (4,63), Last Auction Date (4,64) and Court Auction Reserve Price for Last Auction (4,65)*: not critical for valuation.
- *Number of Failed Auctions (4,66)*
- *Indicator of Receivership (4,67)*: requires manual analysis with high cost in terms of time and operational risk.
- *Amount of Outstanding Liabilities (4,68)*: these costs will be paid by the seller and does not affect the valuation of the claim. Also, banks typically do not have that information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.

16. Do you agree with the data fields on the characteristics of non-property collateral? Please provide a data field-specific explanation to your answer.

We consider it is enough if sellers provide a type of collateral and value. In various jurisdictions, as explained in the previous question, data fields such as *Year of Manufacture (4,41), Manufacturer of Non-Property Collateral (4,42), Name or Model of Non-Property Collateral (4,43), Engine Size (4,44)* are hardly or even never used since in these jurisdictions the pledge assets are not usually repossessed as a payment of a consumption credit. These data fields should be excluded from the templates.

In case these fields are of buyers' interest, we would suggest them to search for these in public sources.

17. Do you agree with the data fields related to the enforcement of collateral? Please provide a data field-specific explanation to your answer.

While we agree, these data fields seem to imply that the only way to recover value from a collateral is via promoting an auction. It is worth noting that there are other judicial possibilities by which the other party leads the foreclosure process and then it pays to the other creditors. In such cases, there is no need for banks to have data for data fields 4,60 to 4,67.

Collection and repayment

18. Do you agree with the proposed Template 5 of Annex I for NPL valuation and financial due diligence? Please provide data field-specific explanation to your answer

We consider the following data fields should be excluded from the revised templates:

- *Instrument identifier (5,02), Legal Entity Identifier of the Agent (5,04) and Costs Accrued (5,06)*: banks typically do not have this information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.

- *Repayment Plan Description (5,09), Principal Forgiveness (5,07), Total Repayment Schedule (5,10), Principal Repayment Schedule (5,11) and Interest Repayment Schedule (5,12)*: these are not always documented in systems. If possible obtaining, would require manual analysis with high cost in terms of time and operational risk.
- *History of Legal Unpaid Balances (5,13) and History of Past-Due Balances (5,14)*: not relevant when the contract has already been early terminated.
- *History of Total Repayments (5,15), History of Repayments - Not From Asset Sales (5,16), History of Repayments - From Asset Sales (5,17)*: non-existent or outdated information. If possible obtaining, requires manual analysis with high cost in terms of time consumer and operational risk.

Due to experience gained by banks, for most data fields in this template it is not necessary for valuation purposes to provide historic data for the last 36 months. What happened in the last 12 to 18 months than earlier is much more relevant for valuation.

Section 3 (Data dictionary)

19. Do you agree with the description of data fields presented in a data dictionary?

Descriptions seem to provide enough information helping to decide what information is intended for. However, while the descriptions may help sellers to fill in the right data, it may not fit materially to the data provided by different banks in different countries. Descriptions should accordingly be in a separate file and not part of the handover to the buyer. Any ambiguity should be clarified in an individual case between seller and buyer.

We further consider it is of utmost importance that the data fields presented in data dictionary and their definition should be aligned with existing regulatory definitions and data already required for reporting purposes. This will ensure data quality and avoid undue additional reporting costs to collect data. More specifically, we would like to stress the following:

- The definition of "*Borrower Group*" should be defined exactly in the same way as a "group of related clients" as per in Article 4(1)(39) of Regulation (EU) No 575/2013 (CRR) (CRR).
- The definition of "*Default*" should be strictly aligned with Article 178 of Regulation (EU) No 575/2013 (CRR).

20. Do you agree with criticality (and non-criticality) of data fields presented in a data dictionary? If not, please provide suggestions and explanations related to specific data fields.

We consider that for as long as the templates are sought to become binding standards, the *critical / non-critical* status should remain non-mandatory. The category *critical* should be much stricter in scope and only cover data without which a valuation on a loan-by-loan basis is simply not possible. The basic principles for the information to be provided in the EBA NPL templates should be feasibility, usability, comparability, reliability and update frequency. In this context, financial figures e.g., Assets, Liabilities, EBIT, etc, for Corporates on *Counterparty* template should not be critical.

Referring to critical data points, we consider of the utmost importance that:

- Under no circumstances, non-critical fields shall turn out critical.

- If only critical fields are mandatory, it must be clarified what conduct shall be taken by a credit institution when this one does not dispose of the critical information required. For example, if data are not available, the data field could not be left blank, yet instead filled in with a code (NA1, NA2, NA3) that provides an explanation why data is not available. The NA code is particularly important as the NPL directive provides for a retroactive obligation for the use of EBA NPL templates and for legacy portfolios certain information may not be available, this the NA code results essential.
- Privacy should be carefully considered in connection with the mandatory fields linked to borrowers and guarantors personal and economic situation, as well as information related with legal procedures and any other sensitive data.

21. Do you agree with confidentiality aspects of data fields? If not, please provide an explanation.

No data that allows identifying a loan or a debtor should be permitted. Also, sensible data fields should be encrypted to comply with GDPR regulation. It must be highlighted that apart from data, which is protected by GDPR and banking secrecy, one must bear in mind that some data may be protected by separate confidentiality undertakings. This is in particular the case regarding scorings, ratings and valuations which are often protected against a disclosure since it may lead to confidentiality issues.

Furthermore, the confidentiality rule should be better explained. The coding 1 / blank is not clear in terms of underlying rules: confidentiality level, reason for such level and further disclosure limitations. Also, it is worth bearing in mind that data not generally available can create privacy and confidentiality issues. Close attention should be paid to personal data and privacy of consumers. As noted in question 4, data fields related to individuals such as *Annual Income (1,09)*, *Currency of Annual Income (1,10)*, *Income Self-Certified (1,11)* and *Employment Status (1,12)*, should not be included.

Finally, we suggest consideration to double check confidentiality aspects with lawyers and local jurisdictions specificities to privacy law.

22. Do you agree with excluding no data options for data fields? If not, please provide suggestions and explanations related to specific data fields.

Since in some circumstances, the information will not be available, not applicable or may be missing, it is prudent to avoid mandatory filling of data fields with data or mandatory specifications regarding the format of data that would considerably complicate the practical usability of the templates. A simple and flexible manageability of the templates will promote usability. We suggest consideration to the following two reasons for *no data* fields:

- 1) fields that should be filled for the asset class the loan belongs to, but due to the status of the loan (the non-performing reason), the specific data has no sense, and
- 2) fields that due to internal information system limitations are not feasible to retrieve (as a suggestion, a maximum % of no data fields for this second reason could be established, in order not to distort the dataset).

It is worth noting that regulating very strictly the fields may not end up in a proper and transparent price formation but rather in value destruction based on inability of sellers to provide in full certain data that may either not apply or not be under their control. Hence, instead of gaining transparency, certain sellers may end up being constrained while price formation may suffer. In this context, also certain variations could be considered taking

into account specificities of each jurisdiction and availability of data e.g., given data ownership or controlling by seller.

Section 4 (Other considerations)

Proportionality

23. Please provide your views on how proportionality considerations regarding the size of the exposures or portfolios being sold should be incorporated in the implementation of NPL data templates.

We agree with the approach that critical fields should represent the minimum set of core data that are applicable for all transactions regardless of the value and complexity of the NPL in transaction. An alternative approach would be to identify which data fields are essential for the NPL transactions so that only the critical data for valuation purposes remains in the final template.

24. Should there be a threshold (e.g., in monetary terms) for the application of the proportionality principle? If yes, then how should this be defined?

Assuming that everyone's objective should be to avoid manual work and to automate reporting, it should not be necessary to set a monetary threshold for the application of the proportionality principle but some other kind of limitations due to unavailability of the data. In fact, using thresholds in monetary terms may introduce a bias regarding the size of portfolios where a market participant may consider using the size of their portfolio to minimize the information they need to produce.

The reason is also that the proportionality not only depends on the volume of the single loans but also on the price expected to be paid at the time of the trade. Furthermore, data collection, data preparation and data validation may be more challenging and more expensive as regards certain loan types and/or collateral. If the use of the template will actually boost liquidity and as a consequence result in better prices, the templates as such might become a market standard to achieve better pricing. In such case, it should be up to each seller to balance the probably higher cost for data validation and the potentially better pricing as only the seller can make the right decision with regard to a specific portfolio and market condition at the time of the sale.

25. Do you agree that the proposed approach takes into account, in an adequate way, the proportionality principle? If not, which additional elements should be considered?

We refer you to our response to questions #23 and #24.

Asset classes

26. Please provide your views on the asset classes covered and whether any specific data fields, other than already foreseen, should be included in the templates to ensure full coverage of certain asset classes.

Asset classes seem reasonable, so no additional data seems necessary. Judicial information should be improved though.

27. In your view, is the structure and coverage of the templates adequate for both portfolio transactions and transactions where an individual exposure is traded? Please explain your answer.

We agree in the case that the comprehensive number of data fields will be reduced. For portfolio transactions, certain data fields in the proposed data templates are excessive and may not support the scope of transparency and better price formation. It is rather prudent to concentrate on the core data absolutely necessary for a trade. Concerning single exposures, even if the specifications may require additional information in a single exposure trade, it would not make sense to reflect any such specialities in the templates. Trying to address any speciality would make them excessive. Same as with portfolio transactions, it is advisable to concentrate on the core data absolutely necessary for a trade. In fact, for single ticket transactions, the exchange of information does not require such level of formalism so actually there would be no need to apply data templates other than on voluntary basis.

28. Please add any additional comments, remarks or observations you may wish to include in your feedback to the discussion paper.

Please refer to our general comments.

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