



Brussels, 4th August 2022

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**EACB comments on
EBA draft ITS specifying the templates to be used by credit institutions for the
provision of information referred to in Article 15(1) of Directive (EU) 2021/2167 in
order to provide detailed information on their credit exposures in the banking book
to credit purchasers for the analysis, financial due diligence and valuation of a
creditor's rights under a non-performing credit agreement, or the non-performing
credit agreement itself (NPL Transactions Data Templates)
(EBA/DP/2022/05)**

General comments

The EACB welcomes the opportunity to comment on the EBA draft ITS on the NPL Transactions Data Templates mandated under the Directive on credit servicers and credit purchasers.

We appreciate the work done by the EBA in streamlining the templates and greatly reducing the number of data fields compare to previous versions. We believe however that the data points required are excessive for the purpose of disclosing information to prospective buyers.

Making the templates leaner and more focused would be beneficial to offering market participants information that is actually relevant and functional to the buyers' assessment. In fact, it should not be overlooked that documentation and guarantees also play a key role in NPLs transactions.

We would also highlight some other aspects related to the overall design of the ITS.

- Paragraph 5 of chapter 3 (background) points out, that the templates could offer a solid data basis for the establishment of a NPL data hub at the EU level. In our opinion, there is neither a mandate from the EP or European Council to establish such a NPL data hub, nor an operator for a NPL data hub acting on its own risk.
- Paragraph 9 of chapter 4 (the draft ITS) suggests that credit institutions should enforce internal governance arrangements that include internal validation of information being provided by the functions/staff independent from the functions/staff responsible for the sale of non-performing exposures. We believe that such requirements would go too far. On the one hand, it is sufficient to set up a four-eyes principle within the workout department, in which the non-performing loans are managed and in which the sale is also organized, in order to ensure the quality of the data. The workout department is to be maintained specifically for the servicing of restructuring and workout cases, independent of the market and other credit units, in particular to ensure workout expertise. It would be neither efficient nor appropriate to include a unit that is independent of this area to review data compilations for NPLs. On the other hand, the decision to sell an exposure is already subject to a management decision. We do not see any added value in an additional management decision on the compiled data for this exposure.

Finally, although the draft ITS does not introduce any supervisory reporting requirements (background, paragraph 6) and although there is no formal role for the competent authorities in monitoring the use of the templates and enforcing the use of the draft ITS at the point of sale of NPL introduced (background, paragraph 42), the EBA would expect competent authorities to assess the availability of information and use of the template as part of their supervisory activities. We see that there is no legal basis in this respect for (national) competent authorities to act/operate this way.

The voice of 2.700 local and retail banks, 87 million members, 223 million customers in EU

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Answers to selected questions

Q1: Do the respondents agree that these draft ITS fits for the purpose of the underlying directive?

Overall, the new templates require 157 data points. While this represents a significant relief compared to previous versions, this should be put in context with the fact that there are no comparable values for 76 data points (including 45 mandatory fields) that are already collected as part of other reporting obligations (Anacredit, FINREP, ESMA RTS 2020/1124, CRR, IAS/IFRS). This means that there is a significant expansion in reporting requirements.

A further complication for smaller banks (national GAAP users) is that eleven data points relate to IAS/IFRS figures, for which there may be no comparable data available.

With regard to proportionality, we believe that more should be done. In fact, with regard to the €25.000 threshold (based on the reporting threshold for AnaCredit), it should be noted that below this limit there are still 91 mandatory data points to be provided (see also Q12).

Looking at the Cost-benefit analysis/impact assessment, option 13 a/b, p. 41, we believe that it would have been appropriate to introduce a limit for NPL sales at portfolio level.

Especially smaller banks often only sell individual receivables (because from their perspective they may only have a "large" problem loan in their portfolio). It can be assumed that smaller banks will refrain from such sales in the future in order to avoid data collection and reporting.

That is why a threshold based on the number of exposures could be useful (e.g. portfolios with a maximum of 10 loans to be sold). On the one hand, this would sensibly help smaller institutions, and on the other hand, with such a small number (of loans to be sold), any risky circumvention of requirements could be avoided.

Q2: What are the respondents' views on the content of Template 1? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

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Q3: What are the respondents' views on the content of Template 3? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

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Q4: What are the respondents' views on the content of Template 4? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

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Q5: What are the respondents' views on the content of Template 5? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

The valuation and financial due diligence of secured NPL usually takes only collaterals into account. Repayment amounts received in the past usually remain unconsidered.

The valuation and financial due diligence of unsecured NPL usually takes the data reported in template 3 into account (Index 3,12 to Index 3,32). Repayment amounts received in the past usually remain unconsidered for the purchase price of unsecured NPL, because they don't give any information about possible Cash recoveries in the future.

We believe that this template should be deleted.

Q6: Do the respondents agree on the structure of Template 2 to represent the relationship across the templates? If not, do you have any other suggestion of structure?

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Q7: Do the respondents agree on the structure and the content of the data glossary? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

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Q8: What are the respondents' views on the content of instructions?

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Q9: Do the respondents agree on the use of the 'No data options' as set out in the instructions?

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Q10: What are respondents' views on whether the proposed set of templates, data glossary and instructions are enough to achieve the data standardisation in the NPL transactions on secondary markets, or there may be a need for some further technical specifications or tools to support digital processing or efficient processing or use of technology (e.g., by means of the EBA Data Point Model or XBRL taxonomy)?

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Q11: What are the respondents' views on the approach to the proportionality, including differentiating mandatory data fields around the threshold? Please provide any specific comment you may have on the data fields in the dedicated columns of the data glossary (Annex II to the draft ITS) added for your feedback.

We appreciate the clear differentiation in data fields suggested for the draft templates. However, as noted under Q1 and Q12, we believe that more could be done to further refine the fields that are really necessary, particularly for small ticket exposures.



Q12: Do the respondents agree with the proposed calibration of 25 000 euros threshold in line with AnaCredit Regulation? If not, what alternative threshold should be introduced, and why?

Regarding the €25.000 threshold (based on the reporting threshold for AnaCredit), it should be noted that below this limit there are still 91 mandatory data points to be provided.

This is likely to be difficult for banks willing to sell, since the reporting systems collect only a small amount of additional data below the AnaCredit limit. A further complication is that, in this class size of receivables, mostly unsecured loans are granted. These are more likely to be acquired by debt collection service providers in the event of a sale. Pricing in this market segment is usually based on low data requirements (principal claim, ancillary claim, age of the claim, elapsed time since termination, possibly requirements for enforceability). In this case, EBA requirements go beyond what is customary in the market.

It would be useful to introduce a more refined approach in this context:

- A first limit at € 25,000: no mandatory data collection below this limit.
- A second limit at a higher threshold (50/100.000) for the draft ITS proposed reduced reporting scope (from 25.000 to the second threshold).
- A third threshold (above 50/100.000): the complete data requirements of the draft ITS.

Q13: What are the respondents' views on the operational procedures, confidentiality and data governance requirements set out in the draft ITS?

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