

In response to the EBA Consultation Paper titled "Draft Implementing Technical Standards" published 16 May 2022, regarding NPL Transactions Data Templates:

Introduction

Axactor Group is a next-generation multinational debt management company operating in Norway, Sweden, Finland, Germany, Spain, and Italy, with an ambitious growth strategy. Axactor acquires and collects on own portfolios of non-performing loans and provides debt collection and accounts receivable management for third parties. The company has approximately 1,250 employees. Axactor's portfolios consist primarily of unsecured loans (95%).

Axactor submitted its response to the discussion paper dated 5 May 2021 and positively notes that several comments and points made by the debt collection industry in response to the initial discussion paper have been reflected in the updated templates. For our general remarks to the implementation of the draft ITS and the introduction of NPL standard templates (and specifically our comments to the previous version of the templates), we kindly refer to our previous response.

At the same time, we note that the discussion so far inevitably has been heavily influenced by the sellers' superior capacity to respond to last year's Discussion Paper and this year's Consultation Paper, including during the public hearing held on 15 June 2022. In our view, it should be in the sellers' best interest to reduce information asymmetries as well, to leverage the best possible price for their portfolios. We appreciate EBA's committed efforts to introduce the ITS and the NPL data templates to ensure the successful achievement of the objective of a functioning secondary market. We acknowledge the difficult balance between reducing information asymmetries and limiting the cost of provision of data, although we believe the objective cannot be achieved without requiring sufficiently detailed information at the expense of cost minimization.

Having said this, over-all, we still believe that the current set of templates offers better balance between the buyers' need for information versus the sellers' cost of provision of data. We do however wish to make certain comments to the contents. Particularly, the current templates raise two pressing concerns from the buy-side that crucially need to be addressed. The concerns relate to (i) data related to historical collection and repayment schedule and (ii) the threshold in relation to the size of the loan.

i. Data related to historical collection and repayment schedule

We question the rationale to only include two aggregated lump sums of payment history for the last two years, as historical payment data is of critical importance to evaluate any given portfolio. Monthly data is required for buyers to be able to evaluate payment trends that can be extrapolated into the future to estimate cash flow from the portfolio. We ask that the initial proposal of 36 monthly values pursuant to the Discussion Paper of 5 May 2021 is reinstated. This data should be easily available for the sellers and would therefore not constitute any unreasonable cost.

Historical payment data is also important to ensure healthy competition in the market and to protect and maintain smaller and younger companies' ability to compete against companies with greater market power. Large debt collection companies with long history will greatly benefit from its own historical data and may limit partly the consequences of the lack of historical collection and repayment data, whereas smaller and younger companies do not have this benefit. To ensure a well-functioning and effective secondary market, the NPL templates need to enable the buyer to conduct an accurate valuation of portfolios with lowest possible dependence on previous experience.

For our full set of comments, please see Question 5 below.

ii. Proportionality principle on threshold and loan size

We do not support the application of the proportionality principle resulting in a two-tier system, under the current set of templates. We believe that almost all the current mandatory data fields should be mandatory for exposures both over and under the proposed EUR 25k threshold, and as such the threshold should be removed entirely. By reducing the number of data fields from 462 in the original version of the templates to 157 in the proposed templates, proportionality has already been applied. Introducing a threshold further limiting the mandatory data fields for exposures below the EUR 25k threshold would be significantly detrimental to the templates' applicability for unsecured retail exposures as well as smaller corporate exposures.

Under the presumption that the decision to define a threshold is final, we do not believe that the threshold stipulated by the AnaCredit Regulation provides a relevant guideline for this purpose, as the AnaCredit Regulation applies to corporate exposures and not to loans granted to natural persons/consumers – the result being that the threshold is much higher than the average non-performing unsecured loan. If a threshold should be applied, relevant consumer legislation should also be consulted to define an appropriate threshold (e.g., discussions concerning the on-going revision on the Consumer Credit Directive). Additionally, the selection of non-mandatory vs. mandatory data fields (above and below the threshold) appears without a clear logic to the buy-side, as most of the data fields which are mandatory for exposures above EUR 25k would be just as relevant for exposures below the EUR 25k threshold, in order to perform an accurate valuation.

For our full set of comments, please see Question 11 and 12 below.

Having introduced our main concerns above, we will continue to reply to the specific questions presented in the consultation paper below, and to each data field in the attached Annex II. Notably, many of our comments to the Consultation Paper relates to the fields which are currently suggested as non-mandatory for exposures below the proposed EUR 25k threshold, and why we believe this threshold needs to be removed/significantly revised.

Questions

1) Do the respondents agree that these draft ITS fits for the purpose of the underlying directive?

The stated objective of the draft ITS and NPL templates are to reduce information asymmetries between the seller and buyers of NPL – having been identified as one of the key impediments for the development of efficient functioning NPL secondary markets. Article 16(3) of Directive (EU) 2021/2167 (the “**Directive**”) underlines that the ITS and NPL templates should be proportionate to the nature and size of credits and credit portfolios as well as “[...] *minimizing processing costs for credit institutions and credit purchasers [...]*”.

In the public hearing on 15 June 2022 the banks used disproportionately much time on arguing that the current ITS and NPL templates increases the processing costs of banks unreasonably so. To this we disagree. Although our views are admittedly different in respect of the amount of information which

may reasonably requested, we believe that our interests in an efficient secondary market for NPLs are in everyone's interest. To close the spread between ask and bid prices, as well as to broaden the investor base in the NPL secondary market, more information is a necessity – specially to lower barriers of entry for smaller market players/investors.

Under Recital 38 of the Directive, it follows that “[...] [o]n the one hand, applying such data templates to credit agreements would reduce information asymmetries between potential buyers and sellers of credit agreements and, thus, contribute to the development of a functioning secondary market in the Union. On the other hand, where such data templates are excessively detailed, they can generate an excessive burden for credit institutions without any appreciable gain in information terms. [...]”. Of course, we appreciate that this should not be construed to mean that all information of appreciable gain should be provided by the sellers of NPLs regardless of the burden/cost. To achieve the objective, the credit institutions cannot simply reject any increase in requested data fields on the basis that this may entail an additional burden or cost, compared to current market practices, keeping in mind that the NPL data templates are intended to reduce information asymmetries in the *current* market.

In the following and in the attached [Annex II](#) we have highlighted and explained the data fields which we view as critical to achieve the objective of the draft ITS and NPL templates, and nuance where we believe that something may be nice-to and not need-to. Below, we are focusing on certain data fields of significant importance. For our full set of comments to each data field, please consult [Annex II](#).

In light of the above, we would happily answer any questions you may have to our proposals and/or comments.

2) 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.

We appreciate that many of our comments in response to the EBA Discussion Paper dated 4 May 2021 have been considered in the updated draft.

Our primary remarks to *Template 1*:

- We would request that a field is added for Personal Identity Number, or alternatively that the National identifier fields (1.11-1.12) are updated to include private individuals (Borrower type changed to 'Applicable to all').
- We would also like to note that for field 1.38 to be useful, standardization of the definition of legal stages would be needed.

For our full set of comments related to *Template 1*, and the specific data fields, kindly consult the attached [Annex II](#).

3) 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.

Our primary remarks to *Template 3*:

- We would need Accrued interest and Other balances to be specified for all exposures.

- Outstanding nominal amount needs to be split in Principal amount outstanding and Unpaid past due interest.
- Specification of past and current *interest rates* separated by *interest rate type* is an element in calculating the purchase price for the portfolio and would be a requirement to ensure that subsequent debt collection activities are performed in compliance with local debt collection legislation, *inter alia* always using correct outstanding amount and to specify all relevant interest items with sums, runtime, rates and legal basis.
- Data field requirements should not be limited to loans that are 1 year past due or less. We would appreciate to receive the information for all loans to assess them in the same manner regardless of the time past due.

For our full set of comments related to *Template 3*, and the specific data fields, kindly consult the attached [Annex II](#).

4) 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.

Our primary remarks to *Template 4*:

- Several fields suggested as non-mandatory have an impact on the valuation of the exposures and should therefore be changed to mandatory.
- We note that the template considers the repossession of assets to a certain extent, while it is unclear whether it is intended to include REOs sold as part of an NPL portfolio.
- Regarding field 4.01, it needs to be clarified what to do when there is more than one owner and if these owners own different percentages.
- Regarding field 4.04, it needs to be clarified that this is the amount at cut-off date as this amount may vary as the interest and expenses increase over the time.
- For field 4.09, we would want to include 'Squattered' as one of the options.
- We would request that the field 'Year of Construction' is reinstated in the template as this can have a significant impact on the value of the immovable property.

For our full set of comments related to *Template 4*, and the specific data fields, kindly consult the attached [Annex II](#).

5) 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?

We strongly disagree with the changes made to *Template 5* since the EBA Discussion Paper dated 4 May 2021.

- We were very positive to the suggested 36 months of monthly payment history in the last draft. Payment history is the single most important element in portfolio valuation.

Under current market practice, we typically receive 12-36 months of payment history, which is specified per month or per transaction. Compared to current market practices, 36 months of payment history would improve the secondary market by remedying the information asymmetry - likely reducing the spread between ask and bid prices. We urge EBA to

reconsider this element, in view of our comments, and ask that 36 months of monthly payment history is reinstated in the final version.

On the other hand, if the decision to reduce the mandatory months of payment history to be provided is final, we would like to add that 12 months in any event would be too little to provide good comfort on the quality of the exposures, and that the buyer on a general note requires as much payment history as possible, to understand and analyze the payment trends. Moreover, yearly data adds little value since the trend over the period is one of the key elements we analyze.

Considering the banks would need to have payment history for the last 12 months at any time, we do not see that increasing this requirement to cover 36 months (broken down to monthly installments) for all transactions would be an unreasonable request, especially considering the importance of this information to the credit purchaser, and the fact that this would simply be a matter of keeping existing information for a longer period. Referring again to the purpose of the introduction of the ITS and the NPL templates, in creating an efficient secondary market, these are exactly the type of changes that would reduce barriers of entry and broaden the investor base.

- We also note that more detail has been suggested for the future repayment plan than for historical repayments. We would like to point out that future repayment plans for defaulted claims have little value for the valuation of portfolios given the high uncertainty and low likelihood of payment, with notable exceptions, e.g., promissory notes in Italy (*cambiali*). Historical payments are of critical importance to the valuation of portfolios, as they represent actual payments and thus give a clear indication of the quality of the debt.
- We do not agree that Cash recoveries should only be required in case of external collection. There is no difference in principle between cash recoveries generated by external agencies and those generated by the seller's internal processes, and both provide similar information value for the valuation of portfolios. However, as internal and external collection could imply different processes, internal and external collection should be provided in separate fields. And again, the field(s) should be mandatory for all sizes of exposures, being the most important piece of information for the valuation of portfolios.
- One additional element that has not been considered in the Consultation Paper, is whether the sellers should be required to provide cash flow information on closed cases in addition to the open cases that form part of the portfolio. The absence of information on closed cases makes valuation of the portfolios more difficult, as part of the cash flow is missing, and estimates have to be applied as to how much of the historical cash flow must be expected to arise from exposures closed in advance of the sales process and thus not being part of the data set.
- We notice that the History of Legal Unpaid Balances and History of Past-Due Balances fields have been removed in the updated draft. We did agree with the inclusion of those fields, but do not strongly object to their removal if the full 36 months of monthly payment history is added back to the template.

For our full set of comments related to *Template 5*, and the specific data fields, kindly consult the attached [Annex II](#).

6) 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?

Yes, although we are unsure whether the template is adequate to deal with situations in which loans have multiple asset collaterals and assets serve as collateral for multiple loans.

7) 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.

We have no comments to the structure of the data glossary. For our full set of comments related to the contents, kindly consult the attached [Annex II](#).

8) What are the respondents' views on the content of instructions?

We have no comments to the contents of the instructions.

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

We support the use of different categories of 'No data options', as set out in the instructions.

10) What are respondents' views on whether the proposed set of templates, data glossary and instructions are enough to achieve the data standardization 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)?

We have nothing to add in respect of data standardization.

11) 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 do not agree with the current approach to proportionality. In our view the templates should not differentiate based on the size of the individual exposures. We believe it should be argued that proportionality has already been applied throughout the process; having reduced the number of data fields from 462 in the first version of the templates, to 157 in the current version. By reducing the number of mandatory data fields further, based solely on the value of the respective exposures, we strongly fear it would counteract the intention behind introducing the NPL standard templates, which aims to provide a *complete* set of data fields for the buyers' accurate valuation of each portfolio. By making all the remaining data fields mandatory for all exposures (with certain minor exceptions, as outlined in our response to [Annex II](#)), we believe that the goal to reduce information asymmetries and create a better functioning secondary market for NPLs can be achieved.

In our comments to the EBA Discussion Paper dated 4 May 2021, submitted in August 2021, we have explained that we believe most transactions will require a full set of data fields. Additionally, our response was written under the assumption that the proportionality would be applied to size of the portfolios, which would imply that the seller would share similar information for all exposures in a portfolio. When the seller has the full set of data fields available for the larger exposures, the seller will also have the full set of data fields available for the smaller exposures. If the seller is providing the full set of data fields for the larger exposures, we believe that the same information for the smaller

exposures may be extracted easily from the same source, without causing the credit institutions any additional workload. To our current understanding, the suggested threshold may result in a situation where the sellers may choose not to provide information, simply for the sake of not providing the information that is clearly available and can be provided without any undue cost or effort. We question the logic behind such an application, considering that the purpose of the ITS and NPL templates are to reduce such information asymmetries between sellers and buyers of NPLs as are present in the current market. We believe that the objective of the ITS and NPL templates stipulates that *only* information which causes an *excessive* burden on the seller, without any proportional appreciable gain for the buyer, should be non-mandatory. This should not be the case where the information is readily available and may easily be provided through an extract from the source.

In either event, it is *very* important for us to note that we do not agree that the fields suggested as non-mandatory for smaller exposures and mandatory for larger exposures, are less important for smaller exposures than for larger exposures. In conclusion, we kindly request EBA to reconsider differentiating the mandatory data fields under the current templates relating to loan size, as the proposed mandatory data fields that are left should be mandatory regardless of the size of the exposure(s).

12) 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?

In light of the above, we do not agree with the application of proportionality as a threshold relating to the size of the exposure(s). On the other hand, if there is to be a threshold, we do not agree that aligning the threshold with the AnaCredit Regulation (the “**Regulation**”) makes any sense. The Regulation is used for a completely different purpose, and the threshold does not reflect the needs of the parties (specifically the purchaser) in an NPL transaction. If a threshold should be applied, relevant consumer legislation should also be consulted to define an appropriate threshold (e.g., discussions concerning the on-going revision on the Consumer Credit Directive).

The purpose of the Regulation is to collect credit data and credit risk data on corporate loans to monitor and foster financial integration and stability in the Union. The EUR 25k threshold of the Regulation is defined for the purpose of loans extended to legal entities, and not natural persons and private households. Loans to businesses would naturally be of a higher average value than loans to natural persons. We do not see the relevance of the Regulation as a basis for a threshold for the ITS and NPL templates and ask that EBA reconsiders the application of a threshold based on the Regulation if a threshold is to be defined.

We note that as a purchaser of mainly unsecured debt, a significant majority of our existing portfolios have average size of exposures well below EUR 25,000. It is also a fact that the lower balance exposures are attributed higher relative value in valuations, so the share of our book value relating to exposures above EUR 25,000 is very low.

On the contrary, our secured exposures are typically larger than EUR 25,000. We acknowledge that secured portfolios follow different workflows and are often evaluated along different criteria than unsecured portfolios. It is, however, always an advantage to have all relevant information about the exposures available in the valuation to reduce risk and allow for more accurate pricing.

If a threshold still is to be introduced, we argue that a potential threshold should be set in the range EUR 50-100 (between fifty and one-hundred euro), which is a level for which exposures of lower

amounts would be assigned little or no value in the valuation of a portfolio, due to the disproportionate cost of collecting the claims. On the other hand, given the rationale behind the level at which a threshold would be acceptable from a purchase point of view (in due consideration of the current data fields), we believe that the application of proportionality in relation to the size of the exposures would not be a feasible solution.

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

We have no comments to the operational procedures, confidentiality, and data governance requirements of the draft ITS specifically. However, we would like to note that EBA should ensure that “*adequate and effective internal governance and data governance arrangements*” cf. Article 8 of the draft ITS are not left for the sellers to define, rather it should be up to the supervisory authorities to establish and/or to provide relevant guidance on what would be “*adequate and effective*”.