

ACCIS response to EBA's draft guidelines on management of non-performing and forborne exposures

Response to Selected Questions

Established in Dublin in 1990, the Association of Consumer Credit Information Suppliers (ACCIS) is an international non-profit association under Belgian law bringing together 48 member organisations active in the area of consumer credit information. ACCIS aims to create a legal and regulatory climate in which its members can continue to develop their services contributing to the better functioning of the credit market in Europe and internationally.

Introduction

The EBA considers (paragraph 58) that, *'in order to eliminate conflict of interest in managing non-performing exposures as well as to make good use of dedicated NPE expertise across the organisation, the NPE operating model should be based on dedicated NPE workout units (NPE WUs)'*.

The EBA considers (paragraph 79) that *'an adequate technical infrastructure'* should enable NPE WUs to *'easily access all relevant data and documentation including [...] access to central credit registers [...] and other relevant external data sources where technically possible'*.

The EBA finally considers (paragraph 142) that *'before granting any forbearance measures, credit institutions should assess borrower's creditworthiness taking into account all relevant factors and, in particular, the debt servicing capacity and overall indebtedness of the borrower or the property/project*.

According to EBA, NPE WUs should be:

- Separate from units responsible for loan origination (para 58)
- Linked with loan origination units by means of a feedback mechanism (para 61)

Question 5: Do you see any significant obstacles to the operationalisation of the NPE strategy as described in chapter 5?

ACCIS is pleased to read in the EBA's draft guidance that access to central credit registers and other relevant external data sources (which would thereby also include credit bureaus) is important for an institution's NPE WUs to work effectively (paragraph 79). However, the guidance states that such access should take place *'where technically possible'* although *'an adequate technical infrastructure'* is a prerequisite and essentially assumes technical feasibility.

It has been acknowledged by the EBA that access to credit data collected on a regular basis by credit registers and credit bureaus can help an institution manage its NPEs, including



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where an institution needs to check the overall indebtedness of a borrower / project before granting any forbearance measures (paragraph 142).

It has also been stated that NPE WUs should be linked with loan origination units by means of a feedback mechanism (para 61)¹.

Furthermore, it should be recalled that access to and sharing of data and documentation by all NPE WUs with credit registers and credit bureaus has benefits for the financial system as a whole i.e. it helps detect the potential build-up of risks from a systemic, financial stability perspective and can help supervisors ascertain the magnitude and relevance of non-performing loans, changes and recent trends, etc. Analysis of credit data can help in defining and setting indicative thresholds to guide policy decisions on when a preventive intervention from the authorities responsible for financial stability may become necessary.

As a consequence, ACCIS is of the view that that *'an adequate technical infrastructure' should enable NPE WUs to 'easily access all relevant data and documentation including [...] access to central credit registers [...] and other relevant external data sources such as credit bureaus where technically possible'*.

Furthermore, in line with EBA's acknowledgement of the helpfulness of credit data, it would be recommendable to mention 'credit bureaus' in paragraph 121, within the context of the external information on the basis of which Early Warning Indicators should be set. This would also help better address the retail dimension of NPEs, which is also considered in the guidelines.

Paragraph 121 should, therefore, read:

*'EWIs should be set on the basis of internal (e.g. internal score systems) or external information (rating agencies, **credit bureaus**, specialised sector research, or macroeconomic indicators for specific geographical areas) and refer to a point in time or an observation period. Annex 3 includes examples of EWIs as inputs into the early warning system.'*

¹ EBA will be in future issuing guidelines on loan origination, monitoring and internal governance (paragraph 142), where we expect the issue of access to credit register to be considered in detail.