

QUESTIONS - TARGETED CONSULTATION ON IMPROVING TRANSPARENCY AND EFFICIENCY IN SECONDARY MARKETS FOR NON-PERFORMING LOANS

1. ESTABLISHING AN NPL DATA HUB AT EUROPEAN LEVEL

1.1- Overarching principle and added value of an EU data hub

1. Do you agree that increased market transparency would render NPL secondary markets more efficient?

No, we do not agree. We consider transparency does not necessarily translate into more efficient markets, and in fact transparency is not the problem in the NPL market. There is not a so direct and clear causal relationship between transparency and efficiency.

Moreover, we believe NPLs market is not going to be more efficient as asymmetry information will remain. This is because the majority of buyers are outside the EU and they are not subject to EU rules, hence, they have no incentives or obligation to share post trade information. As a result, credit institutions would not benefit from information on post-trade information whereas they would have the obligation of sharing information on NPLs transaction with the data hub.

In addition, we believe the standardization of NPLs secondary market is not feasible. Underlying conditions are highly atomized, varying significantly across different countries.

Finally, transparency would lead to privacy/data protection issues when providing information.

2. What other policy measures should be considered to enhance market transparency?

We consider it is of utmost importance the simplification of current regulations.

In addition we are of the view, as pointed out in question 1, that any policy measures to be considered to enhance market transparency should involve NPLs sellers but also all NPLs buyers. That means, similar requirements should be expected by all markets participants in NPLs secondary market. Otherwise an asymmetry in the information to be provided would lead to an unlevel playing field between market participants.

3. Do you agree that market transparency could be improved by establishing a centralised NPL data hub at EU level?

No, we do not agree. The NPLs secondary market is not only circumscribed to the European Union, so setting up a centralized European data hub would not provide transparency for the whole market to be addressed. On the contrary, potentially there may be unintended and contrary consequences to the pursued purpose, undesired results may arise. This must be done with great care and with a gradual voluntary approach.

4. What would in your view be the biggest added value of the NPL EU data hub for the overall market?

None. As raised in previous questions, we believe an NPL EU data hub would not tackle the transparency and efficiency issues highlighted by the EC. The NPLs secondary market



exceeds the EU market and EU players, therefore the NPLs EU data hub seems to be a partial solution.

5. In your opinion, how important are each of the potential benefits (listed below) of the NPL EU data hub for your organisation?

(please rate each from 1 to 5, 1 standing for "not important factor" and 5 for "very important factor")

Diminishing information asymmetries	1
Supporting market liquidity	1
Fostering wider investor participation, including more medium and small investors	
Helping price discovery for NPL sales transactions	1
Enabling new investors to get familiar with the NPL asset classes across different jurisdictions	1
Addressing coordination issues	1
More efficient NPL transactions	1
Lenders and servicers to make more efficient recovery and disposal decisions	1
Other: ...	

1.2. Scope of the data hub

6. On what information should the data hub focus?

Solely information on transactions that have taken place (e.g. transaction price, asset class, legal jurisdiction and structure of the agreement).	
Information on transactions and on post-trade performance (i.e. data on the recovery).	X
The data hub should go beyond the two options above.	

Only information about transactions at an aggregate level and without price and personal data disclosures, given potential data protection issues. Although information about the debtor will be anonymized, data on the collateral will be needed, so the identity of the debtor will not be difficult to obtain. The data hub should only focus on information about transactions at an aggregate level and without price and personal data disclosures.

1.2.1. Data on NPL transactions

7. Would you see that the transaction data for the data hub should cover;

(please rate each from 1 to 5, 1 standing for "not helpful" and 5 for "very helpful")

all data fields in the revised EBA NPL templates	1
critical fields in the revised EBA NPL templates	1
a subset of (critical) data fields in the revised EBA NPL templates	3
Other	



We do not see value in establishing a NPL data hub. If it were to be created anyway, sharing data on post-execution recoveries might be useful to reduce the bid-ask spread.

8. Would you agree that the data on NPL transactions should be provided on portfolio level, as well as on individual exposure level, when appropriate?

No we do not agree. As previously explained, we do not see value in establishing a NPL data hub. If it were to be created anyway we consider the data on NPL transaction should be provided only on at portfolio level. We should be very careful with disclosures of individual positions. Requiring information at individual level would contradict the idea of providing anonymized data sets out in the EC consultation paper.

9. Which of the following data categories should be covered by the data hub?
(please rate each from 1 to 5, 1 standing for “not helpful” and 5 for “very helpful”)

Country (where loan was originated)	1
Trading category	1
Overall gross book value sold	1
Transaction price	
Average ticket	1
Days overdue	1
Asset type	1
Number of borrowers	1
Borrower category (enterprise, private individual, public, other)	1
Insolvency rate	1
Maturity	1
Loan-to-value (where applicable)	1

10. Would you see any specific confidentiality concerns or other impediments in sharing this information with the data hub?

Yes, many. We believe, sharing this information could face data protection and confidentiality issues, as it is easy to guess who the client is if information about the collateral (for example, the address in the case of mortgages) is provided.

11. Would it be valuable for the data hub to collect other transaction-related information? If so, what specific information should be covered?

No. Current information proposed already covers a broad range. Furthermore, as we have raised previously proposed information may entail data protection and confidentiality issues therefore the cost/benefit of requested information would no longer exist but would instead lead to more risks.

1.2.2. Post-trade information on recovery efficiency

12. What would be the most important benefits of gaining insights into information on recovery rates via the data hub?

We consider it could reveal which strategies are more efficient from a post-trade point of view.



However, as we have pointed out in previous questions, we believe credit institutions would not benefit from post trade information on recovery rates via the data hub, as most NPLs portfolios buyers are outside the EU. That means, they would not be obliged to provide such data. Therefore this situation would lead to information asymmetry between NPLs sellers and buyers.

13. Would you consider provision of data on recovery rates at loan level to be feasible?

No. Considering the data on NPL transaction should be provided only at portfolio level, requiring data on recovery at individual level would contradict the idea of providing anonymized data sets out in the EC consultation paper.

If not, would you consider that provision of such data at an aggregate level would still deliver benefits?

Yes, we consider this information could be helpful at an aggregate/portfolio level. However, as flagged in question 12 we believe credit institutions would not benefit from post trade information on recovery rates via the data hub, as most NPLs portfolios buyers are outside the EU. That means, they would not be obliged to provide such data. Therefore this situation would lead to information asymmetry between NPLs sellers and buyers.

14. What specific information on recovery efficiency would you consider valuable and/or feasible to be provided to the data hub at an aggregate level?



	Valuable	Feasible
Progressive value of assets, aggregated by:		
asset class		
country/jurisdiction		
industry/sector		
borrower characteristics		
legal process		
Recovery rates, aggregated by:		
asset class		
country/jurisdiction		
industry/sector		
borrower characteristics		
legal process		
Recovery time, aggregated by:		
asset class		
country/jurisdiction		
industry/sector		
borrower characteristics		
legal process		
Information about workout and recovery in the relevant legal reviews		
Other: ...		



15. For the kind of information that you would consider valuable and feasible to be provided to the data hub, what reporting timeframe would be most appropriate, and why?

As previously raised, we do not see value in establishing a NPL data hub. If it were to be created anyway we consider providing information on an annual basis would be sufficient given the significant cost it would imply for institutions.

16. In case you would not be in favour of providing information on recovery efficiency to the data hub, what would be the main reasons for this?

Bearing in mind your answer to the previous question, how could these reasons against providing information to the hub be overcome?

N/A.

17. Would you agree that data on recovery efficiency should be specifically requested for loans benefiting from any form of public support? In your view, which loans would fall within the scope?

Not necessarily.

18. Would you agree that ESMA securitisation disclosures for private or public structured transactions, where relevant, could be provided to the data hub?

Not necessarily.

1.3. Asset perimeter: types of transactions to be distinguished

19. For which categories of transactions should data be provided to the data hub (i.e. after a specific cut-off date)?

(Please rate each from 1 to 5, 1 standing for “fully disagree” and 5 for “fully agree”.)

Segments that may be better prepared to comply with the data requests, such as securitisations	1
Any sale involving an asset with a direct government subsidy	1
Transaction types that are more frequent across the EU (such as loans secured by commercial real estate)	1
Segments where most market activity / stress is likely in the context of the COVID-19 crisis	1
Other: ...	

20. For which categories and under what conditions would you consider it feasible to also provide historical data (at least for 1-3 years)?

For relevant and guaranteed transactions. It should be taken into consideration that depending on the requested data, historical data could be or not available. In any case, we believe historical data should not cover more than one year.

21. Would you agree with the following criteria for transactions to be provided to the data hub?

(please rate each from 1 to 5, 1 standing for “fully disagree” and 5 for “fully agree”)



Sales with a purchase price exceeding a minimum threshold	1
Notional size of a portfolio exceeding a minimum threshold	1
Portfolios consisting of a minimum	1
Other ... If we limit the information by setting a threshold, we would make the information partial. Information for small portfolios, and therefore information for small buyers, would be left out	5

22. Bearing in mind your answer(s) to question 21, what should be:

The minimum threshold in terms of purchase price	
The minimum threshold in terms of notional portfolio size	
The minimum number of borrowers in a portfolio	

1.4. Data protection

23. Provided that relevant confidential information (sellers, buyers and borrowers) would be anonymised and aggregated, would you have any concerns with respect to data protection?

We do not see value in establishing a NPL data hub. If it were to be created anyway we would have many concerns with respect to data protection. It is complex to achieve and some positions can be ultimately guessed. Although information about the debtor will be anonymized, data on the collateral will be needed, so the identity of the debtor will not be difficult to obtain. As raised in previous questions, the data hub should only focus on information about transactions at an aggregate level and without price and personal data disclosures.

24. Would you agree that it would be possible to deliver insights at the level of postcode or NUTS3 geographic region of buyers, sellers and borrowers?

We do not see value in establishing a NPL data hub. If it were to be created anyway we would agree at portfolio level, however as highlighted before we would not agree when considering at individual level.

25. Taking into account that GDPR requirements would be respected, would you agree that data anonymisation and protected access would be sufficient to prevent any potential misuse of the data (e.g. for M&A purposes)? If not, what other safeguard should be considered?

No, we do not agree. As pointed out in previous questions we consider data shouldn't be disclosed at individual level. There are ways to cross-data and finally access to data that should be protected. Benefits do not outweigh risks.

1.5. Responsible organization

26. Who should be responsible for the establishment and management of the data hub?



Existing market infrastructure, possibly in cooperation with existing industry-led initiatives	
A public entity (existing or newly established) should take up this responsibility	X
A new private entity should take up this responsibility	

Please elaborate on your preferred approach: what entity should be responsible and why?

We do not see value in establishing a NPL data hub. If it were to be created anyway we believe a public entity should be in charge of the data hub. Private entities could have many conflicts of interest.

27. Bearing in mind your answer to the previous question, would you consider a public tender appropriate to determine the most suitable candidate?

Internal public resources

1.6. Sharing data with the hub

28. In order for the data hub to reach critical mass, would you consider an obligation to report relevant data to the data hub necessary/useful?

Yes, there should be an obligation for all relevant market participants to provide data	NO
Yes, there should be an obligation for relevant market participants to provide data, but only for a specific sub-set of critical data.	NO
No, provision of data to the data hub should remain voluntary and the prospect of gaining access to the European-wide data pool of the hub should be sufficient.	YES

29. Under what conditions would you consider such an obligation to share specific data acceptable? Would regulatory action be necessary in your view?

We do not see value in establishing a NPL data hub. If it were to be created anyway the data hub should be voluntary. More transparency does not necessarily translate into more efficient markets, and in fact transparency is not a problem in the NPL market.

29.1 If regulatory action would be needed, what approach should be chosen for your market segment?

1.7. Data hub governance and services

30. What would be an appropriate data governance structure for the hub? Are you aware of best-practice examples in related areas, national or EU-wide, that the hub should strive to emulate?



We do not see value in establishing a NPL data hub. If it were to be created anyway a very restricted access should be ensured.

31. What would you consider the most effective way to stimulate stakeholders to provide data?

A scheme of layered access, whereby stakeholders could gain access to different levels of detailed data only if one shares one's own data	YES
A 'credit point system', whereby a certain number of deliveries would grant the right to receive the same number of queries	YES
Other: ...	

32. If access to the hub's data is restricted in this manner, how could new participation in the NPL market be encouraged?

Bearing in mind your response to the question above, would you consider that special treatment would be appropriate for market entrants to gain partial access to the data hub?

Access has to be restricted to serious and accredited new participants

We do not see value in establishing a NPL data hub. If it were to be created anyway, we consider it could be required that buyers reciprocally provide information on the subsequent evolution of the portfolios purchased, so that whoever wants a higher level of information should provide the same amount of reliable information from their role. Otherwise, an asymmetry in the info to be provided would lead to an unlevel playing field between market participants.

33. What specific analyses could the hub perform on its data pool that would be conducive to market transparency and data comparability? What specific market benchmarks would you consider most useful?

The data are too difficult to compare to draw conclusions. We can trust only on volumes crossed, number of transactions by asset class and more active participants at a country level.

34. Would you consider it useful if the data hub would provide information on NPL investors (preferences and general profiles) and/or general information on judicial processes?

Not too much, many investors can have different interests in time, and even can tell you that they are interested in everything, but they will arrange agreements later on.

35. Should the hub be able to charge fees to cover administrative costs? If yes, how should these fees be determined? Under what conditions would you be willing to pay such fees?

No, it is difficult to see the added value to charge fees.

1.8. Mobilising existing data sources



36. Are you aware of existing (market-driven) initiatives that pool and process data to gain better insights into credit risks and the management thereof? If so, what are the names of these initiatives and what services do they provide?

No

37. Would you consider that there could be valuable synergies between the data hub and such existing data pooling initiatives? If so, which synergies?

No

38. Would you consider it valuable if the data hub would provide insights into the following data in an aggregated manner? (please rate each from 1 to 5, 1 standing for "not valuable" and 5 for "very valuable")

Beyond the establishment of a data hub, to which we do not see value in establishing, we would welcome any initiative that unifies regulatory reporting conceptually aimed at the same thing.

Supervisory reporting on credit risk, non-performing exposures and forbearance	
<input type="checkbox"/> COREP supervisory reporting	
<input type="checkbox"/> FINREP supervisory reporting	
<input type="checkbox"/> Credit risk benchmarking exercise	
Judicial information:	
<input type="checkbox"/> efficiency data ⁵	
<input type="checkbox"/> detailed timing of different in-court bankruptcy and foreclosure processes	
<input type="checkbox"/> judicial auction outcomes (number of auctions required by property type and region)	
<input type="checkbox"/> sales haircut vis-à-vis initial bank or court valuation (CTU)	



<input type="checkbox"/> relative frequency of main insolvency procedures and court driven restructuring measures	
Securitisations:	
<input type="checkbox"/> ECB ABS loan level initiative ⁶	
<input type="checkbox"/> ESMA reporting for securitisations	
<input type="checkbox"/> Data collected in the GACS reporting template (Italy only)	
Data pools of existing industry initiatives (to be explored in cooperation with these initiatives and their members):	
<input type="checkbox"/> Existing data pooling initiatives	
Bank risk parameters on forbearance, loss given default (LGD), realised loss, time to recovery, and cure rate data by regulatory asset class and country, as aggregated from:	
<input type="checkbox"/> the AnaCredit database	
<input type="checkbox"/> bank Pillar 3 disclosures	

2. TAILORING PILLAR 3 DISCLOSURE REQUIREMENTS

2.2. Pillar 3 disclosure and market efficiency

39. Do you agree that additional Pillar 3 disclosures could help to improve functioning of NPL secondary markets and increase their efficiency?

No, we do not agree. Pillar 3 is intended for equity investors, so it should not be used for matters related to the sale of NPLs. The scope of the disclosure (individual/consolidated) should be clarified, as the consolidated information of a global bank will not improve the European secondary market. There is not a so direct and clear causal relationship between disclosure and efficiency. What can be beneficial is the comparison of volume of sales between banks and countries for sellers and regulators



2.3. Targeted areas for more detailed disclosures

40. Which types of information, in general, could additional Pillar 3 disclosure requirements target to maximise efficiency of NPL markets?

We do not see value in establishing additional pillar 3 disclosures. If it were to be disclosed anyway, we consider data should be provided by both, sellers and buyers, at a very aggregate level that could be comparable between countries and banks.

41. More specifically, in your opinion, which of the following types of information should be introduced in the Pillar 3 disclosure framework?

(please rate each from 1 to 5, 1 standing for "not important factor" and 5 for "very important factor")

Recovery rate (average)	
Recovery rates (by asset class)	1
Recovery rates (by past due days)	1
Recovery rates (by country)	1
Time to recovery (average)	
Time to recovery (by asset class)	1
Time to recovery (by country)	1
Judicial costs (average)	
Judicial costs (by asset class)	1
Judicial costs (by country)	1
Others: ...	

2.4. Extension of the scope of disclosures

42. Would you agree that the scope of disclosures might be extended to cover all CRR institutions?

We do not see value in establishing additional pillar 3 disclosures. If it were to be disclosed anyway, we consider it might be extended to cover not only all CRR institutions, but also all sellers and buyers.

43. Would you agree that the scope of disclosures might be extended beyond credit institutions, for instance to credit purchasers and/or credit servicers operating in the secondary market?

Yes, but it incorporates a large risk of discouraging transactions.

44. Would you consider it useful to assign an ID to an NPL and to track and monitor such NPL?

No, we believe it would be too complex and burdensome given the potential benefits.



45. What could be the proportionality criteria for new disclosures?

Size and complexity of the credit purchaser (cross border activities, NPL securitisation)	
Size and nature of the portfolios (consumer loans, corporate loans)	
Simple threshold of total NPLs	
Other: ...	

We do not see value in establishing additional pillar 3 disclosures. If it were to be disclosed anyway we consider, as pointed out in question 21, establishing threshold for disclosing information would make the information partial. Therefore, information for small portfolios and information for small buyers, would be left out.

2.5. Keeping reporting burdens manageable and avoiding regulatory overlap

46. How large do you estimate the costs and efforts for banks and other entities to adjust to additional targeted requirements as part of Pillar 3 adjustments? Would additional disclosures add a significant cost?

Significantly large.

47. Which of the items related to NPLs mentioned above would likely lead to small and manageable reporting increase in reporting costs, and which would be more time-consuming and costly to disclose?

Intersections with FINREP and other regulatory reports and transaction data at a very high level: NPL balance sold, number of positions and asset class.

48. How should a balance be struck between larger data transparency and reporting costs? Would more data, resulting from targeted Pillar 3 changes, with a high degree of certainty add more value than costs to the market?

Regulators should unify all the reports conceptually linked