ABI Associazione Bancaria Italiana

ABI COMMENTS ON THE EUROPEAN COMMISSION "TARGETED CONSULTATION ON IMPROVING TRANSPARENCY AND EFFICIENCY IN SECONDARY MARKETS FOR NON-PERFORMING LOANS"

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Preliminary remarks

The Italian Banking Association (ABI) welcomes the opportunity to comment on the European Commission "Targeted consultation on improving transparency and efficiency in secondary markets for non-performing loans" which should help to identify and hopefully remove the remaining obstacles to the proper functioning of secondary markets for NPLs.

The purpose of this Position Paper is to contribute to the discussion by identifying some of the issues, which our member banks consider particularly important for the establishment of a central data hub at EU level.

ABI appreciates such an initiative, reinforces the dialogue with different stakeholders, and opens a discussion on a number of critical aspects of such hub acting as a data repository underpinning the NPL market. ABI is very keen to continue contributing with European Commission towards achieving the goal to determine the best way forward.

ABI supports the assumption that increased transparency - if well targeted - could help to establish more efficient secondary markets for NPLs, however is very much doubt that market participants could be more active and efficient if they are given more data.

In our opinion, increasing reporting and transparency requirements would provide little or no help in improving secondary markets efficiency. On the one hand there are concrete obstacles in increasing such transparency, particularly with regards to anonymity of data, on the other hand, transparency does not seem to be a major driving force,

Data alone are not enough to create a market where such market does not exist.

NPL market is already developed in certain EU countries where a great experience in terms of data templates already exists. For this reason, in our opinion, if a European central data hub was to be established, it should be built on the positive experience of developed markets, where there are sellers and specialized investors and where there are templates already agreed and accepted by rating agencies and national regulators (such as GACS or Hercules schemes). As a way of examples, with GACS already 85 billion euro of NPLs were sold by Italian Banks

to specialized investors between 2017 and 2020. Such 'best practices' are scalable also for small / medium banks.

ABI strongly believes that the specificities of national legal frameworks are key for the efficiency of secondary markets. Each Member State has its own rules on insolvency, restructuring and recovery of collateral, which are key factors in the definition of prices in the secondary market.

Each single NPLs has its own characteristics and related value, which can be difficulty represented by a price not being NPLs a commodity but a complex investment which need proper due diligence and where the price depends from the sum of several factors., therefore an "average" price per each asset category at EU level , nor at national level could misrepresent the NPL market creating expected target in terms of price and rate of return which can be achieved only under several and specific conditions. In fact, Prices of NPLs differ greatly depending on the country, city, nature of the asset (RRE, CRE, unsecured, leasing), status of enforcement proceedings. In terms of average bid-ask spread, IRR plays a key role. Different kind of investors may be willing to pay different prices on the same asset, depending on their return strategies (long term/short term). Banks have expectations for a maximum return on assets, spread over a longer period; specialized funds want to maximise their return in a shorter period. However, investors must have capacities to manage and monitoring the recovery process of the purchased assets, therefore need different skills depending on the nature of the asset (eg. mortgages are managed differently than unsecured loans or leasing assets).

The creation of such centralized platform will probably take a long time as very important questions will have to be discussed thoroughly: scope of participants, type of data, governance, public or private sponsorship, mandatory or voluntary tool, investments and costs, fees, etc.

If such central European data repository was to be established, ABI therefore urges European Commission to give due consideration to the following critical issues:

1. Following the principle of report once shared by European authorities and the banking industry, **the transaction data for the data hub should cover only a subset of (critical) data fields in the revised EBA NPL templates**.
2. It should be **avoid any additional reporting burden on banks**. As highlighted in the ABI response to the EBA consultation on NPL templates 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. This rationalisation of data is of utmost importance when

looking at the establishment of a data hub at European level. In this context, standardised loan-level data should be provided in the form of a unique standardised format that does not entail disproportional reporting burdens, overlap or duplication of templates (for example the current situation with ESMA and EBA templates).

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.

3. EU credit institutions are already complying with heavy regulatory and supervisory system, obliging banks only to contribute for their part (with all related costs and constraints) would create unfair treatment. **On the buyer side, the population is not homogeneous and it is not necessarily regulated or regulated on a national level, often by 3rd country rules (i.e the non-bank buyers from extra-UE countries). In this respect, a level playing field should be ensured.**

4. **Additional P3 disclosures is not necessary** and that the cost-benefit analysis cannot be in favour of additional reporting requirements. **Regulators should unify all the reports conceptually linked**.

5. **Data hub should remain voluntary in order not to create additional burden on banks**. In the "Study of the cost of compliance with supervisory reporting requirements", acknowledging that the overall reporting framework was too burdensome and costly, the EBA issued recommendation to reduce the reporting costs faced by financial institutions "by up to 15-24%". We believe that the additional reporting requirements contemplated under the EC consultation paper, if made compulsory, go against the stated objective of the EBA report, prepared on the basis of CRR Article 430(8), to make the reporting experience "more effective and efficient for both institutions and supervisors".

6. **No fees should be charged to the banks**. Without any doubt, feeding the data hub would be already expensive for the banks and should give right to access post sale information.

7. Since the NPL market is highly specialized and greatly fragmented, it is challenging to define the 'proportionality principle' with the risk of creating biases for specific market segments. **The proportionality principle should be clarified and restated homogeneously within the market**.

8. The risks of leaks of personal and/or commercially sensitive information in some cases obscures the potential benefit of increased transparency. It should be taken **particular care when dealing with "privacy" issue**.

Personal data and privacy of consumer borrowers should be duly protected.

9. It should also be guaranteed that **the information provided** to third parties would **only be used for the NPL secondary market transactions** and not to collect data on banks' balance sheets for other purposes (e.g. M&A processes). European Commission's intensions are that the hub would offer a platform for cooperation and coordination with a pan-European scope, but it should be always ensured that such cooperation/coordination complies with EU antitrust rules, notably when it comes to exchanges of confidential information.

10. A multitude of practical issues should be carefully considered. For example, the possible disagreements between sellers and buyers related to claims and potential buybacks, that usually are confidential. It should be crucial to clarify how this particular aspect would be treated within the data hub.

11. On terms of governance, it should be **clearly defined which entity will be responsible and manage the platform with all relevant data**. There is a question of safeguard of private information and accountability of the managing entity.

ABI advocates European Commission to carefully consider that the cost and time for the implementation of the data hub depends on metrics typology (i.e. if already present into the bank system or if they need to be newly implemented), data granularity (the more granular the data requested, the more complex and expensive the related implementation) and data source (i.e. internal vs external, e.g. very complex to gain information on judicial auction outcomes, to update them and to ensure the proper data quality and data harmonisation, ect.).

With regard to governance issues, we urge the Commission to take into account the evidences from the EBA's Feasibility Study Consultation (Article 430c of the CRR) with reference to the possible design of a central data collection point (in that case for the integrated reporting system), including requirements to ensure strict confidentiality of the data collected, strong authentication and management of access rights to the system and cybersecurity.

The section below "Answers to the questions in the consultation document" includes our responses to the questions posed.

Answers to the questions in the consultation document

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

Even if in principle an increased market transparency - if well targeted - could render NPL markets more efficient, nevertheless, it is very much doubt that market participants could be more active and efficient if they are given more data.

In our experience, the "asymmetry of information" has been no major impediment to the development of NPL secondary market. NPL ratio have been decreasing across EU countries, and NPL sales are a relevant measure within the bank's toolkit to reduce NPLs.

An "increased transparency" obtained via the publication of standardized data would not actively contribute in unifying fragmented NPL secondary markets and enhance their efficiency. The lack of a single NPL secondary market is due, amongst other factors, to the differences in national insolvency laws and in jurisdictional systems. NPL markets work very differently across EU countries, e.g. in Belgium (where wage assignment is very efficient and quick, allowing good recoveries) or in Italy (with a longer, less predictable recovery process). Creating a pan-EU data hub will not help them work better.

Furthermore, EU credit institutions are already complying with heavy regulatory and supervisory system, obliging banks only to contribute for their part (with all related costs and constraints) would create unfair treatment. On the buyer side, the population is not homogeneous and it is not necessarily regulated or regulated on a national level, often by 3rd country rules.

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

Post-trade information provided by NPL buyers on workout cash flow for the assets that they have purchased could deliver crucial insights into the market for NPLs. Performance data are key information that investors currently lack publicly in the market. We are very skeptical that the prospect that NPL buyers would gain access on performance data of comparable assets could be sufficient as incentive to submit this information ex post.
Only NPL sellers have subject to very precise, heavy, and costly reporting requirements, while NPL buyers' population is not necessarily regulated or regulated on a national level and often by 3rd country rules. In this respect, a level playing field should be ensured.

Information requirements on the buyers' side are needed, namely on the outcomes of the recovery process.
However, the key issue to improve secondary market efficiency is simplifying

Question 3: Do you agree that market transparency could be improved by establishing a centralised NPL data hub at EU level?
We are skeptical about the proposal to establish a central NPL data hub and we very much doubt it would have any net positive impact, considering the time and cost it would require. As costs may outweigh the benefits, if a data hub were to be established: 1. It should be run very prudently; 2. It should be focussed only on a sub-set of critical fields from the NPL templates; 3. the participation in the project should remain voluntary in order not to create additional burden on banks.

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

The only type of information that is not currently reported, although it could contribute to reducing the bid-ask spread, is data on recoveries by NPL buyers and servicers. So far, only NPL sellers have been subject to very precise, heavy, and costly reporting requirements. While NPL buyers do not have to disclose information on their performance. In this respect, a level playing field should be ensured.

Question 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")

	1	2	3	4	5	No opinion
Diminishing information asymmetries		X				
Supporting market liquidity	X					
Fostering wider investor participation, including more medium and small investors		X				
Helping price discovery for NPL sales transactions						
Enabling new investors to get familiar with the NPL asset classes across different jurisdictions	X					
Addressing coordination issues	X					
More efficient NPL transactions		X				

Lenders and servicers to make more efficient recovery and disposal decisions	X				
Other: …					

Question 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).	*NO*
Information on transactions and on post-trade performance (i.e. data on the recovery).	*YES*
The data hub should go beyond the two options above.	*NO*

Question 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")

	1	*2*	*3*	*4*	*5*	*Comment*
all data fields in the revised EBA NPL templates	X					
critical fields in the revised EBA NPL templates	X					
a subset of (critical) data fields in the revised EBA NPL templates			X			
Other						

Question 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 opinion, since the loan data tape still contains similar information at both exposure levels. Further clarification needed.

Question 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")

	1	2	3	4	5	Comment
Country (where loan was originated)			X			
Trading category		X				
Overall gross book value sold			X			
Transaction price			X			
Average ticket		X				
Days overdue		X				
Asset type		X				
Number of borrowers		X				
Borrower category (enterprise, private individual, public, other)		X				
Insolvency rate	X					
Maturity	X					
Loan-to-value (where applicable)	x					

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

The risks of leaks of personal and/or commercially sensitive information largely outweigh the potential benefit of increased transparency.

It should be taken particular care when dealing with "privacy" issue. Personal data and privacy of consumer borrowers should be duly protected. At individual exposure level, for borrowers that are in scope of EU General Data Protection Regulation (GDPR), also considering guarantors, data could be provided only if the data provided do not allow to identify the relevant data subjects.

In case of data at portfolio level, the size of the portfolio and the data categories shall ensure that the single borrower, when GDPR relevant, cannot be identified (e.g. the detailed information shall not reduce the cluster to a level where the data subjects can be identified)

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

No. If a data hub were to be established, a sub-set of critical fields from the NPL templates would be sufficient.

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

Information on recovery rates can add value to the benchmarking on the performance of different asset classes. It can also help compare the recovery performance of different managers of the portfolio (for example, internal teams vs external vendors). Also comparisons can be done on already incurred recovery vs prices, gaining valuable insights in the process.

Question 13: Would you consider provision of data on recovery rates at loan level to be feasible? If not, would you consider that provision of such data at an aggregate level would still deliver benefits?

Providing data on recovery rates is considered to be more feasible at the aggregate level. It can provide insights into performance of the set of loans, depending on the type of aggregation.

Question 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		X
• legal process		X
Recovery rates, aggregated by:		
• asset class		
• country/jurisdiction		
• industry/sector		
• borrower characteristics		X
• legal process		X
Recovery time, aggregated by:		
• asset class		

• country/jurisdiction		
• industry/sector		
• borrower characteristics		X
• legal process		X
Information about workout and recovery in the relevant legal reviews		X
Other: …		

Question 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?

We have no views on this, As we don't think that the proposal for the creation of a data hub sustains a cost/benefit assessment.

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Question 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?

The main reasons would be the costs and IT investments related to the scope of this activity. Based on the standards set by the data hub requirements, there would be considerable costs to implement the data quality/consistency checks required to feed this data hub on a regular basis.

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

These reasons can be overcome, by ensuring that the data hub really focuses on only the key data fields required in order to increase market transparency on NPLs.

Question 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?

No, we do not believe that recovery data on these types of loans add the intended value to the data hub.

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

Question 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".)

	1	2	3	4	5	Comments
Segments that may be better prepared to comply with the data requests, such as securitisations		x				
Any sale involving an asset with a direct government subsidy	x					
Transaction types that are more frequent across the EU (such as loans secured by commercial real estate)		x				
Segments where most market activity / stress is likely in the context of the COVID-19 crisis	x					
Other: …						

Question 20: For which categories and under what conditions would you consider it feasible to also provide historical data (at least for 1-3 years)?
We would deem it feasible to provide data to the data hub from a set date in the future, and continue with periodical future contributions

Question 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")

	1	2	3	4	5	Comments
Sales with a purchase price exceeding a minimum threshold	x					
Notional size of a portfolio exceeding a minimum threshold		x				
Portfolios consisting of a minimum number of borrowers		x				
Other: …						

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

	Response
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	

Question 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?

No concerns in case data are anonymized by the Bank (Data Controller) before sending them to the data hub. Differently, the Bank would process the data - in transferring them to the Hub - for a purpose that is not reported in the Information Notice and with a legal base to be identified (unless the contribution will become a legal obligation). Moreover, the size of the portfolio and the data provided shall ensure that the single borrower, when GDPR relevant, cannot be identified.

Question 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?

It depends on the size of the portfolio and the data provided. The detailed information shall not reduce the cluster to a level where the data subjects can be identified.

Question 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?

Despite data anonymisation, potential leaks or identification are still possible.
We urge the Commission to take into account the evidences from the EBA's Feasibility Study Consultation (Article 430c of the CRR) with reference to the possible design of a central data collection point (in that case for the integrated reporting system), including requirements to ensure strict confidentiality of the data collected, strong authentication and management of access rights to the system and cybersecurity.

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

We reiterate that we don't consider the data hub as a relevant element to promote further efficiency in secondary markets. Secondly, discussing important governance questions would take time, which is incompatible with the stated objective of this consultation.

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

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

On terms of governance, it should be clearly defined which entity will be responsible and manage the platform with all relevant data. There is a question of safeguard of private information and accountability of the managing entity.

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

Question 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	
Yes, there should be an obligation for relevant market participants to provide data, but only for a specific sub-set of critical data.	
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.	X

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

So far, only NPL sellers have been subject to very precise, heavy, and costly reporting requirements. While NPL buyers do not have to disclose information on their performance. In this respect, a level playing field should be ensured. One cannot rely solely on the fact that the incentive for NPL buyers to submit this information ex post would mainly be the prospect that they would gain access on the other side, providing them with insights into performance in the workout of comparable assets.

Question 29.1: If regulatory action would be needed, what approach should be chosen for your market segment?
Too early to say without more specific information on data to be included in the eventual data hub.

Question 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?
The Commission should take into account the evidences from the EBA's Feasibility Study (Article 430c of the CRR) with reference to the possible data governance structure for the hub.

Question 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	*X However, continuous provision of data should be verified by the hub on a periodical basis*
A 'credit point system', whereby a certain number of deliveries would grant the right to receive the same number of queries	
Other: …	*.*

Question 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?

Question 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?

This would not be appropriate to answer now, without additional information on the data that will need to be shared with the data hub.

Question 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?

Yes, information on NPL investors could add value to the data hub.

Question 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, we do not believe that the hub should be able to charge administrative fees. Reporting requirements are already very costly and we oppose the creation of any new fees.

Question 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?

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

Question 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")

	1	2	3	4	5	No opinion
Supervisory reporting on credit risk, non-performing exposures and forbearance						
• COREP supervisory reporting	X					
• FINREP supervisory reporting		X				
• Credit risk benchmarking exercise	X					

	1	2	3	4	5	No opinion
Judicial information:						
• efficiency data[5]				X		
• detailed timing of different in-court bankruptcy and foreclosure processes				X		
• judicial auction outcomes (number of auctions required by property type and region)				X		
• sales haircut vis-à-vis initial bank or court valuation (CTU)				X		
• relative frequency of main insolvency procedures and court driven restructuring measures				X		
	1	2	3	4	5	No opinion
Securitisations:						
• ECB ABS loan level initiative[6]		X				
• ESMA reporting for securitisations		X				
• Data collected in the GACS reporting template (Italy only)			X			
	1	2	3	4	5	No opinion
Data pools of existing industry initiatives (to be explored in cooperation with these initiatives and their members):						
• Existing data pooling initiatives						X
	1	2	3	4	5	No opinion
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:						
• the AnaCredit database		X				
• bank Pillar 3 disclosures	X					

Question 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 believe additional pillar 3 disclosures are warranted. Pillar 3 is intended for equity investors, so it should not be used for matters related to the sale of NPLs. The NPE strategy should not be public information. It could

be detrimental to banks to disclose it, as it can modify borrowers' or potential investors' decisions.

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

Question 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")

	1	2	3	4	5	No opinion
Recovery rate (average)		X				
Recovery rates (by asset class)		X				
Recovery rates (by past due days)	X					
Recovery rates (by country)		X				
Time to recovery (average)		X				
Time to recovery (by asset class)		X				
Time to recovery (by country)	X					
Judicial costs (average)		X				
Judicial costs (by asset class)	X					
Judicial costs (by country)	X					
Others: …						

Question 42: Would you agree that the scope of disclosures might be extended to cover all CRR institutions?
We disagree. Additional, "high-NPL" disclosure is extremely burdensome to produce. Extending it to all CRR institutions/entities that do not have high levels of NPL would not make sense from a cost-benefit standpoint: the costs are certain (and high), while the potential benefits are extremely unclear and potentially low (low-NPL entities do not sell much NPLs; the value of additional reporting on the transaction price is highly uncertain and most probably very low).

Question 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?

This could be a good idea, as credit purchasers and servicers are not subject to reporting requirements. A reporting on recoveries might help reduce the bid-ask spread.

Beyond reporting on recoveries, from a financial stability point of view, we believe that transferring NPL outside the banking system will not make risk disappear and as a result, heightened supervision and reporting requirements on credit purchasers and servicers would be necessary to monitor indebtedness levels and NPL volumes in the EU regardless of who holds the debt.

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

Yes, provided that the NPL is anonymised to fulfill data privacy regulations.

Question 45: What could be the proportionality criteria for new disclosures?

	1	2	3	4	5	No opinion
Size and complexity of the credit purchaser (cross border activities, NPL securitisation)	X					
Size and nature of the portfolios (consumer loans, corporate loans)	X					
Simple threshold of total NPLs			X			
Other: …						

Question 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?

In a 2020 "Study of the cost of compliance with supervisory reporting requirements", acknowledging that the overall reporting framework was too burdensome and costly, the EBA issued recommendation to reduce the reporting costs faced by financial institutions "by up to 15-24%". We believe that the additional reporting requirements contemplated under the EC consultation paper go against the stated objective of the EBA report, prepared on the basis of CRR Article 430(8), to make the reporting experience "more effective and efficient for both institutions and supervisors".

The contribution by banks / credit institutions to such NPL data hub requires a

huge effort driven by: IT systems set-up, integration with the required metrics and implementation of information flows to send the data to the data hub; such a project would require significant investment in respect to IT, involved FTEs in both the project development and implementation phases; a more specific cost and time estimation needs the involvement of relevant stakeholdes such as legal / compliance, IT functions, credit risk, data quality, accounting, etc.

Question 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?

Each item requires large additional costs and efforts and the cost-benefit analysis cannot be in favour of additional reporting requirements, especially regarding the objective of EBA and EC to limit costs of compliance with supervisory reporting and disclosure requirements.

The cost and time for the implementation of the data hub depends on metrics typology (i.e. if already present into the bank system or if they need to be newly implemented), data granularity (the more granular the data requested, the more complex and expensive the related implementation) and data source (i.e. internal vs external, e.g. very complex to gain information on judicial auction outcomes, to update them and to ensure the proper data quality and data harmonisation).

Question 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?

We believe that additional P3 disclosures is not necessary and that the cost-benefit analysis cannot be in favour of additional reporting requirements. Regulators should unify all the reports conceptually linked.