

European DataWarehouse responses to the EBA consultation

5.3 Overview of questions for consultation

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

European DataWarehouse GmbH (EDW) generally agrees that the draft ITS align with the purpose of Directive (EU) 2021/2167 (the “**underlying directive**”), laying the foundations for an efficient, competitive and transparent secondary market for non-performing loans (NPLs).

In accordance with Recital 38 of the underlying directive and the European Council’s Action Plan to Tackle Non-Performing Loans in Europe of 11 July 2017, the draft ITS set through the proposed templates the basis for a uniform and standardised data reporting framework for NPLs, which is expected to reduce information asymmetries between potential buyers and sellers of credit agreements and will ultimately contribute to the development of a functioning secondary market in the Union.

Notwithstanding the foregoing, EDW understands that the proposed NPL data templates constitute a minimum disclosure standard which is not however comprehensive of all the information that is often relevant for prospective buyers in certain transactions. Consequently, a clarification about the possibility to provide additional information in the form of, e.g., extended data templates or additional documentation should be included in the draft ITS.

EDW further considers that the draft ITS would better accomplish the efficiency and transparency goals of the underlying directive if, apart from the implementation of the proposed NPL data templates, it also foresaw the appointment of a centralised data repository for the collection and access of NPL data. The centralised management of NPL data would contribute to data quality and comparability, which were highlighted by market participants as two of the main issues in their engagements with the European Banking Authority (EBA) (section 36 of the Consultation Paper). Indeed, such a centralised data repository could introduce verification procedures on the timeliness, completeness, and consistency of the NPL data provided by credit institutions, which would benefit the quality of the data disclosed. A centralised data repository offering a single access point for NPL data EU-wide would also aid data comparability.

In addition, a centralised data repository exclusively dedicated to the collection and access of data, i.e., not involved in the sale or transfer of the corresponding NPLs would guarantee the independence of the eventual information verification procedures, therefore enhancing data quality and transparency.

Moreover, a centralised data repository would provide uniform information security standards, as well as consistent rules both for (i) the provision of data by credit institutions and (ii) the access to data by prospective buyers. Please see our response to question 13 for more details.

We envisage the change as mandatory fields also for loans under the 25,000 euros threshold. The rationale for this is that a big chunk of loans would be excluded from reporting crucial information used for the assessment of the portfolio. Specifically, the fields related to the interest rate and payment frequency, i.e. fields 3.20-3.28 are generally useful indicators for prospective buyers, also in the case of smaller loans. Finally, according to section 42 of the Consultation Paper, there is no formal role for the competent authorities in monitoring the use of the templates and enforcing the use of the drafts ITS at the point of sale of NPL. Instead, competent authorities may assess the information and use of the template as part of their supervisory activities in the area of NPL management or credit risk management by credit institutions. EDW suggests the revision of this approach for an effective implementation of the draft ITS.

EDW would like to express its willingness to actively contribute to the effective implementation of the ITS. In our view, EDW's expertise in collecting and validating data could help through the following two actions:

- a) EDW could assist credit institutions in gathering the necessary information to disclose under the ITS;
- b) EDW could assist credit institutions in checking on a regular basis the completeness and consistency of the information reported through the creation and execution of dedicated data quality checks over the EBA NPL data templates;
- c) EDW plans to implement the NPL transaction data templates once finalized by EBA and to run tests with interested parties in a dedicated database.

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.

The overall view on the proposed fields is positive. We would suggest including the counterparty street address and street number as a mandatory field when available. We suggest for template 1 the following information to be changed to mandatory also for loans below the 25,000 euros threshold.

- 1.02 Counterparty Economic activity of Counterparty Group
- 1.06 Counterparty Related Party
- 1.07 Counterparty Date of birth
- 1.09 Counterparty Postal code of Counterparty (private individual)

- 1.11 Counterparty National identifier
- 1.12 Counterparty Source of National identifier
- 1.15 Address of Counterparty
- 1.14 Counterparty Legal Entity Identifier (LEI)
- 1.17 Counterparty Postal code of Counterparty (corporate)
- 1.21 Counterparty Economic activity
- 1.33 Counterparty Date of Last Contact
- 1.39 Proof of Claim Filed by the seller

EDW also recommends that the following fields are made mandatory for all performing and past due exposures:

- 1.24 Cash and Cash Equivalent Items
- 1.25 Total Assets
- 1.26 Total Liabilities
- 1.27 Total Debt
- 1.28 Annual Turnover
- 1.29 Annual EBIT

EDW recommends that the following fields are changed to optional:

- 1.30 Contingent obligations
- 1.31 Contingent obligation amount
- 1.32 Description of contingent obligations

With respect to Field 1.35, Status of legal proceedings, we suggest replacing the field type proposed with the following:

- (a) Out of court settlement
- (b) Under judicial administration, receivership or similar measures
- (c) Bankruptcy/insolvency -applicable for corporate counterparties-
- (d) Foreclosure - applicable for individuals-
- (e) Other legal measures

With respect to Field 1.38, Stage Reached in legal proceedings, we suggest replacing the field type convention from "alphanumeric" to "choice", with the following list:

- (a) Initial stage
- (b) Auction
- (c) Distribution
- (d) Closed

(e) Consensual sale

Apart from the comments included in the data glossary for the specific data fields, given the fact that the due diligence from prospective buyers focuses on the borrower rather than on the loan, we would propose the addition of the following two key fields:

- a) Type of counterparty: corporate borrower or private individual;
- b) Counterparty classification: performing – past due- unlikely to pay loans (UTP) – non-performing.

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.

We highlight these fields to be changed to mandatory reporting also for loans below the 25,000 euros threshold.

- 3.05 Loan Joint Counterparties
- 3.08 Loan Amortisation type
- 3.14 Loan Accrued interest
- 3.18 Loan Charge-off Date
- 3.19 Loan Loan Commitment
- 3.20 Loan Interest Rate
- 3.21 Loan Interest Rate Type
- 3.23 Loan Interest rate spread/margin
- 3.24 Loan Reference Rate
- 3.27 Loan Interest rate reset frequency
- 3.28 Loan Payment Frequency
- 3.32 Loan Total balance at date of default
- 3.34 Syndicated position
- 3.44 Number of historical forbearances
- 3.46 Loan Start Date of Forbearance measure

Please see the comments on the specific fields in the Data Glossary.

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.

We suggest the addition of a new data field, called “property identifier”. The reason for this addition is that collateral can be linked to several real estate dwellings to help identifying several properties.

For the field 4.25 - Value of Energy Performance Certificate (EPC) we would encourage also additional metrics, such as CO2 emissions in kilowatt hours (kWh), given that the EPC lacks in standardization across EU countries if available. We suggest the reporting of collateral information also for smaller loans.

EDW additionally proposes that the use of estimated EPC values is accepted where real EPC values are not readily available (especially, given the fact that it is a mandatory field for loans above 25.000 euros). The acceptance of estimates is already envisaged in other EU acts, e.g., in EBA’s draft ITS on Prudential disclosures on ESG risks. EDW recommends that, while the use of estimated values is allowed, credit institutions are required to disclose the specific nature of the relevant information provided, i.e., real or estimated. Additionally, the EPC information should be enriched with the timestamp as to when the certificate was issued from the relevant provider.

Based on the above, we suggest that the field convention is amended from a choice option type to a field type allowing qualitative values, so that this additional information can be provided.

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.?

Field 5.02 (Type of external collection) and 5.07 (Cash Recoveries), we suggest including these fields also for the loans below the 25,000 euros threshold. Please see the comments on the specific fields in the Data Glossary.

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?

The field 2.01 – Role of the counterparty, could be moved to Section 1 – counterparty.

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.

EDW suggests a clearer structure of the NPL data templates that facilitates and promotes the use of the templates in the performance of prospective buyers’ financial due diligence and valuation of NPLs. As an example, each sheet of the templates could be subdivided into subject areas, e.g.:

1. Loan debtors
2. Mortgages
3. Secured procedures and properties (in the case of secured loans)
4. Unsecured procedures (in the case of unsecured loans)
5. Collection
6. Other guarantees

In addition, a breakdown of mandatory fields according to a classification of credits between NPLs and unlikely to pay (UTP) loans would be useful, as suggested by the description of field 3.10 Template 3 (Loan).

8. What are the respondents’ views on the content of instructions?

N/A

9. Do the respondents agree on the use of the ‘No data options’ as set out in the instructions?

We would suggest that the EBA proposed No data fields are consistent with the ESMA No data options. Please see below a comparison table.

No Data Field Option	Proposed EBA NPL Data Templates	ESMA Templates
ND1	Data not collected by the credit institution	Data not collected as not required by the lending or underwriting criteria
ND2	Data collected but not loaded into the credit institution's reporting system or loaded into a separate system from the credit institution's reporting system	Data collected on underlying exposure application but not loaded into the originator's reporting system
ND3	Data collected but only available from DD-MM-YYY (DD-MM-YYYY must be completed)	Data collected on underlying exposure application but loaded onto a separate system from the originator's reporting system
ND4	Data field not applicable in relation to the underwriting criteria specified in the description of the data field or in relation to the borrower type or the loan type	ND4-YYYY-MM-DD Data collected but will only be available from YYYY-MM-DD (YYYY-MM-DD shall be completed)
ND5		Not applicable to the item being reported

In particular, for the sake of consistency and avoidance of confusion, EDW recommends that the proposed ND4 option becomes the ND5 option like in ESMA templates and, in turn, that ND3 matches ND4 of ESMA templates. ND2 option in the proposed EBA NPL data templates should be divided into ND2 and ND3. ND1 would remain ND1 under ESMA templates.

EDW has also recently published a blog including a detailed GAP analysis of the differences between the proposed EBA NPL templates and the ESMA templates part of the Securitisation Regulation (EU) 2017/2402 on its [website](#).

10. 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)?

The proposed set of templates represent an important piece for the development of an efficient NPL secondary market. As for technical specification, lack of data quality might be a hindrance to the transparency envisaged by EBA. For this reason, the development of a set of common rules applied to the underlying data could potentially be beneficial for both the buy and the sell side. The buy side would benefit for better data in terms of better risk assessment while the seller could get higher prices should the quality of the data reported be high.

In terms of technical specifications, EDW suggests that for the sake of regulatory reporting consistency, the NPL data templates follow the format of ESMA templates for securitisations. For instance, date formats could be adjusted accordingly, making it consistent with the ESMA data format, e.g.: from "MM/DD/YYYY" to "YYYY-MM-DD".

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.

EDW considers that the reduction of the total (mandatory and non-mandatory) number of data fields to 157 as compared with the previous, non-mandatory templates developed by EBA strongly reflects the proportionality principle aimed in the underlying directive and will ease credit institutions' disclosure burden. This is likely to encourage the use of the NPL data templates, even for non-mandatory fields.

The proportionality principle has been further observed in the development of the data glossary, which is significantly built on existing common EU definitions set out in other EU regulatory, supervisory, and reporting frameworks (e.g., the European Central Bank's AnaCredit and the ESMA templates used for the NPL securitisation purposes) and on the previous, non-mandatory NPL EBA templates; as well as in the scope of application of the draft ITS, which excludes the sales or transfers of NPLs through securitisation to avoid double reporting.

Excluding loans under the 25,000 euros threshold from a mandatory reporting of specific fields leaves out a significant number of exposures from disclosing relevant information.

Therefore, we encourage, to the extent possible, to add the mandatory reporting also for these loans.

We identified in the Excel file the relevant fields.

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?

We would encourage to eliminate the 25,000 euros threshold, to the extent possible.

By setting a threshold at loan level, information gaps could be created within exposures characterized by different facilities (especially if only one of these is above 25,000 euros).

This approach could lead to the risk of a poor information for certain operators focused on market segments, such as consumer credit, unsecured or secured assets.

Considering this, it is important to grant NPL market operators consistent information as a basis of their investments.

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

EDW generally agrees with the proposed operational procedures and the confidentiality and data governance requirements set out in the draft ITS. However, we would like to suggest the following recommendations:

1. Operational procedures for provision of information

EDW welcomes the requirement of Article 6(2) with regard to the provision of NPL data in an electronic and machine-readable form. This helps the performance of data quality checks and subsequently, the completeness and consistency of the information provided.

However, making this requirement conditional on the will of the parties involved in the relevant transaction will likely impair the standardisation objective of the draft ITS, giving rise to a new kind of asymmetry. The same issue arises from the specific requirements for the electronic and machine-readable format that electronic auction platforms or electronic transaction platforms may impose on credit institutions that intend to thereby sale or transfer NPLs.

On these grounds, we believe that the existence of a centralised data repository imposing consistent format requirements on the information provided by credit institutions would significantly streamline the disclosure regime.

2. Treatment of confidential and personal information

EDW supports the information security measures prescribed in the draft ITS to ensure the confidentiality of the data provided and the protection of the personal data included in the EBA NPL data templates.

Nevertheless, EDW recommends that the articles of the draft ITS elaborate on the content of Recital (6) with regard to (i) the timeliness for the distribution of NPL data and (ii) the legitimated prospective buyers, specifying the respective conditions under which NPL data should and/or should not be made available to prospective buyers.

In line with our answer to question 1 above, EDW considers that the transmission of NPL data from credit institutions to prospective buyers through a centralised data repository would positively contribute to the standardisation of the information transmission process in two ways:

- a) To the extent possible, through the implementation of uniform information security standards (e.g., secure information transmission channels, standard legal arrangements) both for the provision of and for the access to the NPL data provided by credit institutions.
- b) Through the implementation of consistent procedures for the legitimate restriction of access to confidential information to prospective buyers while ensuring an equal and non-discriminatory treatment according to the stipulations of the draft ITS provisions in this regard (please see suggestion in subparagraph two of point 2 above).

3. Credit institutions' data governance arrangements

N/A