

THE NEW EBA NPL DATA TEMPLATES: SCOPE, IMPLEMENTATION, AND MARKET BENEFITS

31 JANUARY 2023



ON TODAY'S WEBINAR



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AGENDA

WELCOME & INTRODUCTION

- Christian Thun, European DataWarehouse

KEYNOTE

- Oleg Shmeljov & Lidja Schiavo, European Banking Authority

EDW NPL TEMPLATE GAP ANALYSIS

- Andrea Bedin, European DataWarehouse

PANEL SESSION 1: SCOPE & IMPLEMENTATION OF NPL DATA TEMPLATES

- Moderator: Marco Angheben, European DataWarehouse
- Francesco Uggenti - Prelios Innovation
- Burkhard Heppe - NPL Markets
- Eric Cloutier – KPMG

PANEL SESSION 2: NPL MARKET OUTLOOK FOR 2023

- Moderator: Christian Thun, European DataWarehouse
- Gifford West - Alpine Tremont
- Timur Peters - Debitos
- David Bergman - Scope Ratings

PANEL SESSION 3: STEPS TO A LIQUID SECONDARY MARKET

- Moderator: Martina Gullino, Allen & Overy
- Michael Huertas – PwC Legal
- Piergiuseppe Brunozzi - doValue
- Angeliki Mitsolidou - Bank of Greece

Q&A, CLOSING REMARKS

WELCOME AND INTRODUCTION

DR CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

KEYNOTE

OLEG SHMELJOV & LIDJA SCHIAVO, EUROPEAN BANKING AUTHORITY

The logo for the European Banking Authority (EBA) is located in the top left corner. It consists of the letters 'EBA' in a bold, white, sans-serif font, set against a dark blue background with a vertical orange stripe to the right of the letters. The background of the entire slide is a low-angle, blue-tinted photograph of modern skyscrapers with glass facades.

EBA

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EBA draft ITS on NPL transaction data templates

Oleg Shmeljov, Lidja Schiavo | Department of Data Analytics, Reporting and Transparency, EBA

31 January 2023 | EDW webinar

EBA work on data standardisation for NPLs sales



EBA Mandate:

Article 16(1) of Directive on credit servicers and credit purchasers:

“The EBA shall develop draft **implementing technical standards** to specify the templates to be used by credit institutions for the provision of information referred to in Article 15(1), in order to **provide detailed information on their credit exposures in the banking book to credit purchasers for the analysis, financial due diligence and valuation** of a creditor’s rights under a non-performing credit agreement, or of the non-performing credit agreement itself.”

Building of the NPL data templates: step-by-step process

AnaCredit:

Index	Data Field	Description
4.1	Reporting agent identifier	Counterparty identifier for the reporting agent. The reporting agent identifier is the counterparty identifier of the reporting agent which reports the data.
4.2	Observed agent identifier	Counterparty identifier for the observed agent. The observed agent identifier is the counterparty identifier of the observed agent (i.e. an institutional unit of the reporting agent) whose data are reported by the reporting agent.
4.3	Contract identifier	An identifier applied by the reporting agent to uniquely identify each contract. Each contract must have one contract identifier. This value will not change over time and cannot be used as the contract identifier for any other contract.
4.4	Instrument identifier	An identifier applied by the reporting agent to uniquely identify each instrument under a single contract. Each instrument must have one instrument identifier. This value will not change over time and cannot be used as the instrument identifier for any other instrument under the same contract.
4.5	Type of instrument	Classification of the instrument according to the type of contractual terms agreed between the parties.

ESMA's ABS templates:

RESI	Loan/lease-level information section	
RESI	Loan/lease-level information section	Data Cut-Off Date
RESI	Loan/lease-level information section	Securitisation Identifier
RESI	Loan/lease-level information section	Loan/Lease Identifier
RESI	Loan/lease-level information section	Borrower Identifier
RESI	Loan/lease-level information section	Property Identifier
RESI	Loan/lease-level information section	Borrower Type
RESI	Loan/lease-level information section	Borrower's Employment Status

Alignment of the content of the data fields to the EU common definitions

Finrep:

EBA Survey with the Industry (Jan-March 2021)



GAP analysis EBA-GACS templ. (Jan 2021)

Code	Field Name	Category	Source	Impact	Field ID
1	Portfolio	Portfolio	Portfolio	High	PORTFOLIO
2	Counterparty Group	Counterparty	Counterparty	High	COUNTERPARTY
3	Counterparty Group	Counterparty	Counterparty	High	COUNTERPARTY
4	Counterparty Group	Counterparty	Counterparty	High	COUNTERPARTY
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50	Counterparty Group	Counterparty	Counterparty	High	COUNTERPARTY

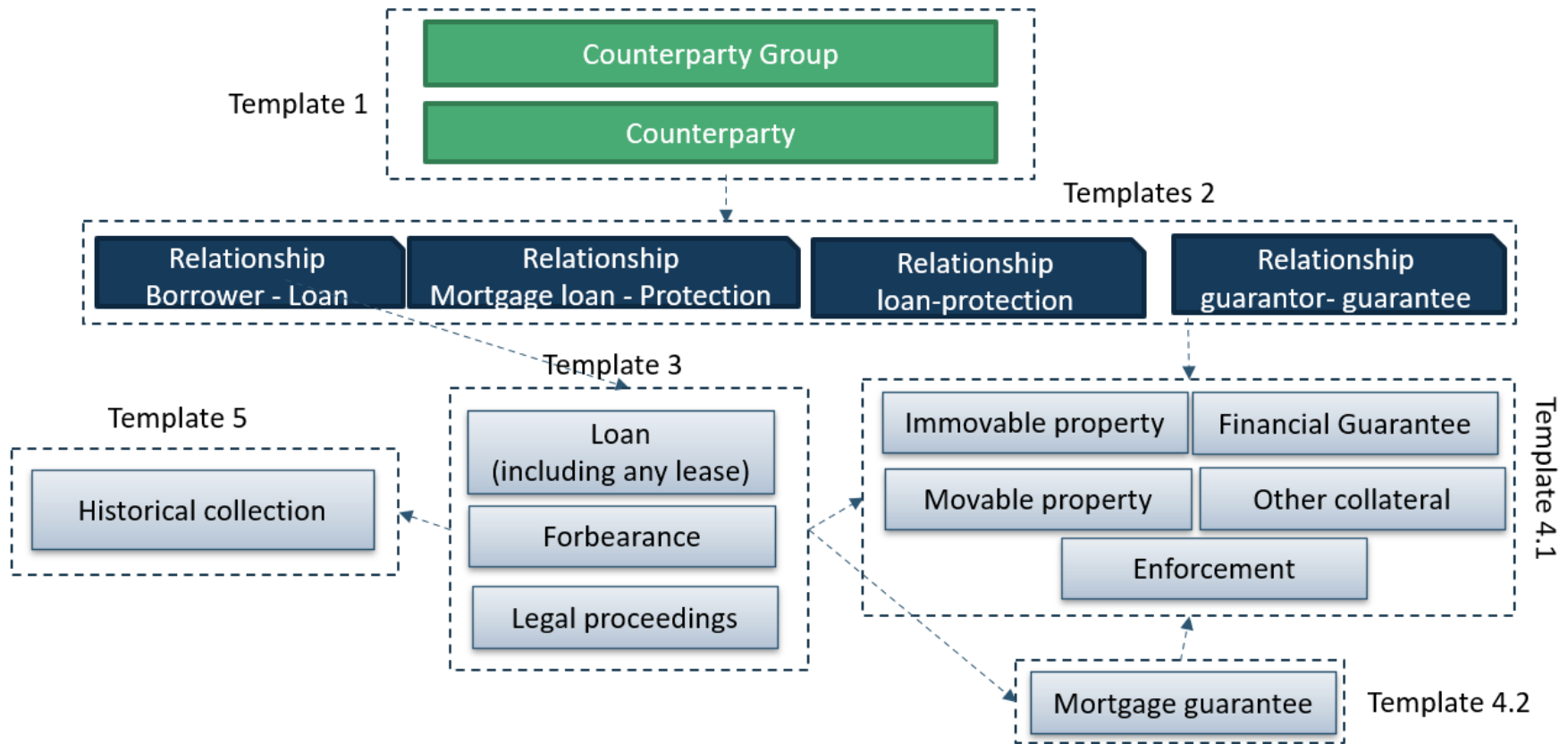
Discussion Paper and Industry feedback received

Index	Data Categories	Borrower Type	Description	Field Type	Importance	C
1.000	Portfolio	Applicable to all	Reporting date of the data extract	Date	Critical	D
1.001	Portfolio	Applicable to all	Institution's internal identifier for the PI Test	Identifier	High	S
2.000	Counterparty Group	Applicable to all	Institution's internal identifier for the Ci Test	Identifier	High	S
2.001	Counterparty Group	Applicable to all	Name used to refer to the Counterparty	Text	Moderate	S
2.002	Counterparty Group	Applicable to all	Industry Segment of Counterparty Group	Choice	Important	S
2.003	Counterparty Group	Applicable to all	Name of sponsor	Text	Moderate	S
2.004	Counterparty Group	Applicable to all	Type of sponsor	Text	Important	S
2.005	Counterparty Group	Applicable to all	Relationship of sponsor	Text	Moderate	S
2.006	Counterparty Group	Applicable to all	Cross Default in Counterparty Group	Choice	Important	S
2.007	Counterparty Group	Applicable to all	Description of cross default when "The Test"	Text	Important	S
2.008	Counterparty Group	Applicable to all	Indicates as to whether all items of the Choice	Choice	Critical	S
2.009	Counterparty Group	Applicable to all	Description of cross collateralisation	Text	Important	S
3.000	Counterparty	Applicable to all	Unique internal identifier for the Counterparty	Identifier	High	S
3.001	Counterparty	Applicable to all	Name used to refer to the Counterparty	Text	Moderate	S
3.002	Counterparty	Applicable to all	Institution's internal identifier for the Ci Test	Identifier	High	S

ITS on NPL data templates

Index	Template	Date Field	Borrower Type	Loan Type	Description	Level 1 25H	Level 1 25H	Field type	Public Release	ESMA GRC 25H V	ANACREDIT (Borrower Reporting) ESMA V	FINREP GRC 25H V	QR V	ISIFERS V
1.01	Counterparty	Counterparty Group Identifier	Applicable to all	Applicable to all	Indicates values of field for borrower group and counterparty. When counterparty is not applicable, the value of the field is null. When counterparty is applicable, the value of the field is the counterparty identifier.	Public	Public	Mandatory	Yes					
1.01	Counterparty	Name of Counterparty Group	Applicable to all	Applicable to all	Name used to refer to the counterparty group.	Public	Public	Mandatory	Yes					
1.02	Counterparty	Counterparty Identifier	Counterparty	Applicable to all	Counterparty identifier used to refer to the counterparty within the Counterparty Group.	Public	Non-public	Mandatory	Yes					
1.03	Counterparty	Counterparty Identifier	Applicable to all	Applicable to all	Counterparty identifier used to refer to the counterparty within the Counterparty Group.	Public	Public	Mandatory	Yes		1.1.1.1.1.1			
1.04	Counterparty	Name of Counterparty	Applicable to all	Applicable to all	Name used to refer to the counterparty.	Public	Public	Mandatory	Yes		1.1.1.1.1.1			
1.05	Counterparty	Unique Internal Identifier	Applicable to all	Applicable to all	Unique internal identifier for the Counterparty (Public Release, "Public Release").	Public	Public	Mandatory	Yes					
1.06	Counterparty	Industry Segment	Applicable to all	Applicable to all	Industry segment of the counterparty.	Public	Public	Mandatory	Yes					
1.07	Counterparty	Name of sponsor	Applicable to all	Applicable to all	Name of the sponsor of the counterparty.	Public	Public	Mandatory	Yes					
1.08	Counterparty	Type of sponsor	Applicable to all	Applicable to all	Type of the sponsor of the counterparty.	Public	Public	Mandatory	Yes					
1.09	Counterparty	Relationship of sponsor	Applicable to all	Applicable to all	Relationship of the sponsor of the counterparty.	Public	Public	Mandatory	Yes					
1.10	Counterparty	Cross Default	Applicable to all	Applicable to all	Indicates as to whether all items of the Choice.	Public	Public	Mandatory	Yes					
1.11	Counterparty	Description of cross default	Applicable to all	Applicable to all	Description of cross default when "The Test".	Public	Public	Mandatory	Yes					
1.12	Counterparty	Cross Collateralisation	Applicable to all	Applicable to all	Description of cross collateralisation.	Public	Public	Mandatory	Yes					

Overview of the EBA NPL transaction data templates

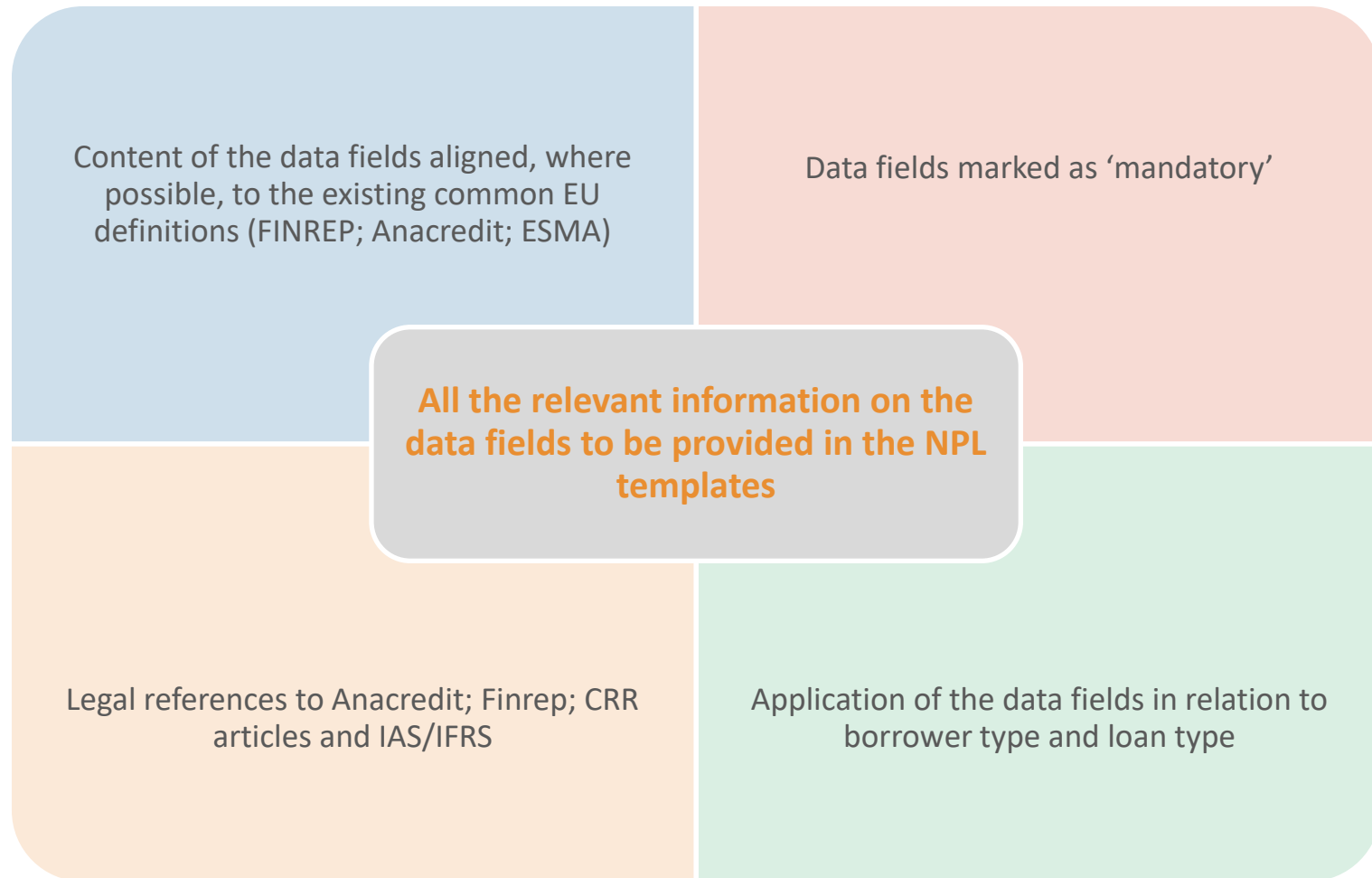


Templates are supported by Data Glossary and instructions

Total data fields: **129** (including 5 identifiers and excluding any additional rows agreed by the parties involved in the transaction)

- **Mandatory** data fields: **69**

Data glossary



Accompanying requirements

Operational procedures

- Timing: before transaction
- Electronic and machine readable form

Treatment of confidential info

- Identify what information is confidential
- Protect confidentiality
- Use of NDA
- Use of secure data rooms

Treatment of personal data

- GDPR applies
- Use of NDA
- Use of secure data rooms
- Sharing personal data only after the SPA has been signed

These operational procedures are in line (and inspired by) with the Communication from the Commission on *Guidelines for a best-execution process for sales of non-performing loans on secondary markets* (2022/C 405/01) of 21 December 2022

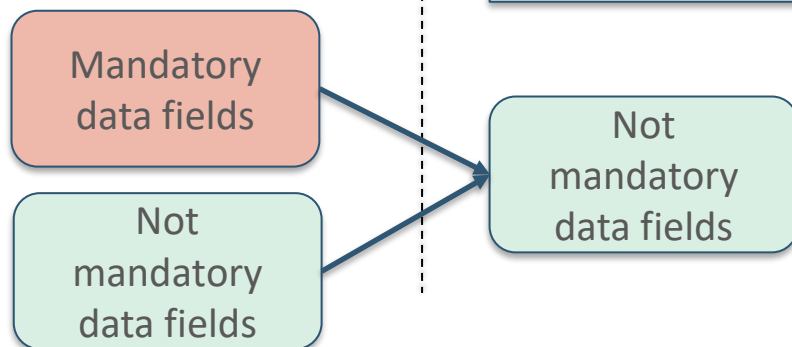
Approach to proportionality

Base case for the application of the templates

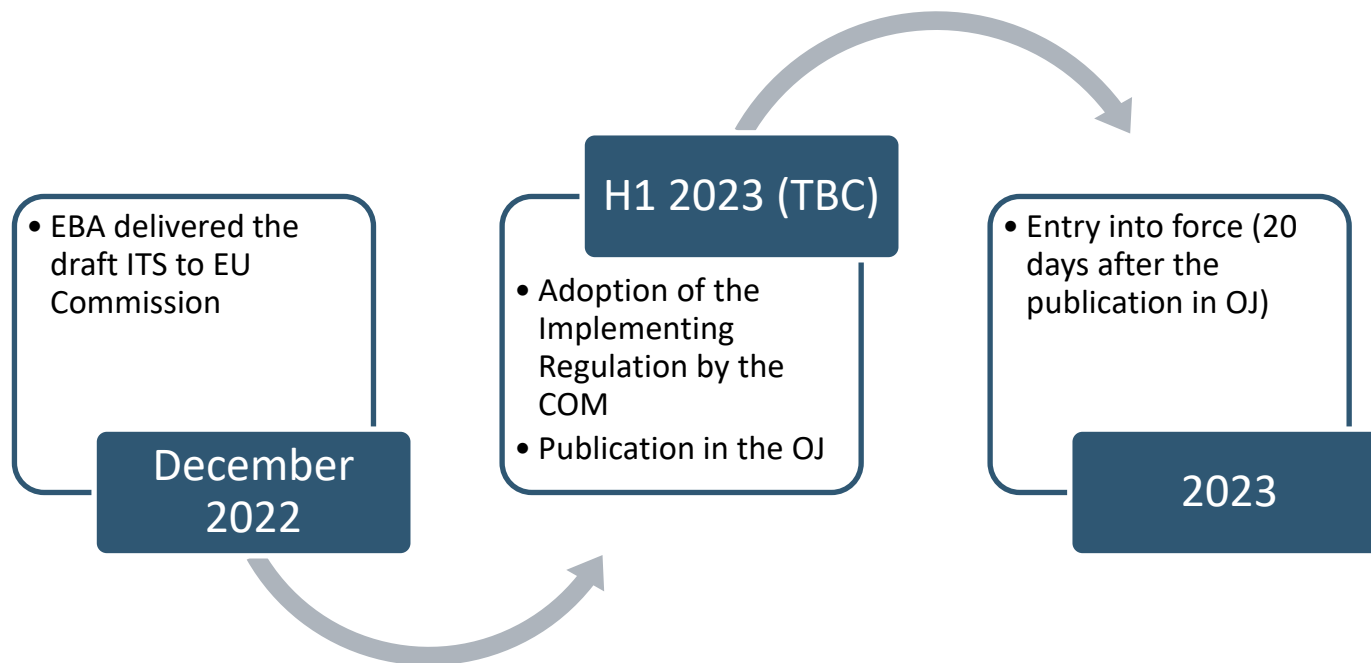
Portfolios of NPLs

Specific circumstances

- single NPL or NPL towards a single borrower
- NPL under or forming a part of syndicated loan facilities;
- NPL where the borrower is a third country borrower;
- intragroup NPL transactions
- NPL that have been acquired by the credit institution from a non-bank entity;
- unsecured NPL granted to a natural person where they do not meet the criteria to be considered in the scope of Consumer Credit Directive



Application timeline



Application of the templates:

- The requirements apply for loans that are originated on or **after 1 July 2018** and that became non-performing **after 28 December 2021**
- For loans originated **between 1 July 2018** and the date of entry into force of the ITS [**2023**], credit institutions should **complete the data templates with the information already available to them**

The logo for the European Banking Authority (EBA) is located in the top left corner. It consists of the letters 'EBA' in a bold, white, sans-serif font, set against a dark blue background with a subtle grid pattern. To the right of the letters, the words 'EUROPEAN BANKING AUTHORITY' are written in a smaller, white, sans-serif font, stacked vertically.

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EDW NPL TEMPLATE GAP ANALYSIS

ANDREA BEDIN, EUROPEAN DATAWAREHOUSE

CURRENT ESMA REPORTING FRAMEWORK UNDER THE SECURITISATION REGULATION (EU) 2017/2402



- Annex 2: Underlying exposures – residential real estate
- Annex 3: Underlying exposures – commercial real estate
- Annex 4: Underlying exposures – corporate
- Annex 5: Underlying exposures – automobile
- Annex 6: Underlying exposures – consumer
- Annex 7: Underlying exposures – credit cards
- Annex 8: Underlying exposures – leasing
- Annex 9: Underlying exposures – esoteric
- Annex 10: Underlying exposures – add-on non-performing exposures
- Annex 11: Underlying exposures – ABCP
- Annex 12: Investor report – Non-ABCP securitisation
- Annex 13: Investor report – ABCP securitisation
- Annex 14: Inside information or significant event information – Non-ABCP securitisation
- Annex 15: Inside information or significant event information – ABCP securitisation



Sources: ESMA website and EDW assessment

PRELIMINARY RESULTS OF THE EDW NPL GAP ANALYSIS (1/3)

- EDW conducted a GAP Analysis highlighting the key differences between the EBA NPL transaction data templates and the ESMA technical standards as of 23 September 2020
- The EBA templates have been streamlined and new fields added:
 - The “No data option” has been simplified (ND1, ND2 etc. into one ND only)
 - The € 25,000 threshold has been eliminated
- Among the 129 fields plus 5 identifiers proposed by EBA, EDW found a potential correspondence with the ESMA fields in 71 cases
- Scope of application for the EBA templates, as according to the proposed Regulation Article 2, is for the sale or transfers of portfolios of non-performing loans held in the banking book of credit institutions that meet the criteria set out in Article 16 (7) of Directive (EU) 2021/2167 on credit servicers and purchasers. Out of scope, among others:
 - Securitised NPL loans where Regulation (EU) 2017/2402 applies;
 - Loans held in the trading book of credit institutions
- NPL data quality is key to improving investor confidence and boosting secondary market liquidity

Sources: EBA Final Report: Draft Implementing Technical Standards

PRELIMINARY RESULTS ON THE EDW GAP ANALYSIS (2/3)

Template	Number of Fields	Number of fields with potential correspondence
1 - Counterparty	33 	14
2 - Relationship	4	3
3 - Loan	44 	21
4 - Collateral guarantee and enforcement	43	28
4.2 Mortgage Guarantee	5	4
5 - Historical collection of repayments	5	1
Total number of fields	134	71

PRELIMINARY RESULTS ON THE EDW GAP ANALYSIS (3/3)

- The GAP analysis is based on three Annexes of the ESMA templates:
 - the Underlying exposure - add-on non-performing exposure (NPL) (Annex 10),
 - the Underlying exposure - residential real estate (Annex 2); and
 - the Underlying exposure - corporate (Annex 4)

EBA Templates			ESMA Templates	
Index - EBA	Template - EBA	Data field - EBA	Field code - ESMA	Field name - ESMA
1.04	Counterparty	Economic activity	CRPL14	NACE Industry Code
1.06	Counterparty	Legal Type of Counterparty	RREL15	Borrower Type
1.16	Counterparty	Country of Counterparty	RREL81	Original Lender Establishment Country
1.21	Counterparty	Currency of Financial Statements	CRPL23	Financial Statement Currency
3.12	Loan	Legal Balance	RREL71	Default Amount
3.13	Loan	Days in Past-Due	RREL68	Number Of Days In Arrears
3.14	Loan	Interest Rate	CRPL53 and RREL43	Current Interest Rate
3.15	Loan	Interest Rate Type	CRPL52 and RREL42	Interest Rate Type
3.19	Loan	Interest rate reset frequency	RREL47	Interest Rate Reset Interval
3.21	Loan	Last Payment Date	NPEL30	Last Payment Date
3.23	Loan	Date of the default status of the instrument	RREL72	Default Date
3.40	Loan	End Date of Forbearance measure	NPEL41	End Date of Forbearance
4.10	Collateral guarantee and enforcement	Higher Ranking Loan	NPEC10	Higher Ranking Underlying Exposure
4.29	Collateral guarantee and enforcement	Enforcement Status	NPEC7	Enforcement Status

REPORTING FRAMEWORKS UNDER THE SECREG & UPCOMING NPL SECONDARY MARKET DIRECTIVE

Type of Assets	Reporting Framework for Securitisation	Reporting Framework for Straight Sale
Performing Loans	ESMA Templates	-
Non-performing loans (NPL)	ESMA Templates with Add-on Annex 10	EBA Templates
Homogeneous NPL pool	One ESMA Annex with Add-on Annex 10	EBA Templates
Non-Homogeneous NPL pool	Multiple ESMA Annexes with Add-on Annex 10	EBA Templates

Sources: EBA Templates, ESMA Templates and EDW assessment

PANEL SESSION 1:

SCOPE & IMPLEMENTATION OF NPL DATA TEMPLATES

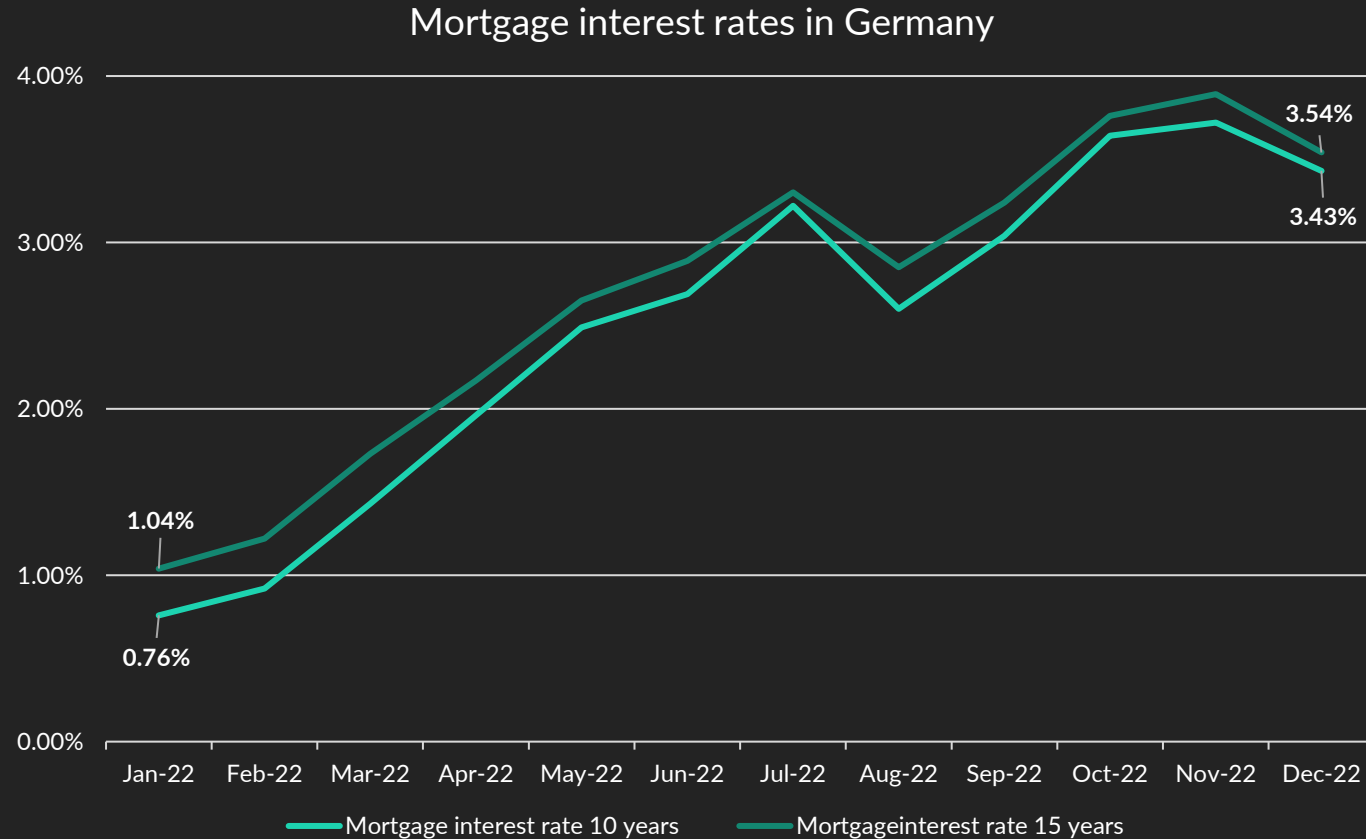
PANEL SESSION 2: **NPL MARKET OUTLOOK FOR 2023**



Debitos @ European DataWarehouse's Webinar: The New EBA NPL Transaction Data Templates

31st of January 2023

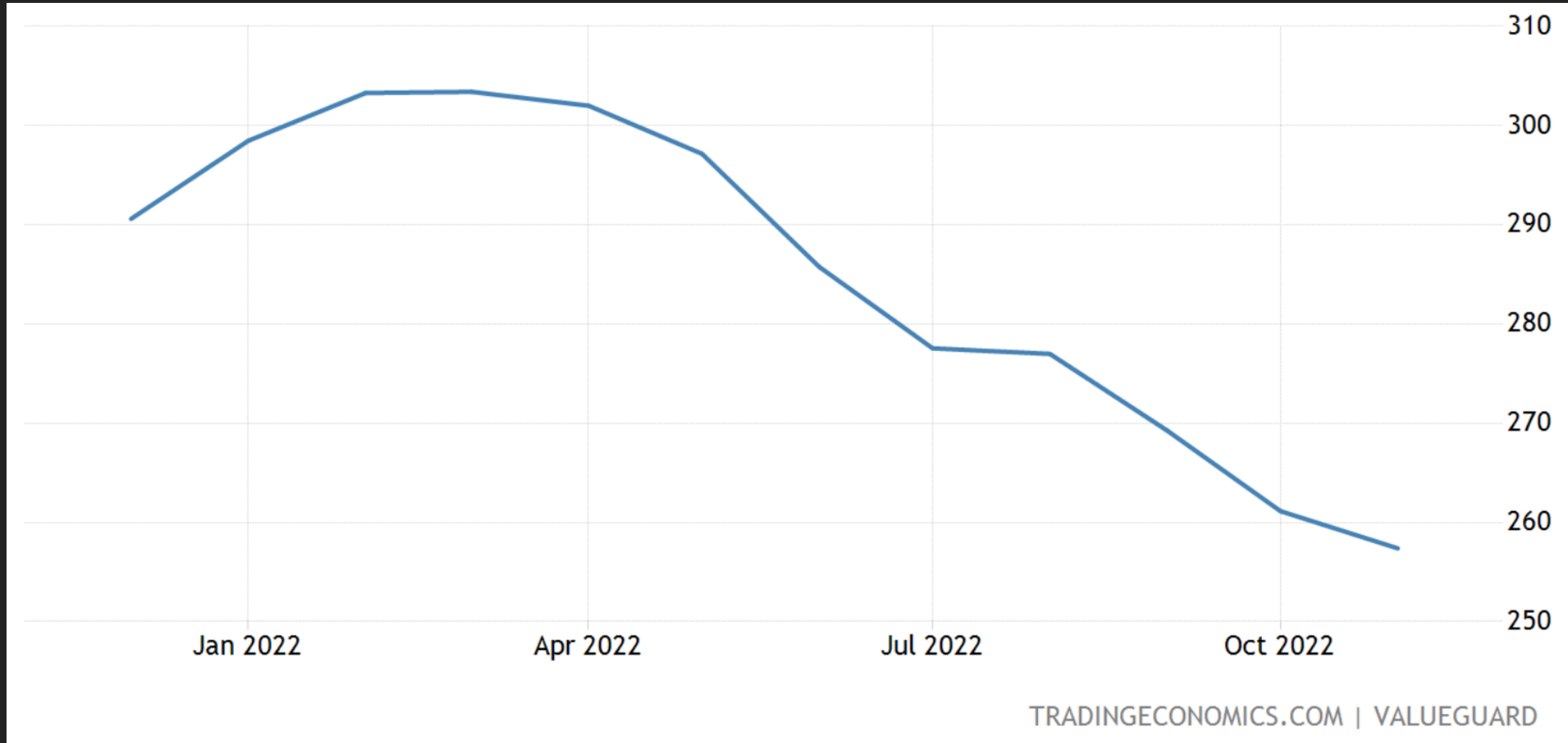
Mortgage Interest Rates in Germany



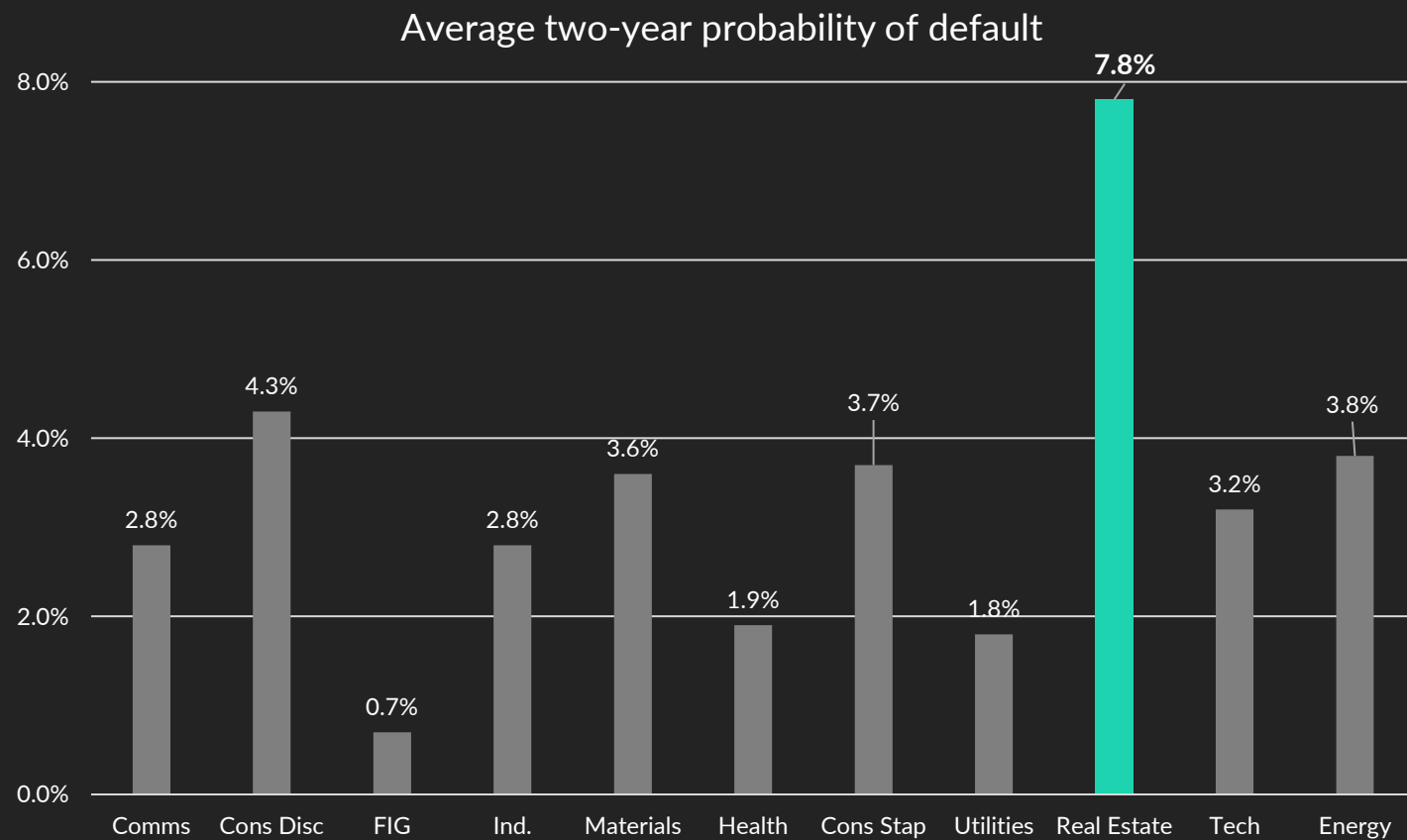
- Interest rate costs more than 3X
- For an average household not realizable

Source: <https://www.hypochart.de/tools/zinsen-chart-generator/>

House prices in Sweden have dropped by over 16%

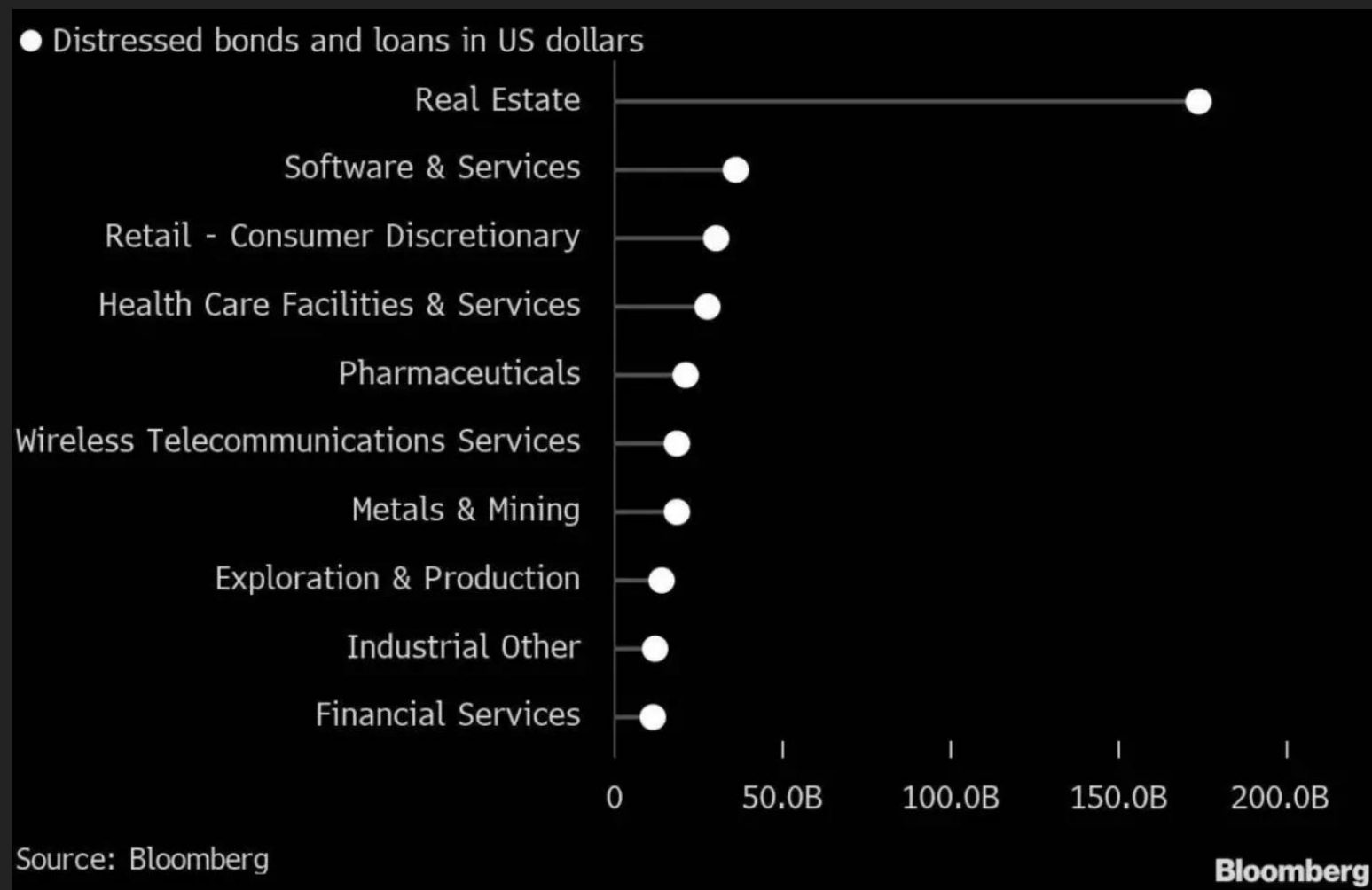


European Real Estate Junk Bonds have the highest Default Risk



Source: Bloomberg

Real Estate has far more Distress than other Industries



PANEL SESSION 3: **STEPS TO A LIQUID SECONDARY MARKET**



Q&A

UPCOMING EVENTS

Visit <https://eurodw.eu/news-events-and-multimedia/events/> to register

06.

MAR
2023
WEBINAR

Exploring EDW's Deal Reports @ 16:00 CET

21.

MAR
2023
WEBINAR

Research Update webinar @ 16:00 CET

THANK YOU // CONTACT US

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