



FEDERATION  
BANCAIRE  
FRANCAISE

*Banking supervision  
And Accounting issues Unit  
The Director*

Paris, June 24<sup>th</sup> 2013

**FBF Response - EBA Consultation Paper on Draft Implementing Technical Standards on supervisory reporting on Forbearance and Non-Performing exposures under article 95 of the draft Capital Requirements Regulation.**

Dear Madam,

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorized as banks and doing business in France, i.e. more than 425 commercial, cooperative and mutual banks. FBF member banks have more than 39,000 permanent branches in France. They employ 380,000 people in France and around the world, and service 48 million customers.

The French Banking Federation appreciates the opportunity to express the views of the French banking sector on the Draft Implementing Technical Standards (ITS) on supervisory reporting on Forbearance and Non-performing Exposures under article 95 of the draft Capital Requirement Regulation (EBA/CP/2013/06). The French banks understand EBA's concerns about loan forbearance practices and policies as, without rigorous and sound standards, forbearance may be used in exceptional circumstances to postpone losses and, therefore, may not result in the best interests of the customer and the lender.

However, the approach proposed by the EBA for banks to report on forbearance is not the most appropriate one. Our concerns are raised as follows:

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## **Objectives and definitions.**

The definition of Debt Forbearance provided in the Consultation Paper is unclear and may lead to heterogeneous and imprudent practices. We would encourage EBA to be stricter and keep with the initial definition: *“debts with forbearance measures are contracts the terms of which the debtor is considered unable to comply with due to its financial difficulties”*. According to this definition, forbearance measures are indicators of default (the debtor is unlikely to pay) and objective evidence of impairment (as stated in the ESMA recommendations). There should be no case where forbearance can escape from default at the moment when the forbearance measure is granted.

Moreover, it does not fit to bank practices. For French banks, forbearance is only undertaken as a result of the debtor's anticipated difficulties to pay amounts due to the bank (“forced renegotiations”). Following article 174 of the CRR (definition of default), forbearance shall lead to the debtor's exposures be classified in default; those exposures continue to be flagged in IT systems after they have been cured since they may return into default immediately after the 1st day past-due. Any other loan restructuring and rescheduling, which do not address debtors' difficulties to pay the amounts due, are undertaken for commercial purposes but are not necessarily flagged into IT systems; they follow commercial policies and practices decided by the bank and are monitored internally on a case-by-case basis. However, in addition to the distinction made by banks between “forced renegotiations” (in default) and “commercial renegotiations” (performing), the EBA seems to make a third category of forborne exposures which were performing before the forbearance measures have been decided and would continue to perform after; such exposures do not exist under French bank practices.

Adding a new concept of Non-Performing Loans which encompasses a larger population than the CRR default is not meaningful for the following reasons:

- This concept is not relevant for the trading book (see hereafter)
- Considering all 90-day past due loans as non-performing is contrary to the CRR provision, which has confirmed national discretions to take into account longer payment delays in specific cases. The EBA cannot oppose the CRR decision. Besides, the data is available in the FINREP reporting templates which require to breakdown impaired and not impaired loans by ranges of past due dates, including more than 90 days past due. It is not necessary to create and name a dedicated category when the relevant information is available
- Requiring banks to manage and to report two different definitions of non-performing assets (i.e. one for regulatory capital purposes and another one for reporting under the EBA ITS) would be impossible to implement in practice and would create confusion for regulators, supervisors, banks and end-users of financial reporting.

## **Trading book**

We do not understand the objective of applying the new concepts to the trading book

When debt securities are actively traded in the market, forbearance measures are negotiated between several holders of debt securities. There is no on-going contractual relationship between the lender and the borrower. Hence, the banks that hold the debt securities at the time when forbearance measures are negotiated, will report them as forborne. However for the next closing, the debt securities will be held by other institutions which will not consider nor report these securities as forborne, since they were not part of the forbearance measures.

Moreover, some of the securities may be bought by non-regulated entities which are out of the supervisory scope and will disappear from the supervisor's radar. And finally, as debt securities are reported in market value, the volatility in the reported figures would prevent from any relevant analysis (are observed changes due to the volume of forbearances or to market prices volatility ?).

We consider that requiring a report on forbearance in the trading book would entail heavy procedures and high costs whereas it would not provide relevant data to the supervisor.

Similarly, we believe that reporting non-performing securities in the trading book is not relevant either. Among the different non-performing criteria, only the 90 days past due is measurable in trading activities and is extremely rare. The risk of not being paid back is embedded in the market value and is not considered per se.

Trading books should definitely be excluded from the scope of non-performing exposures and forbearance.

### **Consolidation scope**

The consolidation scope is not clear. It is stated that the definitions should be applied on an accounting scope of consolidation. We do not understand whether it means:

- Forbearance and non-performing loans of all the entities belonging to the accounting scope of consolidation should be reported. We disagree with this request as it goes beyond the mandate provided by the CRR which applies to the prudential scope. Besides, the reported figures would be inconsistent with other data reported in the FINREP and thus useless.
- Forborne contracts or non-performing debtors in a Group entity out of the prudential scope (insurance company) shall be considered as forborne contracts or non-performing debtors in the other entities included in the prudential scope.

We also disagree with this proposition as it is highly costly to implement for rare or even inexistent occurrences. The example provided in the Consultation Paper is not realistic: a client that would be unable to meet his due payment towards the bank, would fail in issuing debt securities if he faces financial difficulties (the insurance company would therefore not be able to buy any). If he succeeds, it means that he doesn't face financial difficulties and he issues on market conditions, which is not a case of forbearance but of commercial renegotiation.

Therefore, we strongly advocate retaining the prudential scope of consolidation.

### **Implementation date**

Flagging contracts with forbearance measures is quite a long task as it supposes to analyse each defaulted loan and each loan that was in the default category in the past two years (probation period) and identify whether forbearance measures have been granted when the debtor was considered unable to comply with due.

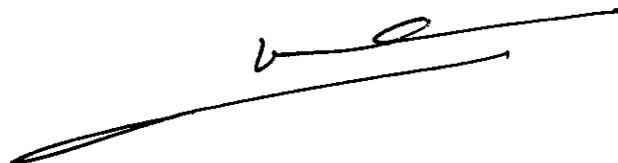
If we consider the time to perform this inventory plus the time for IT development, we assess that we will be able to report the requested data within eighteen months after the ITS has been published.

To conclude, the FBF recommends the EBA to strictly follow regulatory and accounting standards for the definition of forbearance and non-performing exposures to be reported to supervisors. The reporting scope should strictly follow the prudential scope covered under the FINREP reporting and the CRR. Trading book exposures shall be excluded.

Our comments to the questions of the consultation paper are detailed in the Appendix to this letter.

We hope you find them useful and would be pleased to provide any further information you might require.

Yours sincerely,

A handwritten signature in black ink, consisting of a long horizontal line with a small loop and a short vertical stroke at the end.

Jean-Paul Caudal

## **APPENDIX - QUESTIONS**

*1) Do you agree that building definitions of forbearance and non-performing by taking into consideration existing credit risk related concepts enables to mitigate the implementation costs? If not, please state why.*

Although we welcome that the existing credit risk related concepts are taken into account, the building of definitions which are neither the accounting ones ( IFRS, or local GAAP), nor the prudential one will increase considerably the implementations costs and require very tight controls to ensure a good quality of the data.

As we have to disclose our financial statement according to the IFRS and to take into account the ESMA's public statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions, banks will have two different definitions of forbearance to manage (one for supervisor reporting and one for the financial statement). It would be much more efficient and consistent to manage and report forbearance using only one single definition. However, we cannot use the same name for two different definitions in our database. As far as debt forbearance definition is "debts with forbearance measures are contracts the terms of which the debtor is considered unable to comply with due to its financial difficulties ", the debt should be first classified as defaulted. Therefore, a debt forbearance can only be classified out of impaired or defaulted assets if it meets the conditions to be classified again as performing.

As regards the definition of non-performing exposures, French banks aim to ensure consistency between the defaulted and impaired asset definitions and to manage a single difference which comes from the scope of consolidation (statutory / prudential). Any other difference would create double reports of the data and very complex bridges between them. . It would build a new layer of complexity within supervisory reporting and create confusion for supervisors and investors, for a benefit that is not obvious.

Furthermore, we strongly disagree to include the trading book and the instruments measured at fair value into the forborne and the non-performing debts.

To mitigate the implementation costs and get a consistent database structure, we do need harmonised definitions and scopes, excluding the trading book from the EBA requirements.

*2) Do you agree with the proposed definitions? Especially, do you agree with the inclusion of trading book exposures under the scope of the non-performing and forbearance definitions? If you believe alternative definitions could lead to similar results in terms of identification and assessment of asset quality issues, please explain them*

### **Forbearance definition:**

We believe that the definition of Forbearance should be clarified and be stricter, as explained in the executive summary.

## **Non-Performing definition**

We do not understand the objective in creating a new category. The definition of non-performing should be exactly the same as the CRR one. As we use the CRR method to assess the credit risk of our counterparty, we should use the same rating for the reporting. We consider that for specific counterparties, such as governments, a more than 90 days past due does not reflect a risk of non-payment and should not lead to a classification as non-performing. The template FIN4 already identifies a more than 90 days past due not impaired instruments which corresponds to the counterparties.

We agree with the past due definition although we also consider that fees can be past due and included into the impaired debt.

## **Trading book**

A financial instrument is classified as "trading" if it is held for to be actively managed. Such instruments are measured at fair value, which integrates possible deteriorations.

If a debt instrument previously classified as trading would come under the forbearance category that would mean that the active management is no longer the way in which the instrument is managed and that the instrument would have to be reclassified into the banking book. Debt instruments actively managed do not have forbearance measures. If the issuer faces difficulties, there is usually a kind of take-over bid and a swap of the debt instruments for new ones including the renegotiation. That was the case, for instance, for the Greek debt. Including trading book exposures within the scope of forbearance and non-performing exposures would lead to apply credit risk approaches to those exposures, which does not reflect the way they are effectively managed. If credit risk is effectively associated to trading book exposures, this is already subject to significant measures under the CVA and stressed VaR regulations and the resulting capital charges are already reported under COREP. Finally, the non-performing issues associated with trading book exposures are being considered separately under the Basel Committee Fundamental Review of the Trading Book and under the Prudent Valuation developments.

For these reasons, we are strongly opposed to the inclusion of the trading book exposures under the scope of the non-performing and forbearance definitions.

As we do not agree with the proposed scope of forbearance nor non-performing, our answers to the following questions only deal with the banking book and always exclude the trading book from the scope.

*3) How long will it take you to implement, and collect data on, the definitions of forbearance and non-performing?*

Developments needed to properly identify and manage forbearance and non-performing exposures under the appropriate definitions will necessitate a very long time, at least eighteen months after the final ITS, in order to review the full portfolio of loans and identify those which were granted forbearance measures. The forbearance characteristic will need to be dated and flagged into the systems to be reported. Therefore, although the consultation paper proposes to include the forbearance templates in the FINREP framework, the forbearance templates can only be reported after the first remittance date of the forthcoming FINREP ITS Supervisory Reporting Framework. Thus, it implies that the set of controls will be different for each version.

Moreover, the same kind of developments would have to be undertaken when implementing IFRS9, phase II.

It would be less costly and quicker to adapt our IT systems at the same time in order to create the appropriate data model to fit all the requirements, that is , financial statements requirement ( IFRS9 and ESMA) and the EBA's ITS.

Should the trading book be included into the scope of forbearance and non-performing reporting, the implementation of these requirements would be much complex and would further delay the implementation date because all the trading exposures would have to be included into the credit risk system. It would imply many months of IT works to prepare the systems and then many months to fill it with the trading book and to check all the deals.

*4) What definitions of forbearance and non-performing are you currently using respectively for accounting and prudential purposes?*

Debt instruments with forbearance measures refer to loans whose amount, term or financial conditions have been contractually modified due to the borrower's insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured).

When forbearance measures are granted, the debtor is considered as unlikely to pay without these measures. That is to say that the forborne exposure has to be classified as defaulted under prudential reporting and is considered as objective evidence of impairment under IFRS standards.

Forborne debt does not include commercial renegotiations involving clients for whom the bank has agreed to renegotiate the debt in order to retain or develop a business relationship, in accordance with credit approval rules in force and without giving up any of the principal or accrued interest. Requests for a rescheduling of repayments, without any loss in capital or interests for the bank, are not considered as creating a "default" situation, unless the bank considers that it would be unlikely for the counterpart to meet its obligations without such a rescheduling.

Any situation leading to forbearance entails transferring the counterparty in the Basel default category. These assets are then subject to specific impairment. Most of French bank practices entail that clients whose loans have been restructured are to be maintained in the default category, as long as the bank is uncertain of the debtor ability to meet its future commitments.

In accordance with the regulatory definition provided in Article 174 of the CRR, French banks consider an exposure to be in default when at least one of the following conditions is confirmed:

- a significant deterioration in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments (credit obligations), thus generating a risk of loss for the bank; and/or
- one or more payments are more than 90 days past due (excepted for exposures secured by residential or SME commercial real estate in the retail exposure class, as well as exposures to public sector entities); and/or
- an out-of-court settlement procedure is initiated, (with the exception of certain asset categories, such as loans to local authorities); and/or
- the debt is restructured; and/or
- a legal proceeding such as a bankruptcy, legal settlement or compulsory liquidation is in progress.

Non-performing, default or individual objective evidence of impairment are synonymous when related to debts instruments of the banking book.

The criteria to qualify a debt instrument as defaulted according to the prudential rules are the same as those used to identify objective evidence of impairment for accounting purposes. When a loan is declared in default, it is automatically classified in accounting terms as "doubtful" it may be individually impaired if the expected cash flow discounted at the original effective interest rate are lower than the booking value, it may also be directly written-off. We could not manage different scope or definitions between defaulted and doubtful (individual objective evidence of impairment). Moreover as the criteria are similar there is no reason to do so.

After being forbore, a debt can be classified as non-defaulted / non-impaired again if the debtor has met all the necessary conditions i.e. the recovery of financial health, the payments of all past due amounts in accordance with the terms and conditions of the forbore debt. When those conditions are met, some banks may have a probation period mechanism.

*5) Do you agree with the types of forbearance measures covered by the forbearance definition? If not, what other measure(s) would you like to be considered as forbearance?*

When an amount has more than 30 days past due at least once during the three months period prior to modifications made to the contract, French banks do not agree to qualify the modifications as forbearance measure if the contract does not include more favourable terms than those the debtor could have obtained in the market or according to the specific local uses depending on the local competitors. These modifications could be qualified as commercial renegotiation.

We do agree with the EBA to "tie the notion of contract with forbearance measures (or forbore exposure) to the simultaneous presence of two elements: (i) the debtor is or will be considered as unable to meet the terms and conditions of the contract due to its financial difficulties ("troubled debt"), and (ii) the debtor's situation (financial difficulties) leads the credit institution (lender) to decide to make "concessions" (i.e. to refrain itself from enforcing the payment of its claim under its current conditions) that it would not otherwise consider".

These elements prove objective evidence of default. This approach is consistent with ESMA's public statement on the Treatment of Forbearance Practices in IFRS Financial Statements of Financial Institutions.

*6) Do you agree with the following elements of the forbearance definition?*

*a. the criteria used to distinguish between forbearance and commercial renegotiation?*

If there is no doubt about the ability of the debtor to meet the terms and conditions of the contracts, any modifications should be considered as commercial renegotiation even if the contract includes more favourable terms than those the debtor could have obtained in the market. Such more favourable conditions might only be granted for commercial reasons, e.g. to increase the business volume with the customer and/or to take on a very important deal. As far as the counterparty could get another bank to finance it, we consider that there is no forbearance measure.

*b. the criteria used to qualify refinancing as forbearance measures?*

When an amount is a more than 30 days past due at least once during the three months priors to modification, we do not agree to qualify the modifications as forbearance measure if the contract doesn't include more favourable terms than those the debtor could have obtained in the market ( see question 5)

The first and most important criterion is the debtor's incapacity to meet the existing terms of the contract.

*c. a 30 days past-due threshold met at least once in the three months prior to modification or refinancing, as a safety net criterion to always consider modification or refinancing as forbearance measures?*

Many reasons may explain a 30 days past due amount. Therefore this threshold is much too strict to encompass all the cases. When there is no doubt on the ability of the debtor to meet the existing terms of the contract, a 30 past due amount is not an appropriate indicator.

*d. the proposed treatment for exposures with embedded forbearance clauses?*

If the contract includes forbearance clauses, the use of these clauses cannot be qualified as forbearance when enforced by the debtor.

The bank identifies and classifies the customers according to their creditworthiness. The good knowledge of the financial situation of the customers must lead to a correct analysis of the reason why a customer uses the embedded forbearance clauses of its contract.

*7) Do you agree with the proposed scope of on- and off-balance sheet exposures to be covered by the definition of forbearance?*

We agree to include loan commitments and financial guarantees in the scope.

*8) Do you agree not all forbearance transactions should be considered as defaulted or impaired?*

As mentioned in question 5, we believe that when the debtor is considered as unable to meet the terms and conditions of the contract due to its financial difficulties, there is a defaulted and an objective evidence of impairment. The impairment might be nil if there is neither incurred loss nor expected ones, or when the debt is fully collateralised.

A bank might have exposures to a defaulted counterparty that include forbearance measures and others without such measures. Only the former would have to be specifically reported. A forborne debt could be considered as non-impaired nor defaulted if the debtor has met again all the conditions to return to a performing status. In that case, the debt remains identified as forborne since it should return to the defaulted category as soon as a 1 day past due is recorded.

*9) What types of forbearance transactions are likely, according to you, not to lead to the recognition of default or impairment?*

None, as the definition of forbearance embed one of the criteria of default (unable to meet due payments)

*10) Do you agree with the proposed definitions of debtors and lenders and the scope of application of the forbearance definition (i.e. accounting scope of consolidation)?*

As the reporting will be included into the FINREP and because the ITS are coming from European legal texts transposing the Basel III agreements, the scope have to remain the same for all the CRR / CRDIV requirements and reporting, that is the prudential scope of consolidation and not the accounting scope.

Otherwise, there will be two different amounts for the same date such as the gross carrying amount of the debt instruments at amortised cost.

*11) Do you agree with the proposed mixed approach (debtor and transaction approaches) for forbearance classification?*

We agree that a debtor approach has to be used to assess his situation. We also agree that all the debtor's contracts do not have forbearance measures and that the ones with these measures are the only ones to be specifically reported.

*12). Do you agree with the exit criteria for the forbearance classification? In particular:*

*a. what would be your policy to assess whether the debtor has repaid more than an insignificant amount of principal or interests?*

We do not assess whether the debtor has repaid more than an insignificant amount of principal and interests. The debtor has to pay all the past due amounts if some, and to comply with forbearance measures. If not, the debt remains forborne and defaulted.

*b. do you support having a probation period mechanism ?*

We support a probation period mechanism. The timing of the probation period should be different depending on the type of counterparty and the existence or not of past due amount before the forbearance measures. (i.e. Retail and non-retail counterparties are not managed in the same way and the time to recover financial health is different).

We wonder whether the 2-year probation period proposed by the EBA is based on experience and back-testing which confirm that it is the appropriate observation period.

*13) Do you agree with the proposed approach regarding the inclusion of forborne exposures within the non-performing category? In particular:*

As all European banks have to comply with the CRR and CRD as well as with IFRS accounting rules, we do not understand the objective of introducing a new concept with "non-performing". EU member states agreed on a default definition under CRR with national discretion and only this definition should be used. Introducing another category of non-performing would create confusion and would be contrary to the CRR provisions.

French banks consider that forborne exposures should be classified as default / evidence of impairment as soon as forbearance measures are decided. Therefore, French banks agree that forborne exposures are automatically classified in the non-performing category, which means also that they are impaired and defaulted. The debtor is maintained in the default category, as long as the bank is uncertain of his capacity to meet his future commitments.

As explained above, when the debtor is no more classified as defaulted, the debt remains identified as forbore during the probation period. The probation period is the only case when forbearance may not be classified in the default category.

*14) Do you agree with the following elements of the non-performing exposures definition:  
a. the use of 90 days past-due threshold to identify exposures as non-performing?*

We disagree with the use of 90 days past-due threshold. There were long discussions around the CRD IV on this topic and member states finally decided to keep national discretions to take into account longer payment practices which are not evidence of default (e.g. public administrations and central government). We consider that the EBA should stick on the CRR decision and not create a new category to harmonize where the EU Parliament decided not to.

*b. the proposed guidance for past-due amounts?*

We highly recommend the non-performing exposure definition to strictly stick to the regulatory definition of default.

*c. the proposed treatment of collateral and especially the proposed valuation methodology for its reporting?*

We agree not to take into account the collateral to assess whether the exposure is forbore or defaulted. However, as the collateral is taken into account to calculate the impairment and the risk exposure, it important to report its value as well.

As we do not understand the meaning of forbearance and non-performing measures for the trading book, our answer only deals with the banking book.

*15) Do you agree with the coverage of the proposed definition and with the possibility to apply the generic non-performing criteria to all fair-valued non-performing exposures? Do you expect challenges when implementing them and collecting data on fair-valued non-performing exposures? Would you suggest other criteria instead?*

The concept of non-performing / default is only relevant for the banking book. An extended definition of this concept to include the trading book would be very confusing. If so the scope of the regulatory reporting and the financial statements and communication would be different.

We strongly disagree to apply the non-performing criteria to all fair valued non-performing exposures (Cf question 2). As trading exposures cannot possibly default, it should not be considered "non-performing trading exposures". If the business model of the exposures is no more to actively manage debt instruments, even due to changes to the credit risk quality of the counterparty, trading book instruments have to be reclassified in the banking book. The fair value includes the credit risk of the issuer and as far as the instrument can be sold or bought, it cannot be seen as non-performing.

However, it is very difficult to identify the instruments as banks' IT systems are not built to include such instruments into the credit risk data base.

We disagree to report forbearance or non-performing exposures on the trading book. However when an issuer has benefited from forbearance measures or has recorded past due amounts, such measures cannot be specific to a bank but impact all holders of the instrument, especially when it is quoted and booked in the bank trading book (cf the Greek's debt ...)

16) *Do you agree with the proposed treatment for derivatives exposures? If not, what criteria would you suggest to enable identification of non-performing derivatives?*

We agree with the EBA proposal to exclude the derivative exposures from the scope of reporting on non-performing exposures as they are no more derivatives exposures but receivables once they are past due.

17) *Do you agree with the proposed criteria to identify off-balance sheet exposures as non-performing?*

Yes we do

18) *Do you agree not to consider exposures subject to incurred but not reported losses as non-performing?*

We do agree not to consider exposures subject to incurred but not reported losses as non-performing: these exposures have no individual evidence of default and do not meet the definition of non-performing / default

19) *Do you agree with the proposed approach regarding the materiality threshold?*

Yes we do

20) *Do you agree with the proposed definitions of debtors and lenders and the application of the non-performing exposures definition on an accounting scope of consolidation?*

We struggle understanding what the EBA is seeking with extending the scope of consolidation to the accounting perimeter.

- If the objective is to report forbearance and non-performing / defaulted exposures on the accounting scope of consolidation, we strongly disagree with as all the other FINREP templates are filled with the regulatory scope data. It will be time-consuming and extremely confusing to mix in a same set of templates, data from accounting and prudential scopes. Furthermore the usual and basic reliability and consistency controls will be almost impossible to implement.
- If the objective is that forbore contracts or non-performing debtors in a Group entity out of the prudential scope are to be considered as forbore contracts or non-performing debtors in the other entities included in the prudential scope, we also disagree as it would be highly costly to implement for rare or even inexistent occurrences. The example provided in the Consultation Paper is not realistic: a client that would be unable to meet his due payment towards the bank, would fail in issuing debt securities if he faces financial difficulties (the insurance company would therefore not be able to buy any). If he succeeds, it means that he doesn't face financial difficulties and he issues on market conditions, which is not a case of forbearance but of commercial renegotiation.

We believe that the ITS should bring consistency with the CRR by using the same vocabulary. In that respect, the word "obligor" should be used instead of "debtor".

21) *Do you agree with the proposed approaches (debtor approach for non-retail exposures, and possibility of a transaction approach for retail exposures)? In particular, do you agree with the idea of a threshold for mandatory application of the debtor approach? If so, which ratio methodology would you favor and why?*

Each bank follows its own rules, in compliance with international and local regulations, for applying the contagion effect across the different exposures on the same obligor. Imposing a common threshold would be very difficult to implement and very costly. It would also lead to a reporting on non-performing exposures that would be totally different from practices effectively used by banks to manage exposures. Therefore, we strongly oppose to the proposal of a threshold.

22) *Do you agree with the exit criteria from the non-performing category?*

Provided that trading book instruments are not included in the non-performing category, we agree with the exit criteria proposed. As answered in question 8, forborne exposures should be first considered as defaulted or evidenced for impairment. As we do not understand the meaning and the use to include the trading book into the non-performing category, there should be no different criteria to exit from defaulted.

23) *Do you agree with the separate monitoring in a specific category of exposures ceasing to be non-performing? Do you think this specific category should be integrated within the performing or the non-performing category?*

French banks monitor the forborne exposures when they cease to be in default either until maturity or during a probation period (cf question 12). There is no need for a specific category; such forborne exposures can simply be flagged within the performing category.

24) *Would you favor specific exit or specific separate monitoring criteria for non-performing exposures to which forbearance measures are extended?*

We favour specific separate monitoring for forborne exposures which have returned to the performing category (see above)

25) *Could you indicate whether all the main drivers of costs and benefits have been identified in the table above? Are there any other costs or benefits missing? If yes, could you specify which ones?*

The following costs are missing

- Processes adaptation du to the granularity of the data collection and monitoring on retail assets, and the perimeter of the data collection (trading book, accounting scope vs. prudential...)
- Processes to produce and control the data quality in order to comply with the requirements.

26) For institutions, could you indicate which type of one-costs (A1, A2, A3) and ongoing costs (B1, B2, B3) are you more likely to incur? Could you explain what exactly drives these costs and give us an indication of their expected scale?

A1 & B1 because of the relevant granularity that we have to collect for the definitions management. And record keeping according to the need of accumulated indicators restitution...

Processes (ongoing) to make sure correct status are set on those transactions (relevance, data quality...)

27) Do you agree with our analysis of the impact of the proposals in this Consultation Paper? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

We agree

28) Do the instructions provide a clear description of the reporting framework? If not, which parts should be clarified?

Table "Information Forborne Exposures"

- We do not understand the use to be made of the column 030, 040, 050 and 150, 160 and 170. These columns might create very important costs and difficulties of implementation as they entail a new classification of the contracts. Deleting this breakdown would reduce the costs of implementation.
- Columns 040 and 050: 'Debt refinanced by the institution' and 'Refinancing debt granted by the institution' would benefit from greater clarity around definition and the difference between them.
- The explanations of 'non-performing', 'defaulted' and 'impaired' would benefit from greater clarity. For FBE, column 100 ('defaulted') and column 110 ('impaired') should be clearly defined and presented in such a manner that the distinction between them (and 'non-performing') is easily understood.
- What will be the rule when the forbearance measures are a mix of modifications and of refinancing?
- How to report the original debt? What if several debts are re-packaged into other one or several ones? How to report the forborne debt granted by a pool of banks?

As already said, we will report in col 20, forborne debt which were previously defaulted and recover the performing status but are still in the probation period.

Table "Information on Performing and Non-performing Exposures".

- FBE and NBE: the requirement to determine the component of Fair Value changes 'due to credit risk' is excessive and is not required by IFRS disclosures. The point 5 of the Instruction for table 10, annexe II, does not explain how to get the accumulated changes in fair value due to credit risk for the asset at fair value through profit and loss or OCI.
- Columns 080 and 170: It would be preferable to keep these components separate, i.e. 'unlikely to pay that are not past due' and 'past due <90 days'.
- NPE column 030: It would be preferable to keep these components separate, i.e. 'not past due' and 'past due <30 days'.
- A column "Past due >90 days" would be missing in the performing category in order to keep consistency with the CRR.

- Col 150 should be deleted as we cannot have impairment or provisions on performing exposure. If so the exposure is no more performing and becomes non-performing

29) *Are there specific aspects of forbearance and non-performing loans that are not covered or addressed properly in the templates?*

We have no specific comment to make.

30) *Do the reporting requirements include items which would be disproportionately costly to implement? If yes, how the templates could be modified to cover the necessary supervisory information? Institutions are especially encouraged to provide their views on which break-downs are easier to fill in, or whether they believe there are redundancies with information reported in other supervisory reporting templates, or if they believe alternative definitions could achieve similar results as those in this Consultation Paper but at lesser costs.*

As explained above, we believe that:

- Trading book items should not be reported as forborne exposure or as non-performing
- Including the split between performing and non-performing with or without forborne measures by class, category, type of counterparty, country of residence of the counterparty, NACE code and residence of the counterparty and, in some case by type of instruments (see line 230 and 240 of FIN14.4) will be very costly. Should such detailed breakdown be maintained and in order to ensure the reliability and quality of data reported, the time period necessary to implement and to check each new report will increase significantly. Moreover, we do not see the rational to require a breakdown by counterparty both by NACE code and by exposure classes.
- The col 030, 040, 050 and 150, 160 and 170 (breakdown by measure) of Table "Information forborne exposures" is very costly because it entails a new classification of the contracts. The deletion of this breakdown as well as the one by NACE code would reduce the cost and delay of implementation
- Col 120 and 130 should be mixed into one col as there is no difference between defaulted and impaired if we consider that the impairment can be nil.
- The table "Information on performing and non-performing exposures" is similar to the FIN4 table. Filling up both of them creates reporting burdens. We believe that the considerable overlap between NPE and FIN4 should be addressed and that FIN4 should be modified in order to avoid reporting twice the same data.
- Paragraph 33 of the Instruction (Annex II): we are strongly opposed to a threshold to determine whether a debtor is considered a non-performing. Percentages are very difficult and costly to implement in the IT systems. Moreover, a rule has already been set up in the CRR.
- Too much detail will harm the analysis of the data both for the banks and the supervisors. We do not believe that so many details are necessary to assess the assets quality.