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Public consultation on ITS on NPL transaction data templates

EBA, Department of Data Analytics, Reporting and Transparency

15 June 2022 | Public hearing

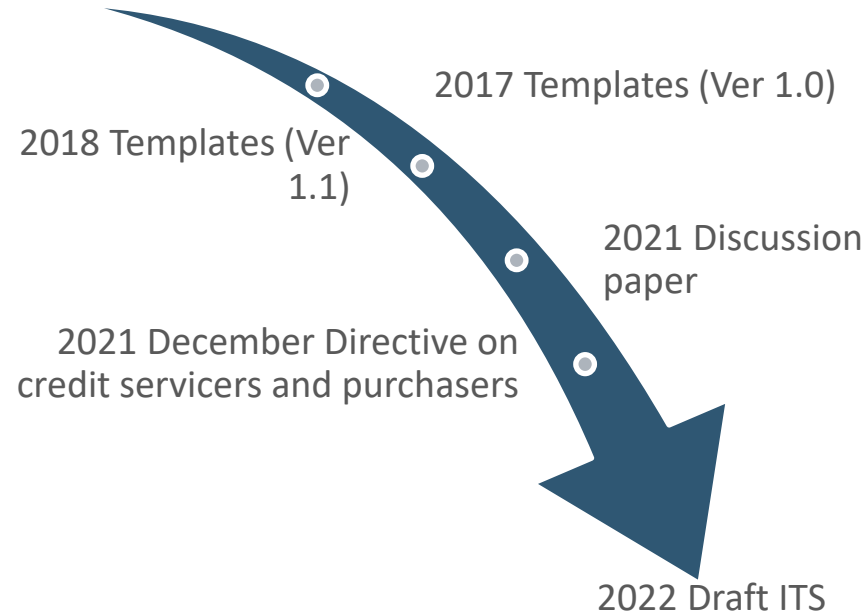
Outline



1. Background and mandate
2. Key considerations for designing the draft ITS
3. Outline of the draft ITS
4. Building of the NPL data templates: step-by-step process
5. Overview of the NPL data templates
6. Data glossary
7. Questions for public consultation
8. Next steps and application

1. Background and mandate

July 2017 EU Council
Action Plan



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.”

(*) Directive (EU) 2021/2167 on Credit servicers and credit purchasers (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2021.438.01.0001.01.ENG&toc=OJ%3AL%3A2021%3A438%3ATOC)

2. Key considerations for designing the ITS

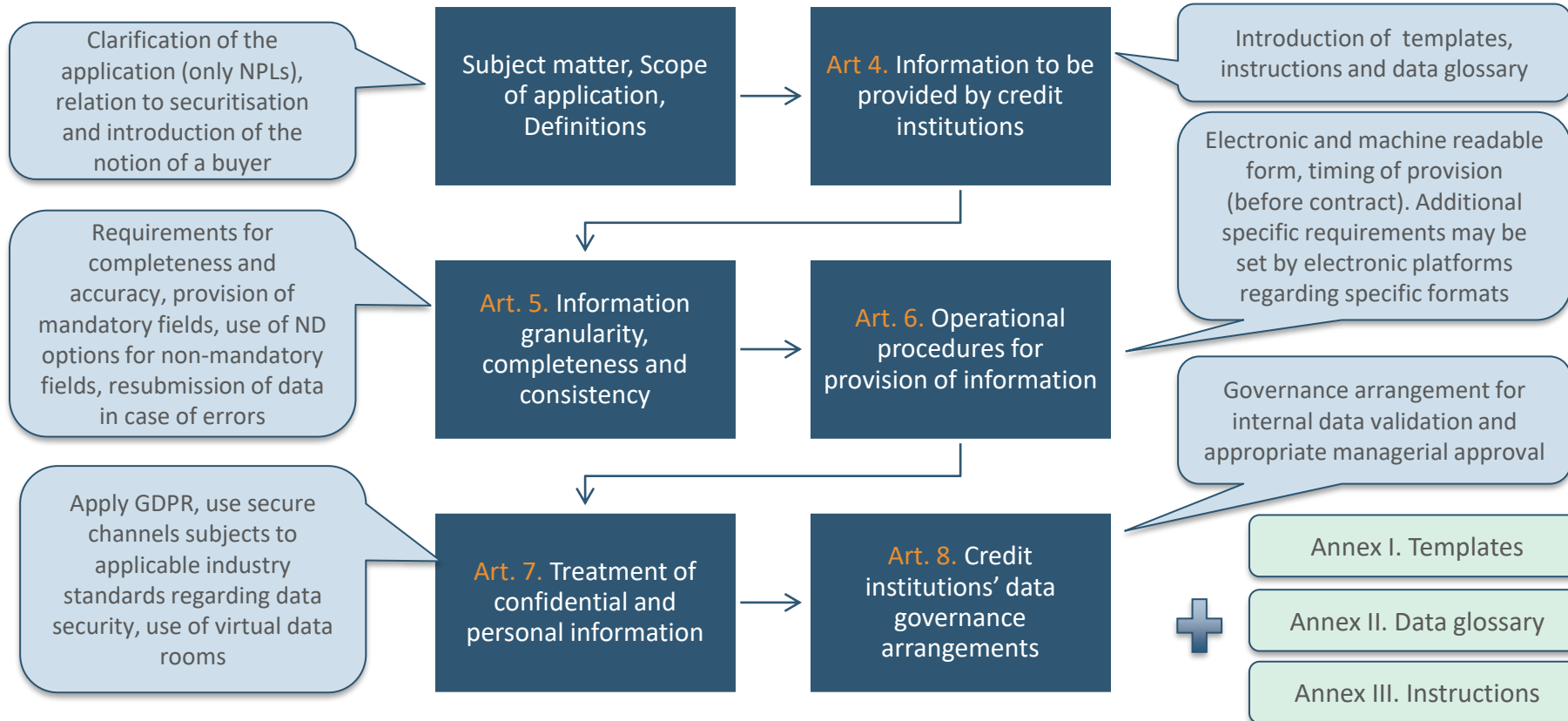
Based on the directive

- Focus (purpose of info) on financial due diligence and valuation of NPLs by prospective buyers
- Applies only to NPLs
- Applies to sales to credit purchasers and transfers of NPLs between banks
- Market experience, user feedback and existing similar requirements in MS to be considered
- Proportionality to be considered for type and size of NPLs
- Should provide for treatment of confidential information
- Strict calendar for the application: ITS applies to loans originated after 1 July 2018 that turn NPLs after 28 December 2021

Further considerations

- Comments from the industry reflected (based on public consultation on 2021 Discussion Paper and earlier surveys)
- Securitisation not considered (covered by ESMA)
- Proportionality by type is considered though the design of the templates (nature of the borrower and collateralisation of a loan)
- Proportionality by size built around 25 000 EUR threshold (AnaCredit threshold)
- Set out mandatory and non-mandatory data fields for NPLs below and above the threshold
- Maintain continuity with previous versions of the templates
- Where possible, use references to existing regulation (CRR, ESMA NPL securitisation, FINREP, AnaCredit, IAS/IFRS)

3. Outline of the draft ITS



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



GAP analysis EBA-GACS templ. (Jan 2021)

Country	Counterparty Group	Field Name	Importance	Field Type	Field ID
Portugal	Portugal	Cut-off Date	Critical	Date	DATA CUT OFF DATE
Portugal	Portugal	Institution's Internal Identifier for the PI	Critical	Identifier	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Institution's Internal Identifier for the CI	Medium	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Name used to refer to the Counterpart	Medium	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Industry Segment of Counterparty Group	Important	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Name used to refer to the main asset	Important	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Type of entity the sponsor is i.e. Listed	Important	Choice	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Description and related narrative on the	Moderate	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Indicates as to whether Contract	Important	Choice	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Description of cross default when "P"	Important	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Indicates as to whether all some of the	Critical	Choice	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Description of cross collateralisation	Important	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Unique Internal Identifier for the Coun	Important	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Name used to refer to the Counterpart	Moderate	Text	DATA INSTITUTION IDENTIFIER
Portugal	Portugal	Institution's Internal Identifier for the CI	Identifier	Text	DATA INSTITUTION IDENTIFIER

EBA Survey with the Industry (Jan-March 2021)



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

AnaCredit:

Index	Data Field	Description
¶.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.
¶.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.
¶.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	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.
¶.5	Type of instrument	Classification of the instrument according to the type of contractual terms agreed between the parties.

Finrep:

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

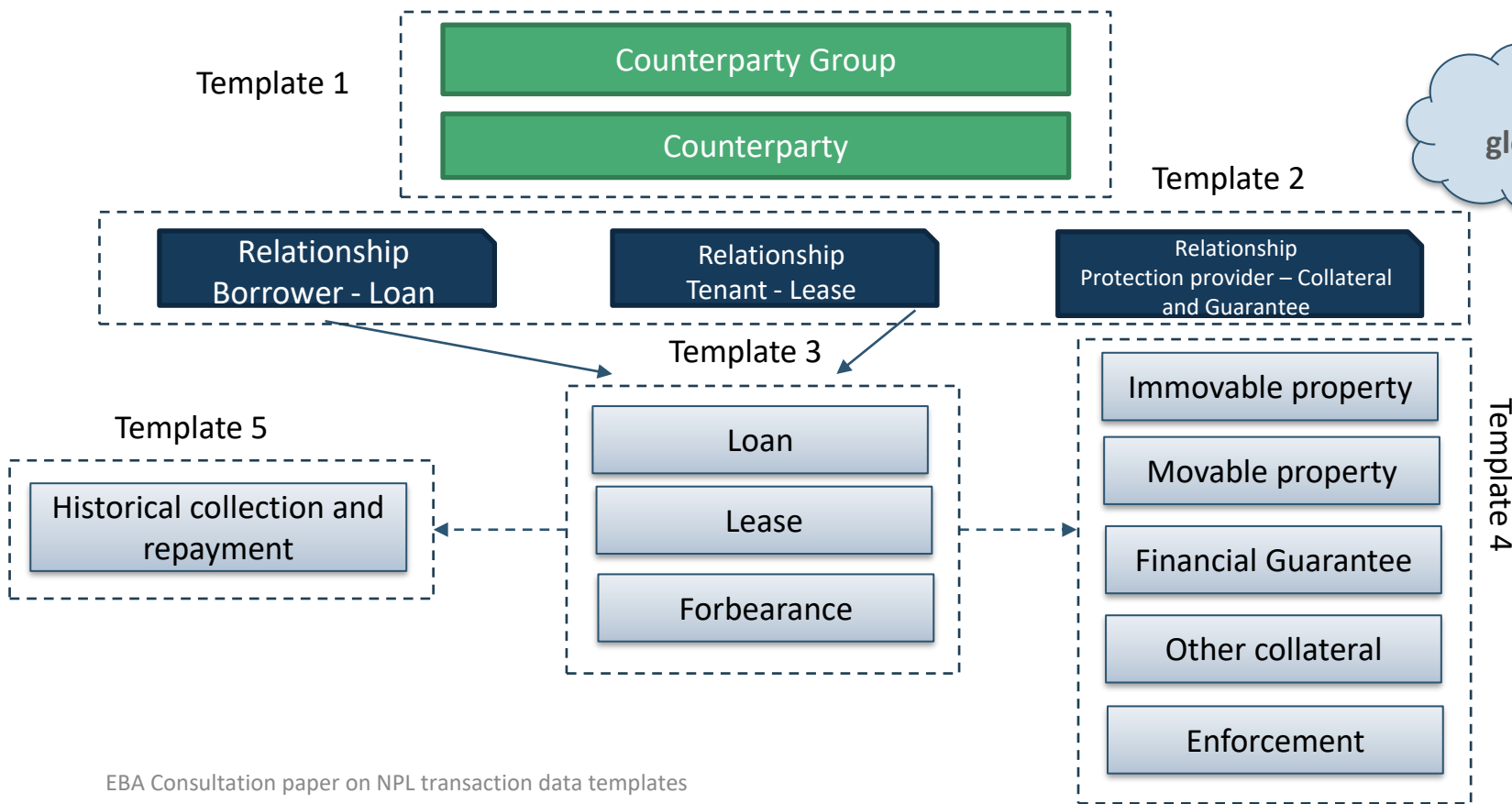
Discussion Paper and Industry feedback received

Index	Data Categories	Borrower Type	Field Name	Description	Field Type	Importance	Field ID
1.000	Portfolio	Applicable to all	Cut-off Date	Reporting date of the data extract	Date	Critical	DATA CUT OFF DATE
1.001	Portfolio	Applicable to all	Institution's Internal Identifier for the PI	Institution's Internal Identifier for the PI	Identifier	Critical	DATA INSTITUTION IDENTIFIER
2.000	Counterparty Group	Applicable to all	Counterparty Group Identifier	Institution's Internal Identifier for the CI	Text	Identifier	DATA INSTITUTION IDENTIFIER
2.001	Counterparty Group	Applicable to all	Name of Counterparty Group	Name used to refer to the Counterpart	Text	Moderate	DATA INSTITUTION IDENTIFIER
2.002	Counterparty Group	Applicable to all	Industry Segment of Counterparty Group	Industry Segment of the Counterparty Group	Text	Important	DATA INSTITUTION IDENTIFIER
2.003	Counterparty Group	Applicable to all	Name used to refer to the main asset	Name used to refer to the main asset	Text	Moderate	DATA INSTITUTION IDENTIFIER
2.004	Counterparty Group	Applicable to all	Type of sponsor	Type of entity the sponsor is i.e. Listed	Choice	Important	DATA INSTITUTION IDENTIFIER
2.005	Counterparty Group	Applicable to all	Description of collateralisation	Description and related narrative on the	Text	Moderate	DATA INSTITUTION IDENTIFIER
2.006	Counterparty Group	Applicable to all	Cross Default in Counterparty Group	Indicates as to whether Contract	Choice	Important	DATA INSTITUTION IDENTIFIER
2.007	Counterparty Group	Applicable to all	Description of Cross Default	Description of cross default when "P"	Text	Important	DATA INSTITUTION IDENTIFIER
2.008	Counterparty Group	Applicable to all	Cross Collateralisation in Counterparty Group	Indicates as to whether all some of the	Choice	Critical	DATA INSTITUTION IDENTIFIER
2.009	Counterparty Group	Applicable to all	Description of Cross Collateralisation	Description of cross collateralisation	Text	Important	DATA INSTITUTION IDENTIFIER
3.000	Counterparty	Applicable to all	Counterparty Identifier	Unique Internal Identifier for the Coun	Text	Important	DATA INSTITUTION IDENTIFIER
3.001	Counterparty	Applicable to all	Name of Counterparty	Name used to refer to the Counterpart	Text	Moderate	DATA INSTITUTION IDENTIFIER
3.002	Counterparty	Applicable to all	Counterparty Group Identifier	Institution's Internal Identifier for the CI	Text	Identifier	DATA INSTITUTION IDENTIFIER

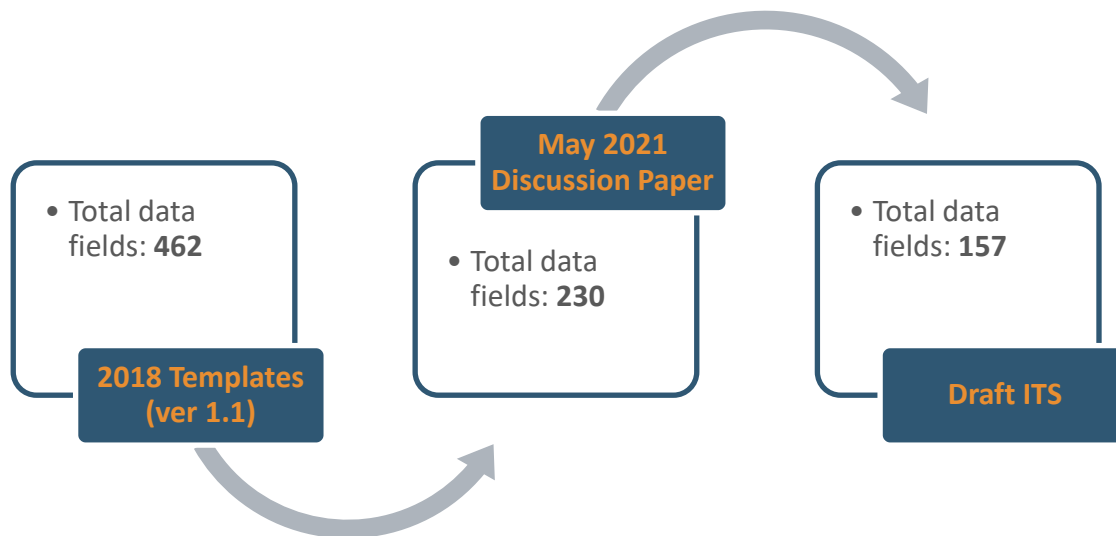
Draft ITS on NPL data templates

Index	Template	Data Field	Borrower Type	Loan Type	Description	ESMA v. 2016	ESMA v. 2016	Field type	ESMA v. 2016	ESMA v. 2016	ESMA v. 2016	ESMA v. 2016	ESMA v. 2016	ESMA v. 2016
1.001	Counterparty	Counterparty Group Identifier	Applicable to all	Applicable to all	Institution's Internal Identifier for the CI	Medium	Medium	Text	Medium	Medium	Medium	Medium	Medium	Medium
1.002	Counterparty	Name of Counterparty Group	Applicable to all	Applicable to all	Name used to refer to the Counterpart	Medium	Medium	Text	Medium	Medium	Medium	Medium	Medium	Medium
1.003	Counterparty	Industry Segment of Counterparty Group	Applicable to all	Applicable to all	Industry Segment of the Counterparty Group	Important	Important	Text	Important	Important	Important	Important	Important	Important
1.004	Counterparty	Name used to refer to the main asset	Applicable to all	Applicable to all	Name used to refer to the main asset	Medium	Medium	Text	Medium	Medium	Medium	Medium	Medium	Medium
1.005	Counterparty	Type of sponsor	Applicable to all	Applicable to all	Type of entity the sponsor is i.e. Listed	Important	Important	Choice	Important	Important	Important	Important	Important	Important
1.006	Counterparty	Description of collateralisation	Applicable to all	Applicable to all	Description and related narrative on the	Moderate	Moderate	Text	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
1.007	Counterparty	Cross Default in Counterparty Group	Applicable to all	Applicable to all	Indicates as to whether Contract	Important	Important	Choice	Important	Important	Important	Important	Important	Important
1.008	Counterparty	Description of Cross Default	Applicable to all	Applicable to all	Description of cross default when "P"	Important	Important	Text	Important	Important	Important	Important	Important	Important
1.009	Counterparty	Cross Collateralisation in Counterparty Group	Applicable to all	Applicable to all	Indicates as to whether all some of the	Critical	Critical	Choice	Critical	Critical	Critical	Critical	Critical	Critical
1.010	Counterparty	Description of Cross Collateralisation	Applicable to all	Applicable to all	Description of cross collateralisation	Important	Important	Text	Important	Important	Important	Important	Important	Important
1.011	Counterparty	Counterparty Identifier	Applicable to all	Applicable to all	Unique Internal Identifier for the Coun	Important	Important	Text	Important	Important	Important	Important	Important	Important
1.012	Counterparty	Name of Counterparty	Applicable to all	Applicable to all	Name used to refer to the Counterpart	Moderate	Moderate	Text	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
1.013	Counterparty	Counterparty Group Identifier	Applicable to all	Applicable to all	Institution's Internal Identifier for the CI	Identifier	Identifier	Text	Identifier	Identifier	Identifier	Identifier	Identifier	Identifier

5. Overview of the NPL data templates (1/3)



5. Overview of the NPL data templates (2/3)



Total data fields: **157**

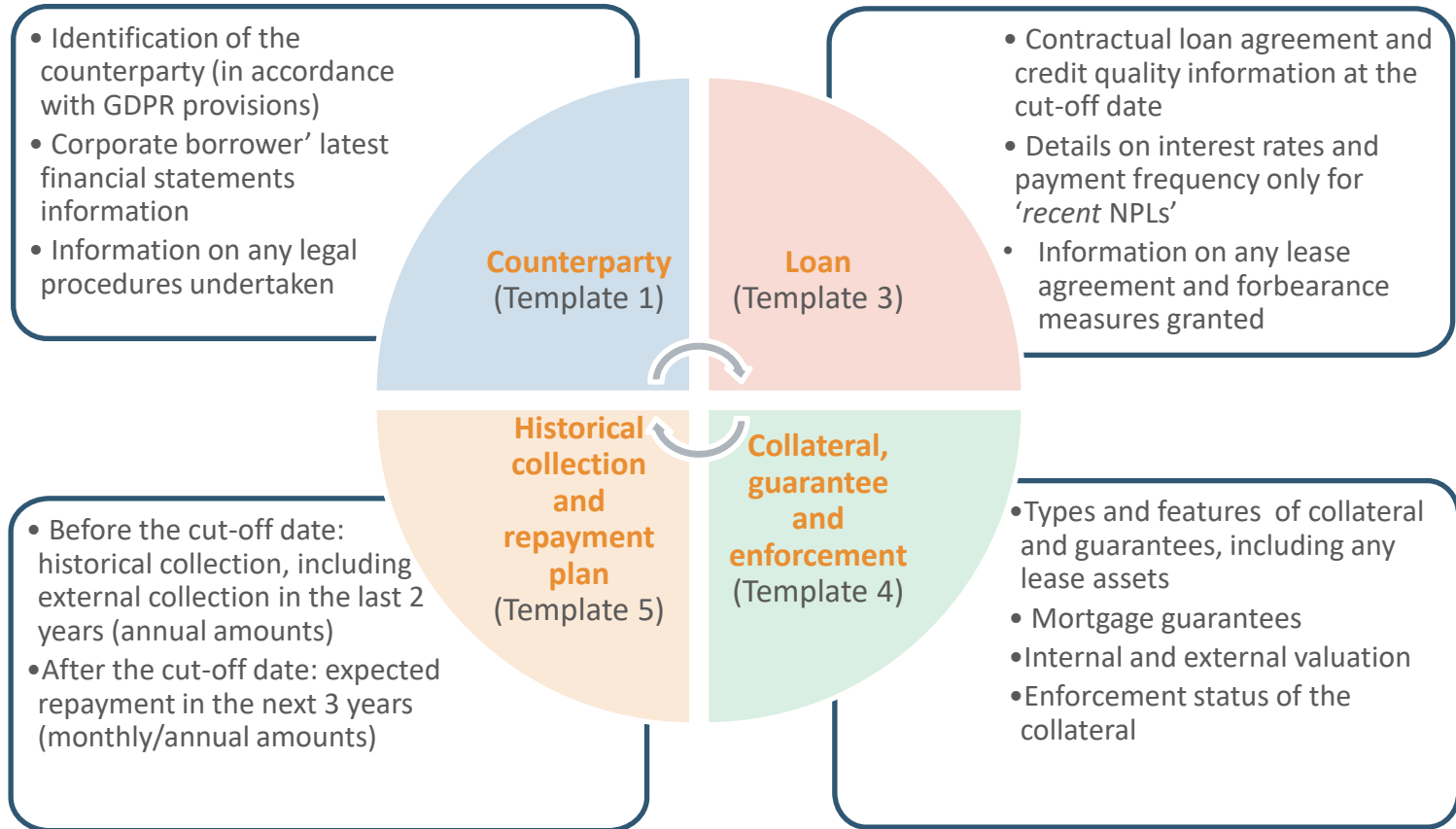
Mandatory for loans < 25000: **91**

Mandatory for loans > 25000: **133**

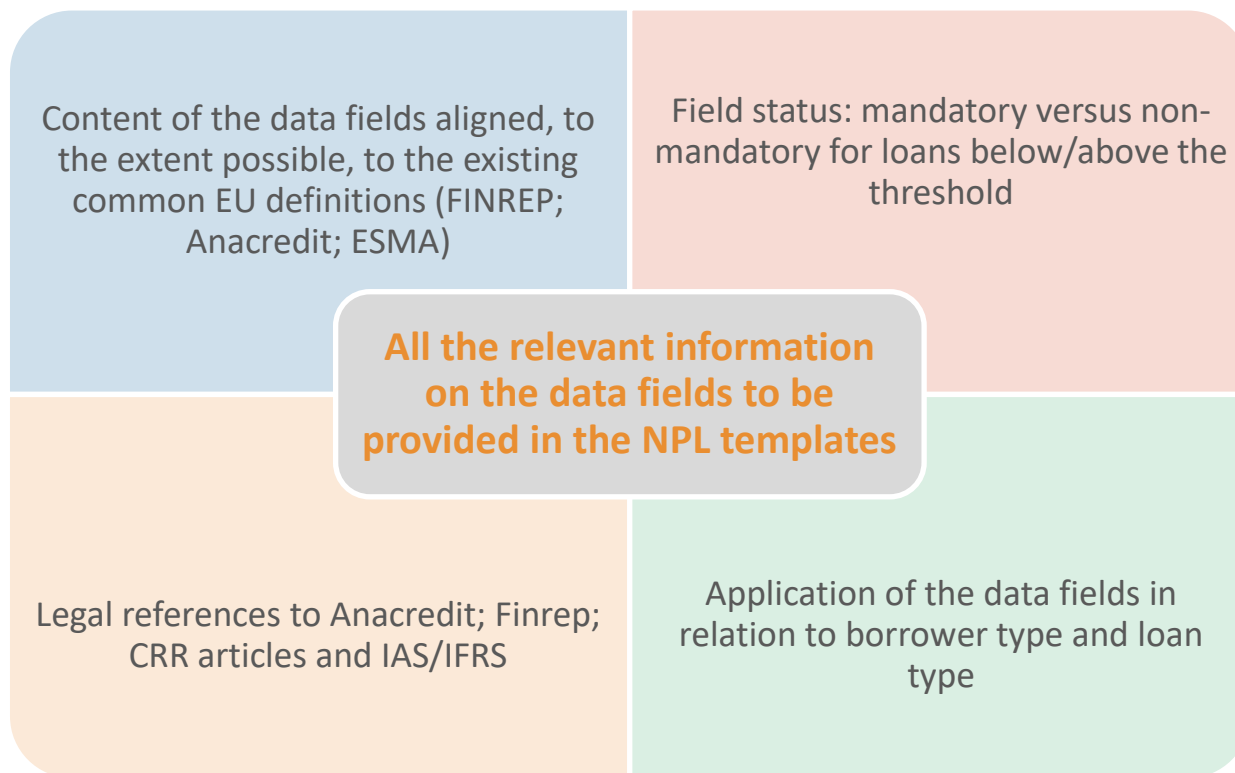
Non-mandatory for loans < 25000: **66**

Non-mandatory for loans >25000: **24**

5. Overview of the NPL data templates (3/3)



6. Data glossary



7. Questions for public consultation

General questions to stakeholders:

- 13 general questions
- Questions covering all sections of the draft ITS and the content of the templates, instructions and the data glossary
- Question on the use of 'no data options'
- Questions on the approach to proportionality, including the use and calibration of 25 000 euros threshold and setting mandatory/non-mandatory fields
- Question on the operational procedures, confidentiality and data governance requirements set out in the draft ITS
- Question on whether 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)



Specific questions to stakeholders regarding data fields:

In the Data Glossary (Annex II) we are seeking specific feedback on data field- by data field basis:

- Do you agree with the proposed data fields (Agree/Remove/Change)
- Additional comments, especially for 'Remove', please explain the reason, and for 'Change', please specify what changes you would like to see

Consultation page provides for a possibility to upload two files (1) data glossary with comments and (2) any other relevant file

Consultation paper available here: <https://www.eba.europa.eu/calendar/consultation-implementing-technical-standards-npl-transaction-data-templates>

8. Next steps and application



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 **before 1 July 2018** or **between 1 July 2018** and the date of entry into force of the ITS [2023], credit institutions should have regard to the requirements of this Regulation concerning the templates used when selling these non-performing loans and **complete them with available information on a best-efforts basis**

Annex

Overview of the templates: Counterparty

Template 1. Starting point for the loan valuation process

Identification of the counterparty (in accordance with GDPR provisions)

Corporate borrowers' latest financial statements information

Information on any legal procedures undertaken

Dropped information not always reliable or less relevant for already defaulted counterparties

For private individuals: e.g. age, nationality and residence.
For corporate: e.g. economic activity by NACE code; location; LEI code

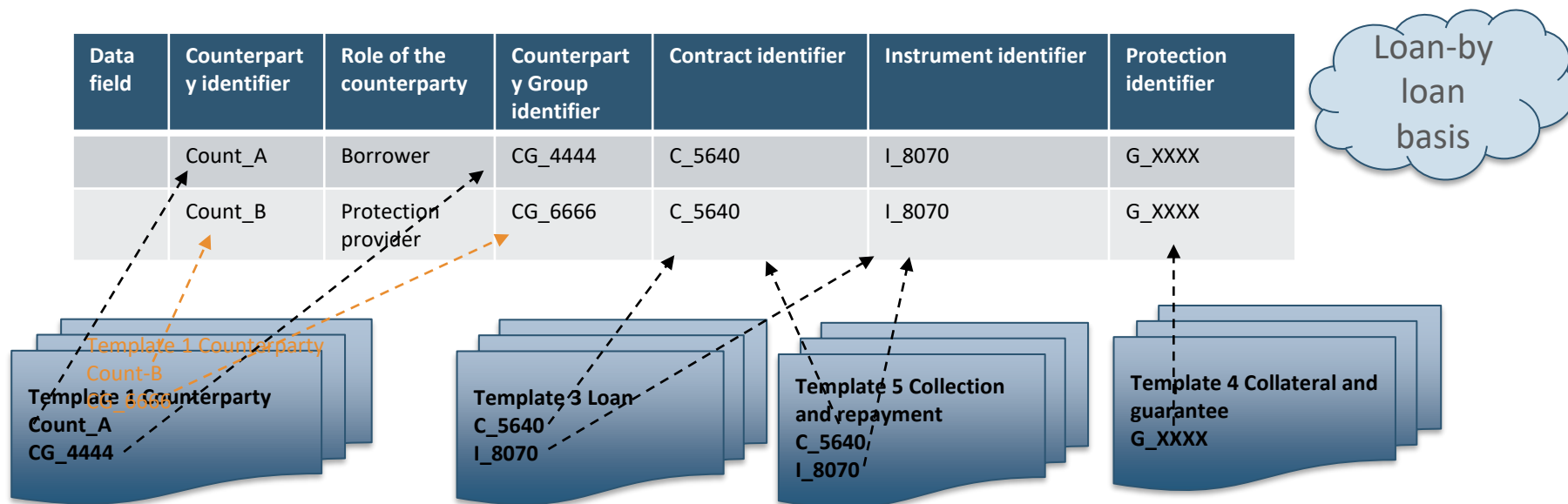
Main accounting data on e.g. current assets; fixed assets; cash and cash equivalents; total liabilities; annual turnover (amount of sale volumes); EBIT

Any insolvency or restructuring procedures at counterparty's level

e.g. private individuals' annual income or employment status; internal and external ratings of defaulted counterparty

Overview of the templates: Relationship

Template 2. Linking across templates through internal identifiers



Template 3. Key information for the financial due diligence and loan valuation

Alignment to FINREP/ESMA and AnaCredit to the extent possible

Contractual loan agreement and credit quality information at the cut-off date

Details on interest rates and payment frequency only for '*recent NPLs*'

Information on any lease agreement and forbearance measures granted

e.g. asset classes; type of instrument; non-performing category; type of forbearance

e.g. loan balances and its currency; amortisation type; last payment made; past-due and default status

e.g. maturity date; Interest rate; Interest rate type; spread/margin; rate reset frequency; payment frequency

e.g. type of lease; start and End date of lease; number of historical forbearance; debt forgiveness

Overview of the templates: Collateral, guarantee and enforcement

Template 4. Key information for collateral and guarantee valuation

Types and features of collateral and guarantees, including any lease assets

Mortgage guarantees

Internal and external valuation of the collateral

Enforcement status of the collateral

e.g. type of IP/MP, other coll., guarantee; IP location and its completion; FG amount; ISIN for securities.

e.g. mortgage amount; lien position and register of deeds number at mortgage level.

e.g. latest value of the collateral, estimated internally and/or externally, at or prior to the cut-off date.

e.g. jurisdiction of the court; currency of enforcement; court appraisal amount and its date; sale agreed price.

Overview of the templates: Historical collection and repayment

Template 5. Essential information for the valuation of NPLs

BEFORE THE CUT-OFF DATE

Historical collection,
including external collection

Loan-by-loan information

Annual amounts for the last 2 years after the default date

AFTER THE CUT-OFF DATE

Expected repayment schedule

Loan-by-loan information

Monthly amounts for the following year

Annual amounts for the next other 2 years

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