BANKING STAKEHOLDER GROUP

Response to the

CONSULTATION PAPER

CP/2018/06

On disclosure of non-performing and forborne exposures

General Comments

The BSG welcomes the EBA proposal, as it constitutes a clear and uniform disclosure framework for non-performing and forborne exposures and for foreclosed assets.

On the overlapping requirements: We are concerned about the number of similar requirements on this issue, like the February 2018 BCBS consultative document on the third phase of Pillar III disclosure requirements, or the December 2016 EBA Guidelines. In this sense, the duplication of requests should be avoided and the burden on entities should be minimized.

About the definition and implementation: The definition of non-performing and forbearance used in these guidelines should be the one provided in Annex V of Commission Implementing Regulation 680/2014, since the disclosure requirements must be adapted to the regulation in force at each moment. In fact, all the templates required should use the same definition, in order to avoid confusion, and for the same reason their implementation dates should also be aligned.

Too much information: Transparency is a pre-requisite for market discipline. However, the quantity and granularity of information is another source of concern, as far as it may jeopardize its ability to generate market discipline if some investors or the general public cannot understand the templates.However, some BSG members do not share this concern,

The scope: These guidelines should be applied by the same institutions subject to the rest of the Pillar III disclosure requirement. Therefore, if an institution is only required to disclose information on a consolidated basis, it should only disclose NPL templates on a consolidated basis

Specific answers to the questions

Question 1: Could you provide your views on whether adding an “of which” column to column ‘f’ of template 1 - “Credit quality of forborne exposures”, including the information on non-performing forborne exposures that are impaired (i.e. “of which impaired”) would be useful?

From a business perspective both splits do not provide any more insight into the underlying credit quality of the forborne/NPE portfolio as (statutory) coverage ratios should not be the main credit quality indicator.

In case the column will be added, the same breakdown should be considered for the collateral columns as well.

Question 2: Could you provide your views on whether adding the columns with the breakdown of provisions for non-performing exposures by buckets of the number of days that the exposure has been past due to template 3 - “Credit quality of performing and non-performing exposures by aging of past due days” would be useful?

From a business perspective those splits do not provide any more insight into the underlying credit quality of the NPE portfolio as (statutory) coverage ratios should not be the main credit quality indicator.

In case the columns will be added, then the breakdown of ageing buckets should be aligned to FINREP and harmonized between EBA, the EU Commission and ECB to ensure comparability of the numbers, get a full picture and to avoid additional costs for implementation and reconciliation.

Question 3: Could you provide your views on whether the breakdown between “on balance sheet exposures” and “off balance sheet exposures” included in template 5 – “Quality of Non-performing exposures by geography” is useful?

In principle it would help illustrating the real situation of banks. However, this is neither a requirement in COREP, nor in the BCBS February 2018 Basel phase III consultation, so obtaining this information would result in a higher cost for banks, as it cannot be subtracted from existing reports.

Question 4: Could you provide your views on whether the information on loans and advances secured with immovable property with a loan-to-value higher than 60% and lower than 80% included in row 3 of template 7 – “Collateral valuation - Loans and advances at cost or amortised cost” is useful?

It could be useful in some cases, but it has to be taken into account that in some countries LTV ratios are not used. Besides, LTV ratios can be affected by elements such as valuation practices or recovery procedures, which make them not homogeneous in the different countries. The thresholds to be used should be harmonized with EBA/ITS/2015/01 (ITS Benchmarking)

Question 5: Do you agree with the overall content of these guidelines and with the templates proposed? In case of disagreement, please outline alternatives that would help to achieve the purpose of the guidelines.

While we understand the general purpose of a more granular view on NPE/forborne portfolios, the main parameters for such views should be harmonized to ensure comparability of the numbers, get a full picture and to avoid additional costs for implementation and reconciliation. We hope that EBA will focus on harmonization when amending the reporting of NPEs and FEBs (FINREP), which is planned to be consolidated still in 2nd half of 2018. However, harmonization should not result in the "lowest common denominator", thereby defeating the purpose of the disclosures.