

## **Response to EBA Consultation on Implementing Technical Standards on NPL transaction data templates**

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### **Position Paper**

During the past years Intesa Sanpaolo (ISP) played a very active role in the development of efficient and sustainable NPL markets. The Group has followed and has actively contributed to multiple industry-led initiatives on NPL data transparency. Most recently, in March 2021 ISP has taken part to the EBA survey on the criticality and availability of data in NPL markets. Furthermore, in August 2021, ISP took part to the discussion on the review of the EBA NPL Transaction Data Templates, sending its considerations in the context of the public consultation which closed on 31<sup>st</sup> August 2021.

Since 2015, Intesa Sanpaolo has successfully performed more than 40 € billion of NPLs deleverage through more than 35 disposals' processes on the market dealing with both domestic and cross borders investors. Thanks to these transactions, the Group has been able to achieve excellent results reducing its gross NPL Ratio from 17.2% down to 2.2%<sup>1</sup>, and its gross NPL stock went down to 6.8 € billion at the end of the 1Q 2022.

Therefore, as demonstrated by the Group's deleveraging process track records and also by its active participation to the past EBA Public Consultation on this topic, Intesa Sanpaolo welcomes EBA initiative to help improving the size and liquidity of secondary markets for NPLs across EU Member States. The first version of the data templates, released by the EBA in 2017, failed to improve information asymmetry and did not establish itself as a valuable market standard. Furthermore, the 2021 NPL Transaction Data Template, reviewed for the public consultation discussion, was also still not aligned with market practices. For this reason, ISP has greatly appreciated EBA's willingness to engage again in a new public consultation with the various market players.

In fact, despite the efforts the EBA has made to accommodate all the suggestions received by the stakeholders in the 2021 consultation to consolidate the number of requested data, Intesa Sanpaolo believes that the proposed template is still too complex and onerous to be filled in and not in line with current Italian market practice, which in recent years has proven to be an important benchmark at EU level for NPL disposals. It should also be considered that banks' IT systems usually do not have the required degree of information for all classes of non-performing loans. Having participated to the EBA public hearing held on the 15<sup>th</sup> of June, ISP is also aware that its opinion is shared by several other European players.

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<sup>1</sup> Data at 1Q 2022

Intesa Sanpaolo would also like to reiterate that it is always in the interest of the seller to provide the most complete information to the buyer, in order to maximize the value of the disposing portfolio. However, in the proposed template there are still too many data fields that are not crucial for investors and are not usually provided as of today. We believe that banks (sellers) should concentrate in providing a smaller, but more crucial, set of core information fields in order to enable investors to take their informed decisions.

Here follows ISP's answers to the 13 consultation questions, together with other general considerations.

**Question 1 - Do the respondents agree that this draft ITS fits for the purpose of the underlying directive?**

The European Commission has released in December 2021 the Directive 2021/2167 relating to credit servicers and credit purchasers, whose article 16 dictates the implementing technical standards (ITS) for Data Templates, and it invites Member States to ensure that credit institutions adopt these revised Templates for submitting this information to prospective investors during NPL disposals. The new regulatory framework stems from the need to simplify and harmonize the discipline of non-performing loans with the aim of creating a transparent and efficient secondary market.

On the one hand, Intesa Sanpaolo agrees that these Draft ITS can be of great help in improving the process of non-performing loans disposals in secondary markets, ensuring greater protection of the debtor and the buyer. ISP believes that additional improvements could be made aiming to better balance the increased costs incurred by the sellers for the new data extraction with the benefits obtained by the buyers. Intesa Sanpaolo therefore recommends to focus on significant and crucial data fields rather than increasing the number of data fields that do not add significant value for the investors.

Furthermore, ISP suggests keeping the possibility of "no data options", knowing that investors offer a price based on the information received and a significant role of the process is based on due diligence and legal aspects /contracts of the transactions provided during the process.

Finally, from Intesa Sanpaolo's point of view, the Data Templates should have application in case of loans' portfolio transactions while for single name transactions their use is not a market standard.

**Question 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.**

ISP believes the Counterparty Template is still too granular and detailed, and not in line with Italian market practice. There are several data fields on information that is very residual or that may not be present at all on bank's IT systems. For this reason, being the extraction process too onerous, the costs would overcome the benefits, thus we suggest removing some of those fields or keep them as optional.

Furthermore, there are data fields -as for example financial statements- that could be retrieved by public data sources, thus the Bank suggests removing them from the mandatory fields and

considering that those data fields have no impact on reducing the claimed information asymmetry. In addition, from Intesa Sanpaolo's point of view simplifications and little changes could be made to reduce repetitions in the data fields' filling-in process. For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 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.**

ISP believes the Loan Template is still too granular and detailed, and not in line with Italian market practice. Many data fields are not usually exchanged by market players and could therefore be excluded. Moreover, Templates 3 contains some fields that require sensitive information, that the Bank would like not to disclose, also because these data are not relevant for the purposes of data quality and data transparency or are internal evaluations that are not significant from an investor point of view. For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 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.**

The Bank thinks that further streamlining is needed. Indeed, there are cases of data fields demanding information that, beyond being too onerous to be extracted, is not banks' practices. For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 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.**

ISP considers that there are some fields referring to past payments that could not be easily extracted, in particular there is the possibility to extract the data mainly for term loans, in fact short term loans can be also revolving without defined collection amounts. In addition, the field relating to the "total repayment schedule" contains sensitive internal information that the banks cannot disclose since the expected repayments have to be determined by the investor during its due diligence process based on its own estimates. Intesa Sanpaolo does not see any benefits and has no info about the split between internal or external collections. For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 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?**

Intesa Sanpaolo agrees that the structure of Template 2 represents the relationship across the templates. We suggest splitting the link loans vs guarantees and guarantees vs mortgage. In addition it is still not clear the exact meaning of the term “tenant”. For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 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.**

The bank believes that the descriptions of the various fields could be more detailed taking into account the legislative differences that characterize the various European players’ markets. Consequently, from Intesa Sanpaolo’s point of view, the data glossary (Annex II) should have country tab link for all the fields that have specific/different description from one country to another by giving details for those fields according to the country of reference. Moreover, it could be useful to distinguish the various non-performing loans subject to disposal by asset class and risk category (UTP vs Bad loans). For a detailed and comprehensive feedback on the individual data fields please refer to the comments provided in the dedicated columns of the data glossary.

**Question 8 - What are the respondents’ views on the content of instructions?**

Intesa Sanpaolo believes that the content of instructions could be more exhaustive and clearer in order to properly fill in the Templates.

Clarifications are needed regarding the *“appropriate internal governance arrangements that are similar to the arrangements put in place in the credit situations, for example, for supervisory or other regulatory reporting”*, considering that moreover, it is stated that *“the draft ITS does not introduce any supervisory reporting requirements but they shall be used for the exchange of information by the parties potentially involved in a NPL transaction”*. Intesa Sanpaolo believes that the building and implementation of such processes will be a burdensome activity with negative time to market impact.

Furthermore, clarifications are needed on the one hand regarding *“the relevant management with sufficient degree of seniority that may commit the credit institution to the responsibility for the completeness, consistency and accuracy of the information provided”* and on the other hand regarding the *“appropriate managerial approval process confirming that the credit institution is responsible for the completeness, consistency and accuracy of the information provided”*. Intesa Sanpaolo believes that further specifications have to be provided in relation to the *“sufficient degree of seniority and appropriate managerial approval”* stated in the draft ITS.

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

Regarding the use of “No Data options” for non-mandatory fields the Bank supports the possibility given by the EBA to leave some data fields blank, using one of the four options. Anyway, Intesa

Sanpaolo would like to extend the use of “No Data options” also to mandatory fields. Indeed, the impossibility of leaving some mandatory fields blank, unless not applicable (as provided by the fourth option), entails providing inaccurate information or the need for internal evaluations by the buyer. Indeed, as already mentioned, it is in the banks’ best interest to establish long term relationships with the investors. For this reason, the banks are committed to improve information asymmetry by respecting and guaranteeing data quality and data transparency, as to negotiate with the buyers a fair price in line with market standards. This belief is agreed upon with other European banks, as pointed out in EBA’s public hearing held on the 15<sup>th</sup> of June.

**Question 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)?**

As already pointed out, the set of Templates should be reduced and we insist on the “no data option” for the various fields. Furthermore, the legislative differences between Member States have to be indicated in the Templates.

**Question 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.**

Intesa Sanpaolo has no particular issue with the threshold, under two conditions: (i) that the “no data options” answer would be available for the mandatory fields and (ii), that the data fields will be reduced and changed as proposed. Only under such conditions the threshold could be cancelled, considering that it has no function/impact on data fields and its cancellation would facilitate the entire process.

**Question 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?**

Intesa Sanpaolo has no particular issue with the threshold. For further details and comprehensive feedback please refer to the response of Q11.

**Question 13 – What are the respondents’ views on the operational procedures, confidentiality and data governance requirements set out in the draft ITS?**

Intesa Sanpaolo always provides data that are already certified in the IT Systems and data set is prepared by skilled specialized teams. The process proposed in the draft ITS is not market standard and would lead to impossibility to finalize deals in the usual time to market. It has also to be considered that a datatape is provided to the investor at a specific cut-off date and such data cannot be changed several times during the process for any minor change which might occur. In case a

relevant data is not accurate, the bank and the investors always agree on some specific price sensitive fields to be guaranteed. For further details and comprehensive feedback please refer to our response to Q8.