

## DRAFT CONSULTATION RESPONSE

### 1. Do the respondents agree that this draft ITS fits for the purpose of the underlying directive?

Prelios Innovation generally agrees that the draft ITS aligns with the purpose of Directive (EU) 2021/2167 (the “**underlying directive**”), laying the foundations for an efficient, competitive and transparent secondary market for non-performing loans (NPLs).

In accordance with Recital 38 of the underlying directive and the European Council’s Action Plan to Tackle Non-Performing Loans in Europe of 11 July 2017, the draft ITS sets, through the proposed templates, the basis for a uniform and standardised data reporting framework for NPLs, which is expected to reduce information asymmetries between potential buyers and sellers of credit agreements and will ultimately contribute to the development of a functioning secondary market in the Union.

To ensure greater solidity and appreciation of the template by sellers and buyers, the most impacted by the new legislation, in our opinion different aspects could be improved.

In particular:

- a) EBA should highly encourage credit institutions to provide the mandatory information specified in the draft itself, otherwise it should not be possible to transfer credits in any form. The actual simple warning that credit institutions may not be able to organize a sale of NPL through electronic action/transaction platforms without all the required information could lead to a shortcut in terms of free use of the EBA template and, even more crucial, to a disincentive effect of the use of electronic platforms, that would be strongly in contrast with the objective of the draft.
- b) We envisage the need of a Mandatory fields list divided into credits classified as Bad Loans and credits classified as UTP; for example, financial information mapped within the Counterparties template are significant for UTP and Bonis receivables only. As foreseen for some fields within Loan template (See 3.10), the mandatory field level could be led through the exposure classification.
- c) We suggest the switch to mandatory fields also for loans under the 25,000 euros threshold (deleting it), so to avoid that a big chunk of loans could be excluded from reporting crucial information used for the portfolio assessment (especially for pricing purposes). Specifically, fields related to the interest rate and payment frequency, i.e. fields 3.20-3.28 are generally useful indicators for prospective buyers, also in the case of smaller loans. Alternatively, we suggest setting the threshold of 25,000 euros per borrower.
- d) One more level of detail within template 4 should be added, by including a new Property/Immovable ID identifier field. The ratio between collateral and real estate is not necessarily 1:1; a 1:N ratio is possible and probable (Mortgage registered on more than one asset – each relevance/asset should have its own ID). In Italy, for example, this issue is addressed by the

cadastral code "Subalterno"(Tripletta catastale). With the current structure we see the risk of having duplicate lines within the template.

- e) fields 2.1 (*Role of the counterparty*) and 2.2 (*Counterparty Group identifier*) should be deleted from the "relationship" template as they don't represent primary keys but "counterparties" domain attributes.
- f) It is important to reflect on how to apply the new transaction templates at European level.

The ITS draft proposes a mandatory use of templates for all new loans originated after the 1st July 2018 and classified as NPE after 28 December 2021.

This approach would imply a difficult template filling-in, especially during first time adoption period both for primary and secondary market players, since many required data appear as not currently available within IT operators' management systems.

To allow an effective template set-up at EU level to grant a high usability grade and to give market players the right time to adapt their credit assessment and monitoring systems/processes to the new requirements, in our opinion ITS entry into force should be aligned with the loan origination date (cut-off to apply the new templates' mandatory within NPE disposals) and the ITS should be applied to new loans originated after their entry into force.

- g) The template structure could be better organized to support the investors due diligence, organizing each sheet by subject areas on the base of the same relationships proposed, for example:
- Debtors
  - Loan
  - Mortgages
  - Secured procedures and properties (secured)
  - Unsecured procedures (unsecured)
  - Collection
  - Other guarantees

Regarding the next questions (2-6) here below a summary to introduce our answer:

Template	Total	Agree	Remove	Change	% Change
Counterparty	45	25	9	11	44%
Loan	50	28	1	21	44%
Collateral guarantee and enforcement	46	37	0	9	20%
Historical collection and repayment	10	3	4	3	70%
Relationship	6	3	3	0	50%
	157	96	17	44	39%

Template	Total	Agree	Remove	Change	% Change
Counterparty	45	25	9	11	44%

<b>Loan</b>	50	28	1	21	44%
<b>Collateral guarantee and enforcement</b>	46	37	0	9	20%
<b>Historical collection and repayment</b>	10	3	4	3	70%
<b>Relationship</b>	6	3	3	0	50%
	157	96	17	44	39%

**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.**

**25/45 fields are confirmed.**

**9/45 fields could be removed, in particular:**

- 1) 1,14 Counterparty Legal Entity Identifier (LEI)
- 2) 1,17 Counterparty Postal code of Counterparty (corporate)
- 3) 1,18 Counterparty Country of Counterparty (corporate)
- 4) 1,3 Counterparty Contingent obligations
- 5) 1,31 Counterparty Contingent obligation amount
- 6) 1,32 Counterparty Description of Contigent Obligations
- 7) 1,33 Counterparty Date of Last Contact
- 8) 1,36 Counterparty Decription of other legal measures
- 9) 1,41 Counterparty Notice for Procedure Termination

**11/45 fields could be changed, in particular:**

**Upgrade to mandatory :**

- 1) 1,07 - Date of birth of the private individual counterparty
- 2) 1,09 - Counterparty's postal code.
- 3) 1,11 - National identifier
- 4) 1,15 - Address counterparty
- 5) 1,24 – Cash and Cash equivalent Items
- 6) 1,29 – EBIT annual (it is suggested a field replacements with EBITDA)
- 7) 1,39 – Proof of claim filed by the seller

**a) Downgrade to Non-mandatory:**

- 1) 1,06 Related party - It is applicable only for counterparties map within a group.
- 2) 1,12 Source of national identifier – it is difficult collect the information, especially within mid-small organization (not relevant for disposal assessment)

**b) Modify the proposed “field type” :**

- 1) 1,35 – Status of legal proceedings:
  - a- (a) ~~No legal action taken~~; **Out of court settlement**
  - b. (b) Under judicial administration, receivership or similar measures;
  - c. (c) Bankruptcy/insolvency;- for corporate counterparties**
  - d. (d) Foreclosure – for individual**
  - e. (d) Other legal measures
  
- 2) 1,38 – Stage of reached in legal proceeding  
 The template suggested a text field, but it could be more useful to identify an option list, for example:

- a) Initial stage
- b) Auction
- c) Distribution
- d) Closed
- e) Consensual sale

**A few fields could be added:**

- a) Type of counterparties: i.e. a) Individual b) Corporate or other taxonomies that will be defined.
- b) Counterparties classification – Bonis – Past due – Utp – Bad Loans

These fields can briefly describe the debtors nature within the disposal perimeter.

**1. 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.**

**28/50 field are confirmed**

**1/50 field could be removed**

- 1) 3,22      Loan      Description of Interest Rate Type

**21/50 could be changed; In particular:**

**Upgrade to mandatory** also for loans below the 25,000 euros threshold.

- 2) 3,08      Loan      Amortisation type
- 3) 3,14      Loan      Accrued interest
- 4) 3,18      Loan      Charge-off Date
- 5) 3,19      Loan      Loan Commitment
- 6) 3,2        Loan      Interest Rate
- 7) 3,21      Loan      Interest Rate Type
- 8) 3,23      Loan      Interest rate spread/margin
- 9) 3,24      Loan      Reference Rate
- 10) 3,27     Loan      Interest rate reset frequency

- |          |      |                                  |
|----------|------|----------------------------------|
| 11) 3,28 | Loan | Payment Frequency                |
| 12) 3,32 | Loan | Total balance at date of default |
| 13) 3,34 | Loan | Syndicated Portion               |
| 14) 3,44 | Loan | Number of historical forbearance |
| 15) 3,47 | Loan | End Date of Forbearance measure  |

**Downgrade to Non mandatory** also for loans above the 25,000 euros threshold.

- |         |      |   |
|---------|------|---|
| 1) 3,05 | Loan | Joint Counterparties                          |
| 2) 3,16 | Loan | Percentage of the loan that is collateralised |
| 3) 3,36 | Loan | Specialised Product                           |
| 4) 3,45 | Loan | Debt Forgiveness                              |
| 5) 3,48 | Loan | Clause to Stop Forbearance                    |
| 6) 3,49 | Loan | Description of the Forbearance Clause         |

#### **A modification is needed**

Add 2 options within the list available for answers, referring in totality to the NPL breakdown foreseen by FINREP template n. 18; namely:

- (a) Unlikely to pay that are not past-due or past-due <= 90 days;
- (b) Past-due > 90 days and <= 1 year;
- (c) Past-due > 1 year
- (d)- > 1 year <= 5 years
- (e) Past due > 5 years

Linking this information with the data required by field n. 3.18 (charge off date), the investor could be detected easily the portfolio portion classified as Bad Loan

**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.**

**37/46 field are confirmed**

**9/46 could be changed; In particular:**

**Upgrade to mandatory** also for loans below the 25,000 euros threshold.

- |         |                                      |                                    |
|---------|--------------------------------------|------------------------------------|
| 1) 4,1  | Collateral guarantee and enforcement | Address of immovable property      |
| 2) 4,12 | Collateral guarantee and enforcement | Immovable property Postcode        |
| 3) 4,14 | Collateral guarantee and enforcement | Building Area (M2)                 |
| 4) 4,23 | Collateral guarantee and enforcement | Completion of immovable property   |
| 5) 4,24 | Collateral guarantee and enforcement | Percentage complete                |
| 6) 4,28 | Collateral guarantee and enforcement | Eligibility of financial guarantee |
| 7) 4,41 | Collateral guarantee and enforcement | Next Auction Date                  |

**Downgrade to Non mandatory** also for loans above the 25,000 euros threshold.

- 1) 4,01 Collateral guarantee and enforcement Legal Owner of the collateral
- 2) 4,25 Collateral guarantee and enforcement Value of Energy Performance Certificate (First Time Adoption purposes)

**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?**

**3/10 field are confirmed**

**4/10 field could be removed**

- 1) 5,02 Historical collection and repayment Type of External Collection
- 2) 5,03 Historical collection and repayment Institution's internal identifier for the Loan / Counterparty
- 3) 5,04 Historical collection and repayment Name of External Collection Agent
- 4) 5,05 Historical collection and repayment Registration Number

**3/10 could be changed; In particular:**

**Upgrade to mandatory** also for loans below the 25,000 euros threshold.

- 1) 5,08 Historical collection and repayment History of Total Repayments

**Downgrade to Non mandatory** also for loans above the €25,000 threshold.

- 1) 5,09 Historical collection and repayment History of Repayments - From Asset Sales
- 2) 5,07 Historical collection and repayment Cash Recoveries (only for external collection agent)

**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?**

Only the primary fitting keys should be mapped within the template.

Therefore, we suggest deleting the following domain attributes:

- 1) 2,01 Relationship Role of the counterparty
- 2) 2,02 Relationship Counterparty Group identifier
- 3) 2,04 Relationship Instrument Identifier

The above fields will be reported at Counterparties and Loan level (2,01-02 Template n.1 and 2,04 Template 2)

We also suggest including an Asset ID to ensure the highest granularity degree on the *Collateral guarantee and Enforcement* template.

This would allow to evaluate the single mortgage-linked real estate unit in the sale perimeter.

With the current structure, the collateral sheet could report duplicated lines due to the presence of a mortgage linked to several units of the same lot (eg Mortgage on the first house – linked to 3 real estate units – Apartment – Cellar – Box)

In the current representation the maximum granularity could be reached by connecting the 4.00 protection identifier and the 4.02 type of property – (text field); the single data provider could be obliged to map its immovable portfolios to grant the maximum granularity as possible.

**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.**

Feedbacks added in the excel file.

**8. What are the respondents' views on the content of instructions?**

N/A

**9. Do the respondents agree on the use of the 'No data options' as set out in the instructions?**

We would suggest that the EBA proposed "No data options" are consistent with the ESMA "No data options". Please see below a comparison table.

No Data Field	EBA Templates May 2022	ESMA Templates
<b>ND1</b>	data not collected by the credit institution;	Data not collected as not required by the lending or underwriting criteria
<b>ND2</b>	data collected but not loaded into the credit institution's reporting system or loaded into a separate system from the credit institution's reporting system;	Data collected on underlying exposure application but not loaded into the originator's reporting system
<b>ND3</b>	data collected but only available from DD-MM-YYY (DD-MM-YYYY must be completed);	Data collected on underlying exposure application but loaded onto a separate system from the originator's reporting system
<b>ND4</b>	data field not applicable in relation to the underwriting criteria specified in the description of the data field or in relation to the borrower type or the loan type.	ND4-YYYY-MM-DD Data collected but will only be available from YYYY-MM-DD (YYYY-MM-DD shall be completed)
<b>ND5</b>	N/A	Not applicable

**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)?**

The proposed set of templates represents an important piece for an efficient NPL primary and secondary market development. As for technical specification, lack of data quality might be a hindrance to the transparency envisaged by EBA.

For this reason, the development of a set of common rules applied to the underlying data could potentially be beneficial for both the buy and the sell side. The buy side would benefit for better data in terms of better risk assessment while the seller could get higher prices should the quality of the data reported be high.

A distribution of EBA data validation rule could be appreciated by stakeholders, combining with a periodical update of them on the basis of operator experience regulatory framework evolution (ex. FinRep reporting validation rules currently provided by EBA).

**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.**

The reduction of the total number of data fields to 157 as compared with the previous, non-mandatory templates developed by EBA, strongly reflects the proportionality principle aimed in the underlying directive and will ease credit institutions' disclosure burden.

This is likely to encourage the use of the NPL data templates, even for non-mandatory fields.

The proportionality principle has been further observed in the development of the data glossary, which is significantly built on existing common EU definitions set out in other EU regulatory, supervisory, and reporting frameworks (e.g., the European Central Bank's AnaCredit and the ESMA templates used for the NPL securitization purposes) and on the previous, non-mandatory NPL EBA templates; as well as in the scope of application of the draft ITS, which excludes the sales or transfers of NPLs through securitization to avoid double reporting.

Excluding loans under the 25,000 euros threshold from a mandatory reporting of specific fields leaves out a significant number of exposures from disclosing relevant information. Therefore, we encourage, to the possible extent, to add the mandatory reporting also for these loans.

We identified in the Excel file the relevant fields.

**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?**

With setting a threshold at loan level information gaps would be created also within exposures characterized by different facilities (especially if only 1 of these is above euro 25,000)



This approach could lead the risk of a poor information for a certain kind of operators focused on particular market segments; for example, consumer credit, unsecured or secured asset, with immovable located in deprived areas.

Considering this, it is important to grant to operators consistent information level as basis of their investments, for this reason we suggest to consider alternatively:

- to remove the 25,000 euros threshold;
- to set the 25,000 euros threshold at borrower level.

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

Prelios Innovation generally agrees with the proposed operational procedures and the confidentiality and data governance requirements set out in the draft ITS. However, we would like to suggest the following recommendations:

1. Operational procedures for provision of information

Prelios Innovation welcomes the requirement of Article 6(2) with regard to the provision of NPL data in an electronic and machine-readable form. This helps the performance of data quality checks and subsequently, the completeness and consistency of the information provided.

However, making this requirement conditional on the will of the parties involved in the relevant transaction will likely impair the standardisation objective of the draft ITS, giving rise to a new kind of asymmetry.

As underlined in the first answer, EBA should highly encourage credit institutions to provide the mandatory information specified in the draft itself, in order to address them to the use of electronic action/transaction platforms. The actual paper's positioning could lead to a shortcut in terms of free use of the EBA template and, even more crucial, to a disincentive effect of the use of electronic platforms, that would be strongly in contrast with the objective of the draft.

2. Treatment of confidential and personal information

N/A

3. Credit institutions' data governance arrangements

N/A