TARGETED CONSULTATION ON IMPROVING TRANSPARENCY AND EFFICIENCY IN SECONDARY MARKETS FOR NON-PERFORMING LOANS

The European Banking Federation (EBF) acknowledges the importance of the Commission's initiatives enshrined in the NPL Action Plan and welcomes the opportunity to share its views in this concrete one about the transparency and efficiency in secondary markets for non-performing loans.

We summarise the key points at the beginning. Please note that the marked responses to the charts are in line with the general key points. Therefore, many of the marks about categories and data items are identical for a common reason.

The EBF and its banks stand ready to engage in a dialogue about alternatives to use information for the enhancement of the secondary market for NPLs, taking into account the circumstances, the costs and the expected benefits.

Key points:

- Firstly, we would like to remind of the fact that the NPL market has been evolving positively during the last years contributing to significantly lower NPL ratios across EU countries.

- Against this background, in our view, mandatory NPL reporting would represent a burdensome additional requirement for banks with little expected benefits in improving secondary markets efficiency.

- The bid/ask spread is rightfully identified as one of the main reasons behind inefficient markets. However, this is only limitedly impacted by transparency. Some of the deeper causes include: the way banks treat NPL from a recovery perspective, the provisioning treatment, which differs from the recovery expectations, the enforcement procedures and the various insolvency regimes.

- From our experience, data sharing per se, is no silver bullet. Each Member State has its own rules on insolvency, restructuring and recovery of collateral, which are key factors in the definition of prices in the secondary market. The specificities of national legal frameworks are key for the efficiency of secondary markets. Every single NPL has its own characteristics and related value, which can hardly be represented by a price, not being NPLs a commodity but a complex investment which needs proper due diligence and where the price depends on the combination

of several factors. Therefore an "average" price per each asset category at EU level, nor at national level could misrepresent the NPL market creating expected target in terms of price and rate of return which can be achieved only under several and specific conditions.

- NPL sellers already provide a lot of public information via Pillar 3 disclosure, which has been reinforced recently, and via heightened requirements for high-level NPL entities. They also provide all the relevant information they have in order to get the best price possible. The proposed NPL hub seems a bit redundant.

- The competitive edge of EU banks is also an important issue to consider, especially as regards the asymmetry of the proposed transparency. On the one hand, EU sellers would have to give a lot of data at client level. On the other hand, buyers, most of them from third countries according to the evidence of the last 5 years, would not be obligated to give data on recoveries. This model would put EU banks at a significant disadvantage in terms of data and negotiation stance.

- There is an opportunity to refine the proposal in a way that is not mandatory and it offers right incentives to EU banks. The Commission's proposal should include requirements for all the actors in the data hub project, including ex-ante information from sellers and ex-post information from buyers, no matter their nationalities. The most valuable data is about recovery processes to determine the loss-given-default. There should be a level-playing field between sellers and buyers.

- In conclusion, we do not see relevant value in establishing a general and mandatory NPL data hub where only sellers are obligated to report. However, data on post-execution recoveries seems the most relevant to share and the EBF stands ready to discuss in detail how to make progress on this area within terms of level-playing field.

EBF Response:

1. Do you agree that increased market transparency would render NPL secondary markets more efficient?

In our experience, templates provide huge administrative burdens on the seller side, and allegedly, no additional incentive for buyers. We would also like to flag the practical difficulties to implement the requirements considering that the majority of NPL buyers are outside the EU.

Transparency does not necessarily translate into more efficient markets, as there is no direct and clear causal relationship between transparency and efficiency.

Despite the creation of a data hub, asymmetry of information will remain. This is because most buyers are outside the EU and they are not subject to EU rules. Hence, they have no incentives or obligation to share post-trade information. As a result, European credit institutions would be put at a disadvantage, having an obligation to share their NPL transactions in a data hub whereas not benefitting from post-trading information from the majority of buyers.

We would like to stress that in our experience, an "increased transparency" obtained via the publication of standardized data, would not actively contribute to unifying fragmented NPL secondary markets and enhancing their efficiency. The lack of a single NPL secondary market is due, amongst other factors, to the differences in national insolvency laws and in jurisdictional systems. NPL markets work very differently across EU countries, e.g., in Belgium (where wage assignment is very efficient and quick, allowing good recoveries) or in Italy (with a longer, less predictable recovery process). Creating a pan-EU data hub will not help them work any better as scalability would be unlikely improved.

In terms of average bid-ask spread, IRR plays a key role. Different kind of investors may be willing to pay different prices on the same asset, depending on their return strategies (long term/short term). Banks have expectations for a maximum return on assets, spread over a longer period; specialized funds want to maximise their return in a shorter period. However, investors must have capacities to manage and monitoring the recovery process of the purchased assets, therefore need different skills depending on the nature of the asset (e.g. mortgages are managed differently than unsecured loans or leasing assets).

Market discipline (listed banks, debt issuance) and regulatory requirements (NPL reduction plans, Definition of Default, backstop provisions, …) are very powerful incentives for banks to closely manage and reduce NPLs. EU credit institutions are already complying with a strict regulatory and supervisory framework. On the contrary, third country buyers do not abide by any common rule.

2. What other policy measures should be considered to enhance market transparency?

The key issue to improve secondary market efficiency is simplifying regulations. Information requirements on the buyers' side, namely on the outcomes of the recovery process could also be useful. Sellers already have strong incentives to make available information for the deals to go ahead.

3.   Do you agree that market transparency could be improved by establishing a centralised NPL data hub at EU level?

We would like to express scepticism on this proposal as we consider that there are very limited benefits. From our assessment, the costs of a general, non-selective and mandatory data hub will outweigh the potential benefits.

NPL sellers already provide a lot of public information via Pillar 3 disclosure, which has been reinforced recently, and via heightened requirements for high-level NPL entities. They also provide all the relevant information available in order to get the best price possible. In light of the above, the proposed NPL hub does not seem to add market value.

Also, the risks of leaks of personal and/or commercially sensitive information has to be pondered. It is probable that names of distressed companies could be identified. Issues of consumer protection could be raised, even if data is anonymized, as individuals, consumers or small corporates living/established in underpopulated areas could be identified via the postal code, combined with other data fields.

From a timing perspective, establishing such centralized data hub would probably take a long time while very important questions would have to be discussed thoroughly before its establishment: scope of participants, type of data, governance, public or private sponsorship, mandatory or voluntary tool, investments and costs, fees, etc. A very concrete example of the multitude of practical questions raised by this proposal relates to claims and potential buybacks i.e., disagreements between sellers and buyers. Usually, these are confidential: how would this be treated within a NPL data hub?

Finally, the fundamentally new idea of the data hub is to open it to trade and post-trade information, i.e., information to be contributed by actors that are actually not EU credit institutions (funds, foreign investors, servicers….). The risk is that eventually, only EU banks will be bound to contribute for their part (basically information corresponding to the EBA NPL templates) – with all related costs and constraints - while there will be little possibility to get access rapidly and exhaustively to the other side of the information. The Commission's proposal should offer a convincing manner to include all the actors in the data hub project, including ex-ante information from sellers and ex-post information from buyers, no matter their nationalities.

4.   What would in your view be the biggest added value of the NPL EU data hub for the overall market?

The only type of information that is not currently reported, although it could contribute to reducing the bid-ask spread, is data on recoveries by NPL buyers and servicers. So far, only NPL sellers have been subject to very precise, heavy, and costly reporting requirements. While NPL buyers do not have to disclose information on their performance. In this respect, a level playing field should be ensured. One cannot rely solely on the fact that the incentive for NPL buyers to submit this information ex post would mainly be the prospect that they would gain access on the other side, providing them with insights into performance in the workout of comparable assets. However, it should be noted that performance on a given portfolios is not necessarily transposable to future recoveries.

5. In your opinion, how important are each of the potential benefits (listed below) of the NPL EU data hub for your organisation? (please rate each from 1 to 5, 1 standing for "not important factor" and 5 for "very important factor")

	1	2	3	4	5	No opinion
Diminishing information asymmetries	X					
Supporting market liquidity	X					
Fostering wider investor participation, including more medium and small investors		X				
Helping price discovery for NPL sales transactions		X				
Enabling new investors to get familiar with the NPL asset classes across different jurisdictions		X				
Addressing coordination issues	X					
More efficient NPL transactions	X					
Lenders and servicers to make more efficient recovery and disposal decisions	X					
Other: …						

6. On what information should the data hub focus?

Solely information on transactions that have taken place (e.g. transaction price, asset class, legal jurisdiction and structure of the agreement).	No opinion
Information on transactions and on post-trade performance (i.e. data on the recovery).	No opinion
The data hub should go beyond the two options above.	No opinion

7. Would you see that the transaction data for the data hub should cover; (please rate each from 1 to 5, 1 standing for "not helpful" and 5 for "very helpful")

	1	2	3	4	5	Comment
all data fields in the revised EBA NPL templates	X					
critical fields in the revised EBA NPL templates	X					
a subset of (critical) data fields in the revised EBA NPL templates			X			We do not see relevant value in establishing an NPL data hub. If it were to be created anyway, data on

						post-execution recoveries seems the most relevant to share.
Other						

8. Would you agree that the data on NPL transactions should be provided on portfolio level, as well as on individual exposure level, when appropriate?

We would like to refer to our previous comments about efficiency.

9. Which of the following data categories should be covered by the data hub? (please rate each from 1 to 5, 1 standing for "not helpful" and 5 for "very helpful")

	1	2	3	4	5	Comment
Country (where loan was originated)			X			Country is a determinant factor
Trading category	X					
Overall gross book value sold	X					
Transaction price	X					
Average ticket	X					
Days overdue		X				
Asset type	X					
Number of borrowers	X					
Borrower category (enterprise, private individual, public, other)	X					
Insolvency rate	X					
Maturity		X				
Loan-to-value (where applicable)			X			The LTV is a determinant factor but only at national level due to differences across borders.

10. Would you see any specific confidentiality concerns or other impediments in sharing this information with the data hub?

The risks of leaks of personal and/or commercially sensitive information by higher reporting requirements brought by the data hub seem to outweigh the potential benefit of increased transparency. There are not that many NPL transactions taking place in the secondary markets, especially with significant volumes: even if data is anonymized, it is probable that names of distressed companies could be identified. That said, there are situations where the sharing of information to the market could have unintended consequences, like for example strategic default, among others. Individuals, consumers

or small corporates living/established in underpopulated areas could be identified via the postal code, combined with other data fields.

It has to be made a difference between selling credit past due, where there is a responsibility of the debtor, and share data on Unlikely to pay (UTP) where the customer is not even aware of the classification.

In order to protect data of natural person's portfolio, such information will have to be encrypted. However, encrypting information on the collateral does defeat the purpose of sharing such information. If it is not possible to have detailed data on the collateral, it is impossible for the buyer to assess its price. Also, sharing this information could face data protection issues, as it is easy to guess who the client is via information about the collateral (for example, the address in the case of mortgages).

11. Would it be valuable for the data hub to collect other transaction-related information? If so, what specific information should be covered?

If a data hub were to be established, a sub-set of critical fields from the NPL templates would be sufficient. In any case, maybe information about collaterals could be valuable.

12. What would be the most important benefits of gaining insights into information on recovery rates via the data hub?

The value for credit institutions lies on the post trade information on recovery rates, however those data will not be facilitated by the data hub due to the majority of buyers are outside the EU. This situation would lead to information asymmetry between NPLs sellers and buyers.

So far, NPL buyers and servicers do not have to report any information on post-transaction performance. This "black box" constitutes the only "asymmetry of information" that exists in the secondary market: knowing more about performance would allow adjusting the price (upwards if performance is good, but also downwards if justified). It could reveal which strategies are more efficient (only post-trade).

In some cases, NPL sellers and buyers agree on sharing information on post-transaction recovery. This happens mostly in the context of long-term commercial relationships that cannot be forced by mandatory requirements.

13. Would you consider provision of data on recovery rates at loan level to be feasible? If not, would you consider that provision of such data at an aggregate level would still deliver benefits?

No. The data on NPL transaction should be provided only at portfolio level, requiring data on recovery at individual level would contradict the idea of providing anonymised data sets out in the EC consultation paper. It also depends on the type of portfolio (highly granular vs non-granular).

14. What specific information on recovery efficiency would you consider valuable and/or feasible to be provided to the data hub at an aggregate level?

	Valuable	Feasible
Progressive value of assets, aggregated by:		
• asset class		
• country/jurisdiction		
• industry/sector		
• borrower characteristics		X
• legal process		X
Recovery rates, aggregated by:		
• asset class		
• country/jurisdiction		
• industry/sector		
• borrower characteristics		X
• legal process		X
Recovery time, aggregated by:		
• asset class		
• country/jurisdiction		
• industry/sector		X
• borrower characteristics		X
• legal process		X
Information about workout and recovery in the relevant legal reviews		X
Other: …		

15. For the kind of information that you would consider valuable and feasible to be provided to the data hub, what reporting timeframe would be most appropriate, and why?

We have no views on this, as we don't think that the proposal for the creation of a data hub sustains a cost/benefit assessment.

16. In case you would not be in favour of providing information on recovery efficiency to the data hub, what would be the main reasons for this?

We are not in favour of this, because of the asymmetry that would create an uneven playing field between EU sellers and (mostly) non-EU buyers.

17. Would you agree that data on recovery efficiency should be specifically requested for loans benefiting from any form of public support? In your view, which loans would fall within the scope?

Same reasoning as for previous question.

18. **Would you agree that ESMA securitisation disclosures for private or public structured transactions, where relevant, could be provided to the data hub?**

The promotion of NPL securitisation would be an outlet as proven by the GACS system and the HAPS system, in Italy and Greece, respectively. The same patterns could apply in a broader scope of EU countries upon their consent and commitment.

19. **For which categories of transactions should data be provided to the data hub (i.e. after a specific cut-off date)? (Please rate each from 1 to 5, 1 standing for "fully disagree" and 5 for "fully agree".)**

	1	2	3	4	5	Comments
Segments that may be better prepared to comply with the data requests, such as securitisations	X					
Any sale involving an asset with a direct government subsidy	X					
Transaction types that are more frequent across the EU (such as loans secured by commercial real estate)	X					
Segments where most market activity /stress is likely in the context of the COVID-19 crisis	X					
Other: …	X					

20. **For which categories and under what conditions would you consider it feasible to also provide historical data (at least for 1-3 years)?**

We have no views on this.

21. **Would you agree with the following criteria for transactions to be provided to the data hub? (please rate each from 1 to 5, 1 standing for "fully disagree" and 5 for "fully agree")**

	1	2	3	4	5	Comments
Sales with a purchase price exceeding a minimum threshold	X					
Notional size of a portfolio exceeding a minimum threshold	X					
Portfolios consisting of a minimum number of borrowers	X					
Other: …	X					

22.   Bearing in mind your answer(s) to question 21, what should be:

	Response
The minimum threshold in terms of purchase price	n/a
The minimum threshold in terms of notional portfolio size	n/a
The minimum number of borrowers in a portfolio	n/a

23.   Provided that relevant confidential information (sellers, buyers and borrowers) would be anonymised and aggregated, would you have any concerns with respect to data protection?

Risks of leaks of personal and/or commercially sensitive information largely outweigh the potential benefit of increased transparency. There are not that many NPL transactions taken place in the secondary markets, especially with significant volumes: even if data is anonymized, it is probable that names of distressed companies could be identified. This could have very serious consequences for individuals, consumers or small corporates living/established in underpopulated areas that could be identified via the postal code, combined with other data fields.

In order to protect data of natural person's portfolio, such information will have to be encrypted. However, encrypting information on the collateral does defeat the purpose of sharing such information. If it is not possible to have detailed data on the collateral, it is impossible for the buyer to assess its price.

This is complex to achieve and some positions can be ultimately guessed. Although information about the debtor will be anonymized, data on the collateral will be needed, so the identity of the debtor will not be difficult to obtain. The data hub should only focus on information about transactions at an aggregate level and without price and personal data disclosures.

24.   Would you agree that it would be possible to deliver insights at the level of postcode or NUTS3 geographic region of buyers, sellers and borrowers?

We don't, for the reason explained above.

25.   Taking into account that GDPR requirements would be respected, would you agree that data anonymisation and protected access would be sufficient to prevent any potential misuse of the data (e.g. for M&A purposes)? If not, what other safeguard should be considered?

Despite data anonymisation, potential leaks or identification are still possible. Furthermore, data anonymisation makes pricing of the collateral almost impossible to perform. Data shouldn't be disclosed at an individual level. There are ways to cross-data and finally access to data that should be protected. Benefits do not outweigh risks.

26. Who should be responsible for the establishment and management of the data hub? Please elaborate on your preferred approach: what entity should be responsible and why?

Firstly, we reiterate that we don't consider the data hub as a relevant element to promote further efficiency in secondary markets. Secondly, discussing important governance questions would take time, which is incompatible with the stated objective of this consultation: "addressing a renewed build-up of NPLs on banks' balance sheets as early as possible is a key lesson from the last economic crisis." Governance issues go far beyond this question on the kind of entity that should take up the responsibility of establishing and managing the data hub.

It is undeniable that there is a question of safeguard of private information and accountability of the managing entity.

27. Bearing in mind your answer to the previous question, would you consider a public tender appropriate to determine the most suitable candidate?

We do not support the establishment of a general and mandatory NPL data hub.

28. In order for the data hub to reach critical mass, would you consider an obligation to report relevant data to the data hub necessary/useful?

Yes, there should be an obligation for all relevant market participants to provide data	
Yes, there should be an obligation for relevant market participants to provide data, but only for a specific sub-set of critical data.	
No, provision of data to the data hub should remain voluntary and the prospect of gaining access to the European-wide data pool of the hub should be sufficient.	X

29. Under what conditions would you consider such an obligation to share specific data acceptable? Would regulatory action be necessary in your view?

Existing reporting requirements for NPL sellers do suffice in our view. We see no need to create additional obligation to share specific NPL data. More transparency does not necessarily translate into more efficient markets, and in fact transparency is not a problem in the NPL market.

29.1 If regulatory action would be needed, what approach should be chosen for your market segment?

N/A

30. What would be an appropriate data governance structure for the hub? Are you aware of best-practice examples in related areas, national or EU-wide, that the hub should strive to emulate?

N/A

31. What would you consider the most effective way to stimulate stakeholders to provide data?

N/A

32. If access to the hub's data is restricted in this manner, how could new participation in the NPL market be encouraged?

32.1 Bearing in mind your response to the question above, would you consider that special treatment would be appropriate for market entrants to gain partial access to the data hub?

33. What specific analyses could the hub perform on its data pool that would be conducive to market transparency and data comparability? What specific market benchmarks would you consider most useful?

It is not appropriate to answer this now, without additional information on the data that will need to be shared with the data hub.

34. Would you consider it useful if the data hub would provide information on NPL investors (preferences and general profiles) and/or general information on judicial processes?

35. Should the hub be able to charge fees to cover administrative costs? If yes, how should these fees be determined? Under what conditions would you be willing to pay such fees?

Reporting requirements are already very costly, and we oppose the creation of any new fees. In any case, should the data hub be implemented despite its limited impact on NPL secondary market efficiency, we consider that no fees should be charged to the banks. No doubt feeding the data hub would be already expensive for the banks and should give right to access post sale information. Fees should be charged only to the users.

36. Are you aware of existing (market-driven) initiatives that pool and process data to gain better insights into credit risks and the management thereof? If so, what are the names of these initiatives and what services do they provide?

N/A

37. Would you consider that there could be valuable synergies between the data hub and such existing data pooling initiatives? If so, which synergies?

N/A

38. Would you consider it valuable if the data hub would provide insights into the following data in an aggregated manner?

	1	2	3	4	5	No opinion
Supervisory reporting on credit risk, non- performing exposures and forbearance						
• COREP supervisory reporting	X					This information is already available with no additional costs
• FINREP supervisory reporting	X					Same as previous point
• Credit risk benchmarking exercise	X					Same as previous point

	1	2	3	4	5	No opinion
Judicial information:						
• efficiency data[5]	X					
• detailed timing of different in-court bankruptcy and foreclosure processes	X					
• judicial auction outcomes (number of auctions required by property type and region)	X					
• sales haircut vis-à-vis initial bank or court valuation (CTU)	X					
• relative frequency of main insolvency procedures and court driven restructuring measures	X					

	1	2	3	4	5	No opinion
Securitisations:						
• ECB ABS loan level initiative[6]	X					
• ESMA reporting for securitisations	X					
• Data collected in the GACS reporting template (Italy only)						It could serve as a point of reference for other countries if the same system is used

	1	2	3	4	5	No opinion
Data pools of existing industry initiatives (to be explored in cooperation with these initiatives and their members):						
• Existing data pooling initiatives	X					

	1	2	3	4	5	No opinion
Bank risk parameters on forbearance, loss given default (LGD), realised loss, time to recovery, and cure rate data by regulatory asset class and country, as aggregated from:						
• the AnaCredit database	X					
• bank Pillar 3 disclosures	X					

39. Do you agree that additional Pillar 3 disclosures could help to improve functioning of NPL secondary markets and increase their efficiency?

We do not agree. Pillar 3 should not be used for matters related to the sale of NPLs. The scope of the disclosure (individual/consolidated) should be clarified, as the consolidated information of a global bank will not improve the European secondary market. There is no direct and clear causal relationship between disclosure and efficiency.

The NPE strategy should not be public information. Disclosure could be detrimental to banks, as it can modify borrowers' or potential investors' decisions. Any potential information sharing would have to be generic and broadly formulated.

P3 disclosures are already very burdensome and costly. As mentioned earlier in this consultation paper, a series of additional templates has been introduced very recently via Commission Implementing Regulation (EU) 2021/637 of 15 March 2021. It really would not be appropriate to create additional P3 disclosures.

40. Which types of information, in general, could additional Pillar 3 disclosure requirements target to maximise efficiency of NPL markets?

We strongly believe no additional P3 disclosure is necessary.

41. More specifically, in your opinion, which of the following types of information should be introduced in the Pillar 3 disclosure framework? (please rate each from 1 to 5, 1 standing for "not important factor" and 5 for "very important factor")

	1	2	3	4	5	No opinion
Recovery rate (average)	X					
Recovery rates (by asset class)	X					
Recovery rates (by past due days)	X					

Recovery rates (by country)	X					
Time to recovery (average)	X					
Time to recovery (by asset class)	X					
Time to recovery (by country)	X					
Judicial costs (average)	X					
Judicial costs (by asset class)	X					
Judicial costs (by country)	X					
Others: …	X					

42. Would you agree that the scope of disclosures might be extended to cover all CRR institutions?

We strongly disagree. Additional "high-NPL" disclosure is extremely burdensome to produce. Extending it to all CRR institutions/entities that do not have high levels of NPL would not make sense from a cost-benefit standpoint: the costs are certain (and high), while the potential benefits are extremely unclear and potentially low (low-NPL entities do not sell much NPLs; the value of additional reporting on the transaction price is highly uncertain and most probably very low).

Besides, new NPE templates introduced by EBA in 2018 for Pillar 3 created a significant gap in quantity and quality of information published by credit institutions. We think that the Pillar 3 information scheme should maintain the rules of 2018 EBA Guidelines as being proportionate to the importance of NPL stock. In particular, the information to be published by institutions whose NPL ratio is below 5% should be lighter than that of other institutions. Finally, a balance between the costs and the benefit of information sharing should be found.

In addition, we would like to highlight that according to CRR II disclosure requirements were amended to relieve small and not complex institutions. Adding now more new requirements would run counter this idea.

43. Would you agree that the scope of disclosures might be extended beyond credit institutions, for instance to credit purchasers and/or credit servicers operating in the secondary market?

We consider that the proposal for a data hub would bring little or no benefit to the secondary market

44. Would you consider it useful to assign an ID to an NPL and to track and monitor such NPL?

We do not believe this is a good idea as managing a tag is costly, very complex and too burdensome for its potential benefits. In addition, we see potential complex issues regarding privacy management over that kind of data.

45. What could be the proportionality criteria for new disclosures?

	1	2	3	4	5	No opinion
Size and complexity of the credit purchaser (cross border activities, NPL securitisation)	X					
Size and nature of the portfolios (consumerloans, corporate loans)	X					
Simple threshold of total NPLs	X					
Other: …						X

46. How large do you estimate the costs and efforts for banks and other entities to adjust to additional targeted requirements as part of Pillar 3 adjustments? Would additional disclosures add a significant cost?

It should be reminded that the contemplated extension of "high-NPL" disclosure requirements to all CRR entities cannot be qualified as "targeted" additional requirements: such "high-NPL" disclosure requirements are very burdensome, and their extension would entail large costs and efforts.

In a 2020 "Study of the cost of compliance with supervisory reporting requirements", acknowledging that the overall reporting framework was too burdensome and costly, the EBA issued recommendation to reduce the reporting costs faced by financial institutions "by up to 15-24%". We believe that the additional reporting requirements contemplated under the EC consultation paper go against the stated objective of the EBA report, prepared on the basis of CRR Article 430(8), to make the reporting experience "more effective and efficient for both institutions and supervisors".

The contribution by banks / credit institutions to such NPL data hub requires a huge effort driven by: IT systems set-up, integration with the required metrics and implementation of information flows to send the data to the data hub; such a project would require significant investment in respect to IT, involved FTEs in both the project development and implementation phases; a more specific cost and time estimation needs the involvement of relevant stakeholders such as legal / compliance, IT functions, credit risk, data quality, accounting, etc.

47. Which of the items related to NPLs mentioned above would likely lead to small and manageable reporting increase in reporting costs, and which would be more time-consuming and costly to disclose?

The cost and time for the implementation of the data hub depends on metrics typology (i.e. if already present into the bank system or if they need to be newly implemented), data granularity (the more granular the data requested, the more complex and expensive the related implementation) and data source (i.e. internal vs external, e.g. very complex to gain information on judicial auction outcomes, to update them and to ensure the proper data quality and data harmonisation).

48.   How should a balance be struck between larger data transparency and reporting costs? Would more data, resulting from targeted Pillar 3 changes, with a high degree of certainty add more value than costs to the market?

We believe that additional P3 disclosures is not necessary and that the cost-benefit analysis cannot be in favour of additional reporting requirements. Regulators should unify all the reports conceptually linked.

We stand ready to further discuss these observations in detail.