

# Template for comments

ECB Guideline on the supervisory approach by national competent authorities to coverage of non-performing exposures held by less significant supervised entities

Institution/Company
ABI - Italian Banking Association

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General comments

## Template for comments

### ECB Guideline on the supervisory approach by national competent authorities to coverage of non-performing exposures held by less significant supervised entities

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 27 October 2025

ID	Article	Paragraph	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	Article 3	2	Amendment	Paragraph 2 of Article 3 outlines the conditions under which the National Competent Authority (NCA) may decide not to apply the proposed supervisory approach to a less significant supervised entity. The condition under point a) regards institutions where total gross carrying amount of non-performing loans and advances represents less than 5% of the total gross carrying amount of loans and advances (so called NPL ratio). In ABI's opinion, reference should be made to the amount of non-performing loans and advances net of related provisions (so called "net NPL ratio") instead of gross amount.	The net NPL ratio is a more accurate indicator of the actual risk borne by the bank.		Don't publish
2	Article 3	2	Amendment	Paragraph 2 of Article 3 outlines the conditions under which the National Competent Authority (NCA) may decide not to apply the proposed supervisory approach to a less significant supervised entity. In ABI's opinion, institutions meeting the condition under letter a) i.e. NPL ratio below 5% (as amended per the above proposal), should be automatically excluded instead of being subject to case by case authorisation.	Case by case authorisation would imply an operational burden for both supervisors and banks, that is deemed not necessary in light of the low amount of non-performing exposures of the bank. Simplification by means of an automatic exemption would reduce the administrative burden.		Don't publish

3	Article 4	3	Amendment	Article 3 stipulates that in certain circumstances NCAs may decide not to apply Article 5 to individual exposures or portfolios of exposures. On top of that, in ABI's view, an automatic exemption should be provided in case of exposures arising from off-balance sheet items - that would otherwise be included pursuant to Article 47a(1)(b) CRR.	It is deemed that this measure should not be applied to non-performing exposures arising from off-balance sheet items like commitments and guarantees, as in these cases the exposure has not actually materialised (and the recovery process might have not yet started). Applying coverage obligations, which are theoretically explained by the fact that the passing of time can reduce the recovery rate, appears not appropriate.		Don't publish
4	Article 4	3	Amendment	Article 3 stipulates that in certain circumstances NCAs may decide not to apply Article 5 to individual exposures or portfolios of exposures. On top of that, in ABI's view, an automatic exemption should be provided in case of forborne exposures meeting the conditions under paragraph 4).	Case by case authorisation would imply an operational burden for both supervisors and banks, that is deemed not necessary in light of the specific prudential regime to which these assets are subject. Simplification by means of an automatic exemption would reduce the administrative burden.		Don't publish
5	Article 4	1	Amendment	ABI deems appropriate including, among the circumstances which can justify a request for exemption, the case of exposures where the condition of ongoing payments of capital and interests cannot be verified but, based on the assessment of the exposure and the outcome of internal models, banks have concrete expectations of full repayment.	The possibility to exclude, from the application of this Guideline, non-performing exposures where the bank expects full repayment should be foreseen, subject to supervisory scrutiny (also having regard to the peculiarities of portfolios of bought NPL).		Don't publish
6	Article 8	2	Amendment	Article 8 paragraph 2 letter (a) is based on reporting with reference date as of 31 December 2025. ABI deems that the first reference date should be envisaged as of 31 December 2026.	In light of the fact that the Guideline has not yet been finalised, and the exact reporting requirement is not yet defined, it would be too challenging for banks to complete the necessary implementation to start the reporting as of 31 December 2025, as they would overlap with the multiple fulfillments required in the first weeks of the year (year-end reporting, year-end financial statements). Given that the Guidelines already envisage the possibility not to consider the reporting as of the first reference date (paragraph 3 of Article 8), it appears preferable to directly postpone the reporting obligation to 2026.		Don't publish