



## Template for comments

### Consultation on the draft ECB Guidance for banks on non-performing loans

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**General Comments**

RZB Group welcomes the opportunity to comment on ECB draft guidance on non-performing loans.

From the business area point of view, we would also like to highlight the following issues:

- Strike a balance between the benefits of a centralized data solution on the one hand and the cost of implementation on the other hand: If the IT requirements can be also fulfilled via local solutions, it is not feasible to centrally store the NPL-related data.
- Strongly recognize the level of collateralization and of loan loss provisions. The banks with high coverage ratios and superior collateralization should be not penalized.
- Split the NPL targets by individual regions. We propose splitting the requirements by individual regions in order to consider individual characteristics of bank's operations.

## Template for comments

### Consultation on the draft ECB Guidance for banks on non-performing loans

Please enter all your feedback in this list.

When entering your feedback, please make sure:

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

**Deadline:** 15 November 2016

ID	Chapter	Section	Page	Type of comment	Detailed comment	Concise statement why your comment should be taken on board
1	1 - Intro	1.2.	5	Clarification	Reference to the following text: "Hence, parts of this document, namely chapters 2 and 3 on NPL strategy, governance and operations, may be more relevant for banks with high levels of NPLs ("high NPL banks") that need to deal with this extraordinary situation." Comment: We would kindly ask the ECB to define benchmarks on a regional level, e.g. CIS, CEE, SEE, etc. We would propose that the ECB calculates triggers for the NPL strategy and publish them on an annual basis, thus being more transparent and making the strategy easier to adjust (making it more and less aggressive based on the macro developments and trends).	
2	1 - Intro	1.2.	5, 6	Clarification	Reference to the following text: "For the purpose of this guidance, the ECB's banking supervision defines high NPL banks as banks with an NPL level that is considerably higher than the EU average level." Comment: We would expect the coverage of non-performing loans and the risk mitigation role of collateral to be taken much stronger into account. Level of collateralization and loan loss provisions are both vital to loan quality and make also the dismissal of assets potentially easier. Additionally, in business model of some banks, high level of the NPL's is fully normal as it is compensated by a higher profitability. The recurring pre-provision profitability should be considered together with the high level of NPL's.	
3	1 - Intro	1.2.	6	Clarification	Reference to the following text: "This NPL guidance is currently non-binding in nature. However, banks should explain and substantiate any deviations upon supervisory request. Non-compliance may trigger supervisory measures." Comment: In our view, it is of utmost importance to align the guidance and the existing requirements in a comprehensive manner in order to minimize the deviations and the related regulatory burden. We would also ask for a detailed view on possible supervisory measures. If this point is put into more specific terms, the affected banks will gain even more clarity.	
4	2 - Strat	2.2.1.	8	Clarification	Reference to the following text: "A thorough and realistic self-assessment is required to determine the severity of the situation and the steps that need to be taken internally to address it." Comment: We would need detailed information about what kind of evidence would be sufficient with regards to the self-assessment.	
5	2 - Strat	2.2.1.	8	Clarification	Reference to the following text: "Outcomes of NPL actions taken in the past: types and nature of actions implemented, including forbearance measures" Comment: We would need clarification on what is meant by "the nature of actions implemented".	
6	2 - Strat	2.2.2.	9	Amendment	Reference to the following text: "Assessing the expectations of external stakeholders (including but not limited to rating agencies, market analysts, research, and clients) with regard to acceptable NPL levels and coverage will help to determine how far and how fast high NPL banks should reduce their portfolios." Comment: Our bank operates in different markets with varying NPL levels. We would therefore propose to split the requirements by individual regions, to account for these individual characteristics of our operations. This input can be then appropriately reflected in the national or international benchmarks and peer analysis used by individual stakeholders.	
7	2 - Strat	2.2.2.	10	Clarification	Reference to the following text: "However, such servicing agreements need to be well steered and well managed by the bank." Comment: We would need detailed specification of appropriate steering with regard to servicing agreements.	
8	2 - Strat	2.3.	11	Clarification	Reference to the following text: "The NPL strategy, including the operational plan, should be approved by the management body and reviewed at least annually." Comment: We would need clarification on what the approach for Banking Groups and their Network Banks should be, as we are not sure whether a single Network Bank strategy or an overbridging strategy for the whole group would be sufficient.	
9	2 - Strat	2.3.1.	11	Clarification	Reference to the following text: "Once adequately provisioned, the bank should write off loans which are deemed to be uncollectable in a timely manner. In some countries is a write-off subject to additional conditions." Comment: The consideration of the numerous types of extraordinary situations, which temporarily (medium-term view) increase the NPL levels, is strictly necessary. Examples for such situations are: • There can be a time lag, when the bank is waiting for the legislation change regarding write-off/tax legislation in the same countries. • There may also be legal restrictions which are hindering the sale of specific portfolios, e.g. moratorium for part of the secured mortgage loans in Ukraine.	
10	2 - Strat	2.3.2.	12	Clarification	Reference to the following text: "Before commencing the short to medium-term target-setting process, banks should establish a clear view of what reasonable long-term NPL levels are, both on an overall basis but also on a portfolio-level basis. It is acknowledged that there is a considerable amount of uncertainty around the timeframes required to achieve these long-term goals, but they are an important input to setting adequate short and medium-term targets. Banks working in tense macro-economic conditions should also explore international or historic benchmarks in order to define "reasonable" long-term NPL levels" Comment: The ECB could provide the NPL benchmark split by region, segments and portfolio type, especially for setting up duration of long-term strategy targets.	
11	2 - Strat	2.3.2.	12	Amendment	Reference to the following text: "Targets should be established along the following dimensions: • by main portfolios (e.g. retail mortgage, retail consumer, retail small businesses and professionals, SME corporate, large corporate, commercial real estate)" Comment: Due to many different individual cases of our bank, especially in the corporate sector, we are proposing a differentiation only for bigger clusters. E.g. retail / non-retail or stay strategy / exit strategy. Alternatively, please use big clusters together with subclusters.	
12	2 - Strat	2.3.2.	12	Clarification	Reference to the following text: "Targets should be established along the following dimensions: ... . by implementation option chosen to drive the projected reduction, e.g. cash recoveries from hold strategy, collateral repossessions, recoveries from legal proceedings, revenues from sale of NPLs or write-offs." Comment: We would need a definition of cash recoveries from a hold strategy.	

13	2 - Strat	2.3.2.	13	Deletion	Reference to the following text: "It should be ensured that such additional NPL targets have an appropriate focus on high risk exposures, e.g. legal cases or 720 days past due." Comment: This proposal is not feasible, as the legal framework, execution process etc. vary between portfolios (and/or groups of customers) in individual countries. The ECB should provide different benchmarks for the duration of execution process based on regional and segment level data.	
14	2 - Strat	2.3.2.	13	Amendment	Reference to the following text: "Table 1 shows an example of high-level quantitative targets which have been implemented by Greek significant institutions in 2016". Comment: An example of time-bound quantitative NPL targets, supported by a corresponding comprehensive operational plan, would be beneficial, as the present-ed example from Greek SI is insufficient.	
15	2 - Strat	2.6.	16	Clarification	Reference to the following text: "High NPL banks are expected to report their NPL strategy, including the operational plan, to their Joint Supervisory Teams (JSTs) in the first quarter of each calendar year." Comment: We would need clarification on how a reporting of banks with more network banks would look like.	
16	3 - Gov	3.2.	17	Amendment	Reference to the following text: "In particular, the management body should: • define adequate approval processes for NPL workout decisions; for certain large NPL exposures this should involve management body approval" Comment: A differentiation between the guidance text for the retail and corporate area is necessary (e.g. in retail are decision points part of strategy embedded into systems).	
17	3 - Gov	3.3.1.	18	Amendment	Reference to the following text: "International experience indicates that a suitable NPL operating model is based on dedicated NPL workout units (WUs) which are separate from units responsible for loan origination." Comment: We would strongly recommend to differentiate also in this chapter between corporate and retail terminology due to the different approaches (individual vs. industrial approach).	
18	3 - Gov	3.3.1.	18	Amendment	Reference to the following text: "High NPL banks should therefore implement separate and dedicated NPL WUs, ideally starting from the moment of early arrears but latest by the NPL classification of an exposure." Comment: Specification should be driven by DPD or rating (in line with IFRS 9).	
19	3 - Gov	3.3.1.	19	Amendment	This comment relates to the NPL life cycle. Comment: New methodology and new approaches of IFRS 9 should be reflected in the split of NPL life cycle.	
20	3 - Gov	3.3.1.	19	Clarification	Reference to the following text: "Early arrears (up to 90 days past due (dpd)): During this phase, the focus is on initial engagement with the borrower for early recoveries and on collecting information required for a detailed assessment of the borrower's circumstances (e.g. financial position, status of loan documentation, status of collateral, level of cooperation, etc.)." Comment: We need a comment on when "early arrears" exactly start. Moreover, we need detailed clarification on when to transfer the case from the Front Office into the NPL WU responsibility based on days past due (DPD). As per page 19, it seems that already one day overdue triggers the transfer to the NPL WU. This would be unnecessary inflow to NPL WU and low/slow transfer back due to healing period restrictions. On the other hand, Figure 2 on page 20 suggests in regards to intensive loan management in the Front Office for corporates, that such a case should be dealt with in the Front Office for some time. In addition to the above mentioned considerations, we would like to point out that an unnecessary transfer to the WU could occur if only DPD are taken into account. Both, overdue as well as financial difficulties should be considered as transfer triggers to NPL WU.	
21	3 - Gov	3.3.1.	19	Amendment	Reference to the following text: "During this phase, the focus is on initial engagement with the borrower for early recoveries and on collecting information required for a detailed assessment of the borrower's circumstances (e.g. financial position, status of loan documentation, status of collateral, level of cooperation, etc.)." Comment: Detailed assessment of the borrower's circumstances is not necessary in the "early arrears" and could cause disproportionate costs, especially in the retail area.	
22	3 - Gov	3.3.2.	22	Amendment	Reference to the following text: "Portfolio segmentation enables the bank to group borrowers with similar characteristics requiring similar treatments, e.g. restructuring solutions or liquidation approaches. Customised processes are then designed for each segment with dedicated expert teams taking ownership of the segments." Comment: Retail arrears management works on the principle of shared ques and dedicated expert teams should be utilized on specialized and more specified process steps (e.g. forbearance, legal stage).	
23	3 - Gov	3.3.4.	24	Amendment	Reference to the following text: "In this context, it is important that all NPL-related data is centrally stored in robust and secured IT systems." Comment: We fully agree that all NPL-related data has to be stored in robust and secure IT systems. We also agree that the data has to be complete and up-to-date throughout the NPL workout process. Nevertheless, our banking group also needs to comply with local standards and local law (especially in the NPL / restructuring area). Therefore, we have built local business processes depending on local economic and regulatory/legal environment. This legal and economic environment is also driving the IT solutions, which are mainly local (meaning Network units using local IT solutions in local country) in this area of responsibility. Workout processes like access to a "central" credit register, underlying documentation, automated workflows throughout the entire NPL life cycle, call centers etc. are operated by us in the local countries within our Network units. Therefore, we are convinced that the robust and secured IT system must be operated locally, and we receive the data (regularly) for management steering purposes on a central/group level. We suggest formulating the sentence in the following way (delete the word centrally): In this context, it is important that all NPL-related data is stored in robust and secured IT systems	
24	3 - Gov	3.3.4.	24	Clarification	Reference to the following text: " An adequate technical infrastructure needs to enable NPL WUs to: • Easily access all relevant data and documentation including: • sources of underlying information and complete underlying documentation" Comment: Especially from a retail perspective, we consider this requirement to be too excessive. Retail arrears management does not require complete underlying documentation throughout the NPL workout process, only in the legal stage.	

25	3 - Gov	3.4.2.	26	Clarification	Reference to the following text: Complete Section 3.4.2 Comment: We would need a definition regarding the meaning of the second line of controls. In our view, a well-established decision competence level and four-eye principle should fully meet your requested criteria. A threshold for a second line of defence controls (threshold in money terms or qualitative thresholds) should be defined. It should be clarified, if the second line of controls should be independent and necessarily placed outside of NPL WU or not.	
26	3 - Gov	3.4.3.	27	Amendment	Reference to the following text: "With regard to the NPL framework, the internal audit function should at least perform regular assessments to verify adherence to internal NPL-related policies (see Annex 5) as well as to this guidance. This should also include random and unannounced inspections and file reviews. In determining the frequency, scope and scale of the controls to be carried out, a proportionality approach must be taken into account. However, for high NPL banks most of the policy/guidance compliance checks should be completed at least annually and more frequently if significant irregularities and weaknesses have been identified by recent audits.)" Comment: The current formulation leads to an understanding that each year all policies have to be audited almost in full regarding their compliance with the NPL Guidance Document, mainly for high NPL banks. The repeated check regarding the "guidance compliance" in the case, for example, that the policies were assessed to be compliant and no policy changes were performed, is excessive. A one-time check for "guidance compliance" of the internal policies and thereupon regularly checking that the daily jobs are compliant with the internal policies seem to be more reasonable. A differentiation between the frequency of checks for "policy compliance" and "guidance compliance" delivers added value with regard to this chapter.	
27	3 - Gov	3.5.3.	31	Clarification	Reference to the following text: "The minimum cure period applied to determine cure rates should be 12 months aligned with the minimum cure period defined in Commission Implementing Regulation (EU) No 680/2014 (referred to as the "EBA Implementing Technical Standards (ITS) on supervisory reporting")" Comment: We would need clarification on whether the forbearance curing is linked to curing from non-performing status or to curing from forbearance status.	
28	3 - Gov	3.5.3.	31	Clarification	Reference to the following text: "Individual characteristics of forbearance agreements need to be flagged and stored in the IT systems" Comment: We would need clarification on what is meant by "individual characteristics" as well as on what kind of flag is requested to be stored.	
29	3 - Gov	3.5.3.	32	Clarification	Reference to the following text: "Another key metric of forbearance activity is the cash collection from restructured credit facilities. Cash collection could be monitored against the revised contractual cash flows, i.e. the actual to contractual cash-flow ratio, and in absolute terms." Comment: We would need clarification on whether the cash collected rate could be replaced by the delinquency rate.	
30	3 - Gov	3.5.4.	33	Amendment	Reference to the following text: Debt to asset/equity swap Comment: Debt to asset or equity swap should not be considered as a standard recovery strategy (only on an exceptional basis), as it could turn out to be risky. Using every possible tool with a single goal of decreasing the level of non-performing loans might not be the best solution to the problem.	
31	3 - Gov	3.6.1.	35	Clarification	Reference to Figure 4 on page 35 Comment: To better understand the Figure 4 presented we would kindly ask to: • consider areas/ process steps where share responsibilities between 'Back Of-ice' and 'Front Office' would apply, particularly in EWI information providing, EWI verification (root-cause-analysis) and in the process of 'Timely Action Taken' • consider intermediate categories/stages between 'standard' and 'NPL clients' as result of illustrated EWI process	
32	3 - Gov	3.6.2.	35-36	Clarification	Reference to the following text: Complete Section 3.6.2 Comment: With regards to dual perspective - we would like to better understand how the framework for such matrix would be prescribed.  We would like also to propose following:  • consider a minimum set of unified signals applicable for corporate portfolios and in addition develop signals specific to individual portfolios (by region, segment, industry, collaterals...) • consider within the Portfolio Level EWI volatility and continued necessary adjustments to avoid too conservative or inefficient approach. For bigger banking groups with diverse portfolios, it will require advanced data management to properly set up such system and interlink all relevant information	
33	4 - Forb	4.2.	39	Clarification	Reference to the following text: "Such short-term measures should generally not exceed two years and, in the case of project finance and the construction of commercial property, one year" Guidance text (text in the table "List of the most common forbearance measures" in subsection "reduced payments"; page 41): "If the amount of payment reduction is moderate and all other conditions mentioned above are met, this measure could be applied for a period longer than 24 months." Comment: We would need clarification on whether the "option to apply reduced payments for period longer than 24 months", mentioned in the table "List of common forbearance measures" in the subsection "reduced payments", is still classified as a short-term forbearance measure.	
34	4 - Forb	4.2.	39	Deletion	Reference to the following text: "The borrower has experienced an identifiable event which has caused temporary liquidity constraints. Evidence of such an event is to be demonstrated in a formal manner (and not speculatively) via written documentation with defined evidence showing that the borrower's income will recover in the short-term or on the basis of the bank concluding that a long-term forbearance solution was not possible due to a temporary financial uncertainty of a general or borrower-specific nature" Comment: This request is not feasible and necessary in practice, in particular in the retail area, as we compare all information verbally received from customer with public information from registers and with internal information. If there is no occurrence of inequalities, we consider them as verified and do not request further proofs from customers.	

35	4 - Forb	4.2.	39	Clarification	<p>Reference to the following text: "The contractual terms for any forbearance solution should provide for at least an annual review by the bank in order to allow for adjustment of the contractual terms in accordance with unanticipated changes in the economic environment and/or the borrower's financial situation."</p> <p>Comment: Based on legal requirements in countries of our bank's operations, it is not possible to define future instalment payments without specific amounts. The future amount must be precisely defined in the moment of signing the forbearance contract. That's why each reassessment would mean that a new forbearance contract needs to be signed.</p> <p>Given that, it is not clear if such an adjustment should be classified as a new forbearance measure or it is to be considered as the original one.</p> <p>If it should be considered as a new forbearance, we would need a clarification if it is then classified as viable. Moreover, it should be stated how many times such reassessments can be done.</p>	
36	4 - Forb	4.2.	40	Clarification	<p>Reference to the following text:</p> <ul style="list-style-type: none"> <li>•In general, a forbearance solution including short/long-term forbearance measures should only be considered viable where:</li> <li>•The institution can demonstrate (based on reasonable documented financial information) that the borrower can realistically afford the forbearance solution."</li> </ul> <p>Comment: We would need clarification on whether documentation of all financial information, also for the retail segment, is expected. We would propose to consider the materiality aspect.</p>	
37	4 - Forb	4.2.	40	Clarification	<p>Reference to the following text:</p> <ul style="list-style-type: none"> <li>•In general, a forbearance solution including short/long-term forbearance measures should only be considered viable where:</li> <li>•No other short-term forbearance measures have been applied in the past to the same exposure (although those might link to separate contracts if the loan has been refinanced during an earlier forbearance procedure)"</li> </ul> <p>Comment: We would need clarification on whether there is any rule, such as previous short-term forbearance was cured (previous forbearance measures were successful), or a threshold period from the last short-term forbearance until the new one will be considered as viable.</p>	
38	4 - Forb	4.2.	40	Amendment	<p>Reference to the following text: "It should also be noted that the viability assessment should take place irrespective of the source of forbearance (for instance debtor using forbearance clauses embedded in a contract, bilateral negotiation of forbearance between a debtor and a bank, public forbearance scheme extended to all debtors in a specific situation)."</p> <p>Comment: Forbearance clauses embedded in the contract should not be considered in the viability classification, as in such a situation the bank is not in the position to perform an assessment of the borrower.</p>	
39	4 - Forb	4.2.	40	Amendment	<p>Reference to the following text: "It should also be noted that the viability assessment should take place irrespective of the source of forbearance (for instance debtor using forbearance clauses embedded in a contract, bilateral negotiation of forbearance between a debtor and a bank, public forbearance scheme extended to all debtors in a specific situation)."</p> <p>Comment: Our bank is strongly urging not to take public forbearance scheme into account when assessing the viability or non-viability. There might be public forbearance scheme forced by local regulation, e.g. mass conversion from FCY to LCY. In such situation, the bank cannot obtain all requested information to process assessment of borrower situation.</p>	
40	4 - Forb	4.2.	40-41	Clarification	<p>Reference to the following text (text in the table "List of the most common forbearance measures" in subsection "interest only"; page 41): "Once the defined period of this forbearance measure is over, institutions should reassess the borrower's debt servicing capacity in order to proceed with a revised repayment schedule that is able to account for the unpaid capital element during this interest-only period."</p> <p>Also Reference to the following text: Guidance text (page 40): "No other short-term forbearance measures have been applied in the past to the same exposure (although those might link to separate contracts if the loan has been refinanced during an earlier forbearance procedure)"</p> <p>Comment: It is not fully clear, if a reassessment as per page 41 would lead to a reclassification to non-viable as the text on page 40 suggests a different logic when assessing viability/non-viability.</p>	
41	4 - Forb	4.2.	41	Clarification	<p>Reference to the following text: (text in the table "List of the most common forbearance measures" on page 41): "See "1. Interest only" (reference to "1. Interest only" both in the subsection "2. reduced payments" and "3. grace period/payment moratorium")."</p> <p>Comment: We would need clarification on what exactly is meant by the reference to "1. interest only". What does this reference mean for the "2.reduced payments" and for the "3. Grace period/payment moratorium".</p>	
42	4 - Forb	4.2.	41	Clarification	<p>Reference to the following text (text in the table "List of the most common forbearance measures" in subsection "2. Reduced payments"; page 41): "If the amount of payment reduction is moderate and all other conditions mentioned above are met, this measure could be applied for a period longer than 24 months."</p> <p>Comment: We would need clarification on which maximum period of the forbearance measure could still be classified as a short-term solution and on what is meant by "moderate reduction".</p> <p>Reference to the following text in the table "List of the most common forbearance measures" in subsection "5. Interest rate reduction" on page 41): "However, banks should ensure that the relevant credit risk is sufficiently covered by the interest rate offered to the borrower".</p> <p>Comment: We need a clarification on the meaning of "sufficiently covered by interest rate" and on how this is corresponding with NPV assessment as well as on how to deal with such situations. As an example, NPV of interest rate reduction is higher than NPV from liquidation measures but the reduced interest rate does still not cover relevant credit risk.</p> <p>Reference to the following text in the table "List of the most common forbearance measures" in subsection "5. Interest rate reduction" on page 41):" It should be clearly flagged if the affordability can only be achieved at below-risk or below cost rates:</p> <p>Comment: We would need clarification on what is meant by the exact definition of the flag.</p>	
43	General			Clarification	<p>This is an overall comment (no reference to a specific guidance text).</p> <p>Comment: We need a definition of mutual responsibility for individual forbearance across financial institutions. If one creditor identifies potential of forbearance measures, then other creditors should also join and provide, based on the request, the borrower with sufficient forbearance measures.</p> <p>As an example, in the UK, this is dealt with under the umbrella of the UK independent consumer credit counselling service (CCCS).</p>	

44	4 - Forb	4.3.	43	Amendment	Reference to the following text: "Before granting any forbearance measures, the lending officer responsible must conduct a complete assessment of the borrower's financial situation....This assessment is to be based on documented current and verified financial information" Comment: In large-scale business such as retail, it is not possible to request proofs for all information received from clients, especially if talking about small unsecured loans or sales finance. There should be some materiality threshold set up and / or defined (e.g. from country/region/product view). Furthermore, a definition of pre-defined suspected cases, where the verification is required, should be provided.
45	4 - Forb	4.4.	44-45	Clarification	Reference to the following text: "develop standardised financial information templates for retail borrowers.... Internal processes need to ensure the proper and timely completion of these templates." Comment: Extensive financial template, as introduced for example in Cyprus and Ireland, is useful for counselling meetings with mortgage borrowers. In large-scale business such as retail, majority of forbearance is initiated via phone call as a result of EWS or Collections calls. A customer is not ready and able to provide such number of information in such great detail on the spot and it is not adequate to request it if the offered forbearance measures are not worsening the credit risk situation of the bank.
46	4 - Forb	4.4.	45	Clarification	Reference to the following text: "The affordability assessment should be based on reasonable documented and verified borrower income and expenditure levels. All assumptions should be documented on the credit file to ensure that an audit trail is in place." Comment: In many cases it is not easy to document a situation, e.g.: a) that unemployed borrower will find job within next 6 months, b) employed borrower will get salary on time without occasionally occurring 2-3 months delays, c) borrower will return from maternity leave after two years instead of staying longer on maternity leave with second child.
47	5 - Recog	5.1.	46	Amendment	Reference to the following text: "However, the NPE definition is-strictly speaking-currently only binding for supervisory reporting purposes. Nevertheless, institutions are strongly encouraged to use the NPE definition also in their internal risk management and public financial reporting. Furthermore, the NPE definition is used in several relevant supervisory exercises (e.g. SSM asset quality review (AQR), EBA stress test and transparency exercises)." Comment: ECB should clearly state whether the NPE definition is mandatory to be followed by the institutions for internal risk management purposes or not. By referring to the fact that it is already being used by SSM AQR, EBA stress test and Transparency exercises) it only strengthens the impression that it is not commonly adopted by the institutions for internal purposes and is only taken into account in ad-hoc, occasional circumstances.
48	5 - Recog	5.1.2.	48	Clarification	Reference to the following text: "Once the legal obligation for a mandatory payment has been established, the counting of days past due starts as soon as any amount of principal, interest or fee has not been paid at the date it was due." Comment: We would like to draw the attention of the ECB to the wording used in chapter 5.2.1 regarding the start of the DPD counting - in contrast to the RTS on materiality threshold for past due obligations, the text at the bottom of the page states that "the counting of days past due starts as soon as any amount of principal, interest or fee has not been paid at the date it was due".
49	5 - Recog	5.2.2.	50	Amendment	Reference to the following text: "According to paragraph 148 of Commission Implementing Regulation (EU) No 680/2014, the classification of exposures as non-performing should be done without taking into account the existence of any collateral. Consequently, fully collateralised exposures in unlikely-to-pay situations should be classified as non-performing, even when it is assumed that the customer is willing to realise the collateral on a voluntary basis in order to avoid a legal enforcement by the credit institution". Comment: From a corporate perspective we do not agree on the necessity of the classification of exposure in the NPE/NPL in case a customer sells the non-core asset voluntarily, which is causing the non-performance, as thereby the customer repairs his or her financial situation.
50	5 - Recog	5.2.2.	51	Clarification	Reference to the following sentences: "This list is not exhaustive, nor should it serve as a prescription of a minimum set of UTP criteria. It should rather be seen as a list of examples and best practices and as an orientation point as to how the definition of non-performing can be implemented." "It is expected that the indicators in white will lead directly to a recognition of non-performing, as in most cases these events, by their very nature, directly fulfil the definition of UTP and there is little room for interpretation." Comment: The language used by ECB is somewhat misleading - on the one hand the ECB states that the list of UTP "should not serve as a prescription of a minimum set of UTP criteria", while in the next paragraph the sentence opens with "It is expected that the indicators in white will lead directly to a recognition of non-performing."
51	5 - Recog	5.3.1.	55	Clarification	Reference to Figure 4 on page 55 Comment: We would need a detailed explanation on when the NPE loan can be handled back outside of NPL WU, as it is not clear how to handle NPE loan in NPL WU unit for 3 years after successful restructuring. As an example from the corporate perspective, we are not sure if we should still wait for the mentioned 3 year period in the case of an investor, who injects new equity and appoints a new management, if thereby a new and financially stable company, which is already performing, was created.
52	5 - Recog	5.4.1.	59	Deletion	Reference to the following text: "To that end, a group of credit institutions should establish an IT system at group level that allows for the identification of each obligor in any credit institution of the group with a unique identifier and the reporting of every occurrence of a non-performing status for any obligor on a timely basis." Comment: An implementation effort for an IT system with unique identification of each retail customer with its forbearance and NPE data is unreasonable and unjustifiable in case of our bank given the practice that the retail customers are usually served only by the Group subsidiary which is operating within customer's country of residence.
53	5 - Recog	5.4.2.	59	Clarification	Reference to the complete section 5.4.2 Comment: It would be helpful if the ECB could also clarify whether section 5.4.2 relates in general only to non-retail customers, as otherwise such an analysis of control and economic interconnectedness will cause disproportionate costs especially for the retail area.
54	6 - Prov	6.1.	64	Clarification	Reference to the following text: "It summarises what are considered as best practices, taking into account the historical experience in different jurisdictions and/or practices already utilised by supervisors to assess credit riskiness (for instance, the SSM AQR methodology)." Comment: A definition should be provided on what should be taken from the AQR for daily ILLP measures.
55	6 - Prov	6.2.2.	67	Clarification	Reference to the following text: "Individual significance of the exposure. As stated in IAS 39, provisions for individually significant exposures should be assessed on an individual basis" Comment: We would need clarification on what is meant by "significant exposure".

56	6 - Prov	6.2.4.	69-73	Clarification	Reference to the following text: Complete chapter 6.2.4 Comment: It will be useful and would avoid unnecessary complications if the ECB could specify, that the rules and practices in section 6.2.4. are relevant for non-retail exposures only. Application of these requirements to the retail area represents an unjustifiable burden, especially in the cases where the bank assumes a "gone concern" approach.
57	6 - Prov	6.2.4.	71	Clarification	Reference to the following text: "The length of the projection should be restricted to the length of the reliable cash-flow projection (projections over a period of 10 years are only admissible in exceptional circumstances)" Comment: As local regulators and auditors of our bank currently consider a maximum of five years to be sufficient, a clarification would be appropriate whether five or ten year cash flow projections is demanded.
58	6 - Prov	6.5.	79	Clarification	Reference to individual sentences located on page 79: "An entity should write off a financial asset or part of a financial asset in the period in which the loan or part of the loan is considered unrecoverable. For the avoidance of doubt, a write-off can take place before legal actions against the borrower to recover the debt have been concluded in full". "All banks should include in their internal policies clear guidance on the timeliness of provisions and write-offs" Comment: In this regard, the ECB guidance is more aggressive than some local laws. We would like to point out, that in some EU jurisdictions timely write off is hindered by local legal or tax system, for example in Croatia or in Poland. Such deterministic rules create disincentives to the institutions to perform timely write-offs.
59	7 - Coll	7.2.4.	88	Clarification	Reference to the following text: "Banks should ensure that all appraisers and their first grade relatives, both internal and external, meet the requirements of independence as follows" Comment: In our understanding, the mentioned requirements are sufficiently ensured if they are confirmed by the appraiser as this is the market standard. This should be recognized in the guidance (provided that all the mentioned requirements are met).
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61	Annex - 4		105-106	Clarification	Individual comment related to pages 105 and 106 => We kindly ask to consider more detailed descriptions for the presented signals and identify the minimum set of signals that would need to be applied to selected portfolios.
62	Annex - 5		109-110	Deletion	Reference to the following text: "Related processes and procedures should be defined in accordance with the NPL strategy in a debt recovery policy, which should address, at a minimum: The role of risk management and internal audit departments in the procedure and in the monitoring process." Comment: The reference to Internal Audit should be deleted, as the role of the internal audit department, as third line of defense, is anyway usually stipulated in the Audit Charter. It is therefore of no additional value to include the role of audit in the debt recovery/enforcement policy, but may sooner cause an unclear situation if the audit role is defined in different policies.
63	Annex - 6		113-117	Amendment	Reference to the complete annex 6 Comment: As the NPL guideline requests to consider the borrower's expenditure on whole household level, we urge to additionally consider the complete income side of the household (income of all household members).
64	Annex - 6		113	Clarification	Reference to the following text: "Assessment of borrower expenditure levels should take account of likely future expenditure increases. At a minimum banks should be able to demonstrate that increases in line with inflation have been considered" Comment: Clarifications are needed regarding: 1. How should it be demonstrated that expected future increase is in line with inflation? 2. Which inflation forecasts should be taken into consideration? 3. How should inflation be considered on income side? 4. How should the potential increase / decrease of base rate (cost rate) and overall development of GDP be reflected in such a forecast model on individual basis of one borrower? 5. Could you provide example of such model?
65	Annex - 6		114	Clarification	Reference to the following text: "For the current repayment ability, indicatively the following should be taken into account": appropriateness of the property size to the borrower's accommodation needs" Comment: As there are more factors (e.g. pledge on the property, pending executions, liquidity on the real estate markets, customer willingness to move, governmental protections of customers), a clarification on how the property size should be linked to the borrower's living space with repayment ability is needed.
66	Annex - 6		114	Clarification	Reference to the following text: "For the future repayment ability, indicatively the following should also be taken into account: life cycle stage and potential biological risks" Comment: Clarifications regarding what kind of biological risk has to be recognized as well as how to accommodate decision aligned with such risk to avoid claim for discrimination are needed.
67	Annex - 7		118-126	Clarification	Reference to the complete annex 7: Comment: The reporting requirements set forth by the ECB require enormous investment and implementation costs, in particular for the Retail segment. The core-banking systems implemented by the NWUs are quite heterogeneous and might not always be able to provide all level of granularity required by the ECB. Individual comment related to page 121 table 5c => Please clarify, if aging should be tracked from the first forbearance measure. Individual comment related to page 122 table 6 => Please clarify, how to report measures which consist of combination of more measures defined in NPL guideline