



RCB Bank Ltd

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European Central Bank

Secretariat to the Supervisory Board
60640 Frankfurt am Main
Germany

Re: "Public consultation on the draft ECB guidance to banks on non-performing loans"

Dear Sir/Madam,

RCB Bank Ltd. appreciates the possibility to comment on ECB guidance to banks on non-performing loans and would like to provide the following position.

The definition of non-performing exposures requires assessment of exposure repayment "without realization of collateral" due to uncertainty of the value of the collateral and time required for its realization.

In case of cash collateral facilities the lending bank operates as an agent between the borrower and cash collateral provider and the situation is completely different:

- 1) credit risk in substance is transferred to the cash collateral provider;
- 2) the value of cash collateral is clear and equal to the deposit amount, no extra discounts or expenses;
- 3) the settlement of exposures versus cash collateral can be done immediately;
- 4) there is no "realization of collateral" process, the bank can simply set-off the loan and cash deposit on its own discretion, without any court decision or additional consent from any party;
- 5) as the lending bank does not bear any credit risk for such loans, NPEs reporting should be done by the cash collateral provider.

In connection with this we propose to amend section 5.2.2 of ECB guidance in order to exclude the cash collateralized facilities from "without realization of collateral" criterion.

Sincerely yours,

Vladimir Popov
Deputy CEO