

Template for comments

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

Institution/Company

Banking and Payments Federation Ireland

ID	Chapter	Section	Page	Type of comment	Detailed comment	Concise statement why your comment should be taken on board
1	5 - Recog	5.3.3		56 Amendment	<p>This Section of the ECB Draft Guidance sets out specific requirements for reclassifying non-performing forborne exposures as performing exposures. This includes a requirement that the Borrower's behaviour demonstrates that financial difficulties no longer exist.</p>	<p>Without this amendment to the current Draft wording under Section 5.3.3, it would have the impact of ensuring high numbers of SME and Corporate customers would remain in Default classification effectively permanently and would not have the ability to resume a normal lending relationship with its bank even after demonstrating its ability to perform its obligations under a restructured and sustainable loan facility.</p>
2					<p>Under the EBA ITS on supervisory reporting of non-performing exposures (effective from September 2014), Paragraph 157 (c) states that:</p>	
3					<p>"Concerns may be considered as no longer existing when the debtor has paid, via its regular payments in accordance with post-forbearance conditions, a total equal to the amount that was previously past-due (if there were past due amounts) OR that that has been written-off (if there were no past due amounts) under the forbearance measures OR the debtor has otherwise demonstrated its ability to comply with the post-forbearance conditions."</p>	
4					<p>The requirement whereby "OR the debtor has otherwise demonstrated its ability to comply with the post-forbearance conditions" has been removed from the ECB Draft Guidance to banks on non-performing loans (as well as the recently published EBA guidelines on the application of the definition of default under the 2014 Regulations).</p>	
5					<p>The requirement "OR the debtor has otherwise demonstrated its ability to comply with the post-forbearance conditions" is considered to be an important and more reliable indicator that the Borrowers loan is a sustainable and performing exposure.</p>	
6					<p>We strongly recommend that under the criteria for Curing / Exit from non-performing loans, that the requirements in section 5.3.3 should read as follows:</p>	
7					<p>"... and that the debtors behaviour demonstrates that financial difficulties no longer exist. To dispel concerns regarding financial difficulties, the following criteria should be satisfied:</p>	
8					<p>1. the exposure is not considered impaired or defaulted;</p>	
9					<p>2. there is no past-due amount on the exposure, meaning that the exposure is current and that any accrued unpaid principal and interest instalments have been repaid;</p>	
10					<p>3. The Borrower should have settled, by means of regular payments, an amount equivalent to all the amounts past due on the date the forbearance measures were granted (if there were past-due amounts at this date), OR to the amount written-off as part of these forbearance measures (if there was no past-due amount at the date of the forbearance measures), OR the borrower has demonstrated its ability to comply with the post-forbearance conditions"</p>	