



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Template for comments

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

Institution/Company

DebtX

Contact person

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Template for comments

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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
					<p>Please find attached my detailed comments to the guidance in the requested Excel format.</p> <p>At a larger level, my one criticism of this excellent document is that it focuses on internal management and resolution of NPLs by banks and effectively makes no reference to NPL sales as a strategy. Given the sometimes sudden increase in NPL levels, it is not always practical or realistic for banks to manage 100% of their NPLs. The experience of Lloyds Bank, NAMA, Allied Irish, Commerzbank and others demonstrates the power of sales to execute strategy quickly when market conditions allow.</p> <p>NPL sales give bank management a mechanism to dispose quickly of large or small volumes of loans. These sales also act as an effective mechanism for benchmarking internal efforts as well as creating a floor when considering the value of NPL inventory held on the bank's books.</p> <p>Unless NPL sales are factored in early in setting the bank's strategy, the operational requirements will later become a handicap. Loan documentation needs to be gathered in such a manner that hand off to a third party for either servicing or sale can be effectively executed. Ultimately, nearly every bank with a large stock of NPLs will conduct a sale. The sooner this is factored into their operational strategy, the more successful they will be.</p> <p>Similarly, from a control and oversight perspective, clear rules need to be set as to how sales will be conducted, what contingent liabilities the bank is willing to retain from a sale, and how sales will be approved. The correct technological platform can ensure that sales are run efficiently, fairly, and with prudential oversight. A poorly thought out NPL sale strategy can lead to years of government review and lawsuits.</p>	
1	2	2.1	8	Omission	Under Operation capacities insert a bullet as to whether the bank has experience with the process of NPL sales and the systems to support them	NPL sales are a viable strategy
2	2	2.2	10	Omission	Third party servicing needs to be recognized within the regulatory environment of the country in question. The introduction of 3rd party servicing may require changes in laws	Third party servicing is not always in place
3	3	3.2	17	Omission	Controls and processes for NPL sales need to be defined by management	The process of conducting NPL sales must be fair and open
4	3	3.3.1	19	Omission	Loan sales' should be considered as one of the options under 'liquidation'.	NPL sales are a viable strategy
5	3	3.3.4	24	Omission	Internal technical requirements associated with loan sales should be mentioned. Legal capabilities, sales policy, access to a VDR, review of documents, etc.	NPL sales are a viable strategy
6	3	3.5.4	33	Omission	Insert a subsection under 'liquidation activities' discussing loan sales	NPL sales are a viable strategy
7	4	4.3	43	Omission	One of the other workout options is sales. Sales allow workout management to benchmark their internal processes to the cost of external sales	NPL sales are a viable strategy