

Gdańsk, November 15th, 2016
Ldz. 15/11/2016**EUROPEAN CENTRAL BANK**

Dear Sir/Madam,

Conference of Financial Companies in Poland – employers' association (KPF) has been created on October 27th 1999 and currently associates several dozens key institutions active on the finance consumer market in Poland (banks, financial advisors and intermediaries, money lending companies, economic information bureaus, debt management companies and insurers). The companies associated in KPF decided to represent their interest in the form of a trade organization which has the right to present opinions about bills and legal acts, as a social partner of the legislative process. This entitlement is honored by state authorities and administration and thus KPF plays active role in Polish legislation as a professional organization. KPF is also member of Eurofinas, the European Federation of Finance House Associations - the voice of the specialized consumer credit providers in Europe, which currently represents 16 Member Associations, in turn bringing together more than 1,200 finance houses, captive companies, specialized and universal banks.

KPF welcomes the opportunity to respond to the European Central Bank (ECB) consultation paper on the draft guidance to banks on non-performing loans (NPL). We fully support the ECB's objective to reduce NPLs in banks' balance sheets. NPL purchasing and external servicing businesses are an important part of the debt management value chain since many years. Therefore we would like to stress the need to adopt such guidance, which shall encourage the banks to sell NPLs. Please find our brief input attached.

In respect of NPL, at the same time we would like to present a result of our latest work, which is the recommendation document **"Good Practices of Receivables Sale Process"**.

Part of KPF's members are active in the field of receivables management, which also includes buying receivables from creditors (including NPLs) with the aim of collecting dues instead of the primary creditor. More and more often this process begins with a tender organised by the primary creditor. Only very basic rules of such tenders are regulated by law, thus we identified a necessity of providing some guidelines or recommendations, how this process should be organised to the good of its participants and also of debtors. A group of our members prepared an initial project, then a special working group was created inside the KPF to prepare a document that was distributed for consultations. This was a two-fold process: internal and external consultations. Internal consultations were performed with all the KPF members, and external consultations consisted of collection of feedback from regulators and supervisors. Then the works were continued inside a joint-working

group of KPF and the Polish Bank Association (ZBP). The final version is a result of this extensive process.

Thanks to such a broad consultations and mutual adjustment, “Good Practices of Receivables Sale Process” (ZDP) are detailed and specific recommendations of the KPF designed not only for members of the KPF, but also for all parties of tenders for sale of receivables. ZDP includes all essential steps and elements of the receivables sale process and defines them in a detailed way, in order to ensure high standards of this process important for the financial market. Adoption of ZDP leads to shaping the process of sale of receivables in such a way that it can be carried out efficiently and effectively, but also taking into account the fundamental fact that the way of conducting and finalizing the assignment contract has a direct influence not only on the subject of the proceedings, which are receivables. It also has a very important meaning and influence on people behind the receivables – Clients of the Buyer and the Seller.

Please find this document attached.

I remain at your disposal, should you be interested in discussing any specific issue of the comments on the ECB draft guidance or the Good Practices of Receivables Sale Process document. Feel free to contact me (mzczugan@kpf.pl, mob.: + 48 510 049 177).

Yours sincerely,

Marcin Czugan



Vice-President of the Management Board



Template for comments

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

Institution/Company

Conference of Financial Companies in Poland

ID	Chapter	Section	Page	Type of comment	Detailed comment	Concise statement why your comment should be taken on board
1	General			Clarification	<p>The need for policies to tackle asset quality issues in the EU is compelling, also in light of the adverse effect of NPLs on the real economy. Due to this, NPL resolution strategies promoting the sales and / or outsourcing of the non-performing debt servicing should always be considered and encouraged. We would like to point out some of the numerous benefits arising from this approach, such as:</p> <ol style="list-style-type: none">1) greater focus on the core business functions of the banks;2) improved efficiency of the banks, resulting from avoiding potentially costly, complex and time consuming build-up of specialized functions for amicable and legal, retail and corporate debt collections (cost effective alternative to lengthy court procedures);3) improvement in various risk-related KPIs (such as RWA, capital adequacy ratio etc.) and - as a consequence - banks' balance sheets and P&Ls;4) more efficient resolution of the bank clients' debt problems, what emerge from greater flexibility on the part of external agencies compared to the banks in offering personalized solutions to debtors (providing reliefs, spreading out the debt in installments etc.);5) external NPL portfolio sales bring immediate relief to the economy by unlocking the lending capacity of the banks, what is crucial to supporting credit growth, especially to SMEs that are more reliant on bank financing;6) potential tax benefits for the banks depending on the structure of non-performing asset sale (although we propose the tax treatments to be harmonized within the EU);7) a market for NPLs would also support corporate restructuring and expand sources of financing (it would improve secondary market liquidity for loans and attract a wider range of institutional investors, such as private equity funds, asset managers, insurance companies or pension funds). <p>In our opinion and according to our members, banks should be encouraged to consider sales and / or external servicing of NPL portfolios for the reasons outlined above. Benchmarking the financial impact of continued internal collections against the sale of NPLs could help reach informed decisions on the topic.</p> <p>Furthermore, the implementation of policies for recognizing, monitoring and work-out of non-performing exposures shall be simplified and expedited by including specialized collection agencies in the value chain.</p>	<p>The correct understanding of the benefits resulting from the sales and / or outsourcing of the non-performing debt servicing is key to the proper implementation of the strategy, which aims the NPLs reduction.</p>
2	General			Clarification	<p>The proposed guidance will apply to institutions active across multiple jurisdictions, to firms with various structural (organizational) characteristics, different technical abilities and resources, as well as institutions with different products and their legal characteristics. Taking into account the above, it is crucial to ensure that the NPL's guidance is sufficiently flexible in the implementation of these standards.</p>	<p>The guidance shall provide a maximum flexibility to be efficiently applied in all segments of the market.</p>
3	Annex - 6		113	Clarification	<p>Annex 6 sets out the lists of aspects, which should be taken into account in the borrower's (both retail and corporate) affordability assessment. As it is a standard practice across most business segments, we are concerned by the very prescriptive nature of this Annex, which may the flexibility of the guidance. In our opinion, it should be clarified that Annex 6 is purely indicative.</p>	<p>We consider a risk of the guidance's flexibility to be contradict.</p>