



January 2018

The EBA issues standardised NPL templates

With various banking regulation and accounting changes (such as IFRS 9 and the ECB Guidance on NPLs) beginning to impact the treatment of non-performing loans (NPLs) from 1st January 2018, it is a time of significant change for NPL market participants.

The need to tackle the European banking sector's NPL problem is well established. NPL disposal (including securitisation) will inevitably be a key part of the strategy to resolve that problem. Aside from asset quality and the servicing environment, the other major factor that influences the pace and success of NPL sales is the quality of available information about the assets in question. The importance of complete data has been recognised by both the European Commission and the European Council, who asked and mandated the European Banking Authority (EBA) to issue templates for banks, specifying detailed information required from banks on their credit exposures.

In response, on 14th December 2017, the EBA published standard data templates for use in NPL transactions across the EU. There are two sets of templates: (1) the "EBA NPL portfolio screening" templates (which stratify the NPL portfolio using data fields that would typically form part of a market sounding exercise); and (2) the "EBA NPL transaction templates" (which provide granular and extensive data fields for various types of credit to enable a more detailed financial due diligence and valuation exercise).

Use of the templates is not a supervisory requirement but banks may adopt these on a voluntary basis as a means for parties in NPL transactions to have access to information at a level that would be

For further information on any of the issues discussed in this article please contact:



Conor Houlihan

DD: +353 (0)1 673 1719

conor.houlihan@dilloneustace.ie



Weisim Ho

DD: +353 (0)1 673 1714

Weisim.ho@dilloneustace.ie

helpful for screening, financial due diligence and valuation during NPL transactions. The templates are designed to become a market standard for NPL transactions.

The templates are built on existing reporting requirements (e.g. CRR), and take into account other work done in developing loan-level templates (e.g. the Securitisation Regulation STS regime), which should reduce the implementation costs and burden for banks.

It is hoped that an extended use of these templates will help investors and other stakeholders in NPL transactions by widening the investor base, lowering entry barriers to investors, improving the quality and availability of information, supporting price discovery and facilitating the development of the NPL secondary market.

The EBA has made clear that use of the templates will not supplant the need for tailored legal, accounting, tax and/or other professional advice in the context of each particular NPL transaction. In some jurisdictions (e.g. Ireland), much of the information contained in the templates may already frequently be provided as standard in loan sale transactions. Nevertheless, the use of standard forms and content has the potential to improve the efficiency and success of sale processes and provide greater predictability for all parties at all stages.

Click here for the [Press Release](#) from the EBA and the [NPL Templates](#)

Should you have any queries or require any further information on this topic, please do not hesitate to contact Conor Houlihan or your usual Dillon Eustace contact. The Dillon Eustace “**Distressed Loan Transaction & Advisory**” team has, for the past twenty years, been advising some of the more active buyers, sellers, funders and servicers of non-performing loan portfolios both in Ireland and internationally.

DILLON EUSTACE

Dublin

33 Sir John Rogerson's Quay, Dublin 2, Ireland. Tel: +353 1 667 0022 Fax: +353 1 667 0042.

Cayman Islands

Landmark Square, West Bay Road, PO Box 775, Grand Cayman KY1-9006, Cayman Islands. Tel: +1 345 949 0022 Fax: +1 345 945 0042.

New York

245 Park Avenue, 39th Floor, New York, NY 10167, U.S.A. Tel: +1 212 792 4166 Fax: +1 212 792 4167.

Tokyo

12th Floor, Yurakucho Itocia Building, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan. Tel: +813 6860 4885 Fax: +813 6860 4501.

DISCLAIMER:

This document is for information purposes only and does not purport to represent legal advice. If you have any queries or would like further information relating to any of the above matters, please refer to the contacts above or your usual contact in Dillon Eustace.

Copyright Notice:

© 2017 Dillon Eustace. All rights reserved.